Munich RE

Munich Reinsurance Company
Annual General Meeting 2014

Report of the Chairman of the Board of Management

Nikolaus von Bomhard, 30 April 2014

REPORT

WE CREATE BENEFITS AS ONE

Key figures (IFRS)[1, 2]

Munich Re at a glance

		2013	2012	2011	2010	2009
Gross premiums written	€bn	51.1	52.0	49.5	45.5	41.4
Net earned premiums	€bn	49.2	50.5	47.3	43.1	39.5
Net expenses for claims and benefits	€bn	39.9	41.0	40.9	36.6	32.4
Net operating expenses	€bn	12.4	12.6	12.0	11.1	10.2
Operating result	€m	4,409	5,349	1,180	3,978	4,721
Taxes on income	€m	108	878	–552	692	1,264
Consolidated result	€m	3,342	3,204	712	2,430	2,564
Attributable to non-controlling interests	€m	29	16	10	8	43
Earnings per share	€	18.50	17.94	3.94	13.06	12.95
Dividend per share	€	7.25	7.00	6.25	6.25	5.75
Dividend payout	€m	1,266	1,255	1,110	1,110	1,072
Share price at 31 December	€	160.15	136.00	94.78	113.45	108.67
Munich Re's market capitalisation at 31 December[3]	€bn	28.7	24.4	17.0	21.4	21.5
Book value per share	€	146.45	152.34	129.99	126.31	114.89
Investments	€bn	209.5	213.8	201.7	193.1	182.2
Equity	€bn	26.2	27.4	23.3	23.0	22.3
Return on equity	%	12.5	12.5	3.3	10.4	11.8
Off-balance-sheet unrealised gains and losses[4]	€bn	8.7	11.0	5.7	3.6	3.2
Net technical provisions	€bn	187.7	186.1	181.2	171.1	163.9
Balance sheet total	€bn	254.3	258.4	247.6	236.4	223.4
Staff at 31 December		44,665	45,437	47,206	46,915	47,249

Reinsurance

		2013	2012	2011	2010	2009
Gross premiums written	€bn	27.8	28.2	26.0	23.6	21.8
Investments	€bn	78.5	83.8	79.5	83.7	76.8
Net technical provisions	€bn	60.5	61.1	62.7	56.6	53.4
Major losses (net)	€m	1,689	1,799	5,048	2,228	1,157
Natural catastrophe losses	€m	764	1,284	4,538	1,564	196
Combined ratio property-casualty[5]	%	92.1	91.0	113.8	100.5	95.3

Primary insurance

		2013	2012	2011	2010	2009
Gross premiums written	€bn	16.7	17.1	17.4	17.5	16.6
Investments	€bn	126.1	124.9	117.0	121.8	118.4
Net technical provisions	€bn	125.1	122.8	116.1	111.2	107.7
Combined ratio property-casualty	%	97.2	98.7	99.1	96.8	93.2

Munich Health

		2013	2012	2011	2010	2009
Gross premiums written	€bn	6.6	6.7	6.0	5.1	4.0
Investments	€bn	3.6	4.2	4.6	4.1	3.1
Net technical provisions	€bn	2.2	2.2	2.4	3.3	2.9
Combined ratio[6]	%	98.3	100.2	99.5	99.7	99.4

1 Previous years' figures adjusted owing to IAS 8; see "Changes in accounting policies and other adjustments".
2 In 2012, our segment reporting was modified and no longer has a consolidation column. The figures for 2011 have been adjusted accordingly. Comparability with the years 2009 and 2010 is thus limited.
3 Up to and including 2010 and for 2013, this contains own shares earmarked for retirement.
4 Including those apportionable to minority interests and policyholders.
5 The figures for 2011 are not adjusted for relief of 1.4 percentage points from economic risk transfer to the capital markets.
6 Excluding health insurance conducted like life insurance.

Munich Reinsurance Company

Annual General Meeting 2014

Report of the Chairman of the Board of Management, Nikolaus von Bomhard,

30 April 2014

Ladies and gentlemen,

We have a very good year behind us and have made a good start to 2014. On this happy note, I would like to welcome you warmly as shareholders to Munich Re's 127th Annual General Meeting.

Group result

As usual, I will start by looking back at the last financial year, commenting on current business where appropriate. In 2013, we made a profit of €3.3bn, exceeding our original target of "close to €3bn". It was the third-highest result in our company's history.

All of the Group's fields of business are in good health and contributed appropriately to the result. We owe the growth in profits in particular to improved results at ERGO and Munich Health. ERGO's results were at the top end of our expectations, and Munich Health actually performed significantly better than expected, though won't yet be able to repeat that performance in 2014. In any event, the Group's broad spread of business has proved its worth.

Though the result includes a number of special effects, they largely cancel each other out, and I would like to stress that we would still have achieved our profit target of close to €3m without them. The small positive balance of the special effects was merely the icing on the cake.

Movements in exchange rates had a noticeable negative effect on the result, with the strong euro leading to currency losses.

Our tax burden in 2013, on the other hand, was unusually low, due mainly to recalculation of taxes for prior years. We were also able to offset a large proportion of our US subsidiaries' profits against tax carry-forwards. It is important to bear these effects in mind, as they will not be repeated in 2014. In the current year, we are again expecting a more normal tax rate of 20 to 25%.

We achieved a respectable return on our investments, with, of course, the low-interest-rate environment taking its toll. Due to the low interest rates, the return decreased last year to 3.5%. We expect the return on our well-balanced portfolio to fall further in 2014 because the maturing investments have on average produced higher returns than the new ones. At least, the reinvestment return had already effectively bottomed out in 2012 and the good news is that it rose in 2013. Higher returns would only have been achievable with higher risks, which we have intentionally avoided.

The result of €3.3bn is all the more respectable in the light of the low interest rates and is indicative of our good positioning vis-à-vis our competitors. We did our homework in good time and can now act from a position of strength. Particularly worthy of mention is our very comfortable capital situation, which enables us to consider any options that arise. Despite recent higher interest rates and the cost of exchange-rate movements, our equity decreased only slightly to around €26bn. However, the absolute amount of our equity is of relatively little interest to us for the management of the Group. What matters is the ratio of economic equity to our risk capital requirement. This ratio again increased significantly compared to the previous year. We were thus able to further increase our financial strength.

Participation of shareholders in the Group's success

The Munich Re share price rose by some 18% last year. Towards the end of 2013, it reached a level last attained in 2002.

As owners and shareholders of Munich Re, you should not only profit from the good results through the share price. The Board of Management and Supervisory Board will therefore propose to the Annual General Meeting that the dividend be raised to €7.25 per share, making Munich Re's dividend one of the highest paid by a major company. The last time the dividend was reduced was over 40 years ago – something only our older shareholders will remember.

I have brought along a diagram comparing share prices on 31 March 2014 with dividends for the 2013 financial year. As you can see, Munich Re is not just among the leaders in the DAX; it is number one. No other DAX company offers a higher dividend yield. I believe this demonstrates emphatically that your investment in Munich Re is very worthwhile.

A comparison with other DAX companies also shows that a high degree of stability and reliability in a dividend cannot be taken for granted. From the many conversations I have had, I know that you as shareholders appreciate exactly this. Pursuing a stable dividend policy also means not paying out as much as is possible in the short term. We always set the dividend only at a level we are convinced we can maintain even in relatively difficult years. We also have the option of share buy-backs to fine-tune the management of our capital resources and we intend to make use of it again this year: before the next Annual General Meeting in 2015, we plan to buy back our own shares up to a value of €1bn, the same amount we invested in a buy-back programme just completed. We use these share buy-backs to indirectly return capital we do not currently need to you, our shareholders.

I believe the overall package of price performance, dividend and share buy-backs is a relatively attractive one. We will spare no effort in the future to stay on the path of sustainable value creation.

And now to the individual fields of business.

Reinsurance

Last year, the reinsurance field of business produced a profit of €2.8bn. The 2012 and 2013 results were so good that it is likely to be difficult to repeat them.

A little over €400m of the result was attributable to life reinsurance. The result would have been even better had it not been for more claims in Australian disability business and increased expenses for pure mortality covers in the USA. Overall, it is pleasing to note that life reinsurance is developing dynamically, though of course as in other segments, we ensure that margins are achieved that are strictly in line with the risks incurred. For example, we adopt a restrictive approach to longevity risks. Nevertheless, premium in life reinsurance has doubled since 2008. One of the main reasons for this is a change in what our clients are looking for: they are increasingly using reinsurance for capital-relief purposes. Business is progressing particularly well in Canada and Asia. Prospects for life reinsurance continue to be good overall.

In property-casualty reinsurance, a result of €2.4bn was achieved with a combined ratio of 92%. Losses from natural catastrophes were somewhat lower than our budgeted expectations, man-made large losses somewhat higher. Overall, it was a particularly good year for property-casualty reinsurance, with the combined ratio I mentioned well below the target we had set.

Allow me at this juncture to say something about the situation in the reinsurance market. We are currently reading a lot about the soft market, fiercer competition and additional alternative capital, especially in the market for non-proportional natural catastrophe covers.

These observations unfortunately reflect the true situation and we take them very seriously. It is a long time since we have seen such intense competition. The low interest rates and abundant liquidity do not help either. However, we are not worried. We sometimes even use the additional capital available for our own purposes. And in view of our strong market position, we expect to be able to limit the impact of the soft market on our portfolio. Our experience confirms this assumption. Because as a well diversified reinsurer with extensive knowledge and expertise, we are in a position to offer tailor-made solutions. This enables us to generate added value for clients that is not easily replicated by competitors. Indeed, though many can provide capital, few have the breadth and depth in products and services that Munich Re is able to offer. This puts us in a relatively strong position, which enables us to give up business that does not meet our profitability expectations and take on new, profitable business elsewhere.

In the January renewals of the reinsurance treaties, tailor-made solutions for our clients accounted for a third of the business concluded. In half of the transactions, exclusive conditions were achieved for Munich Re. The share of business closely related to primary insurance – grouped under the heading “Risk Solutions” – is rising. This area is driven strongly by specialist knowledge and is consequently less exposed to competition. It now generates premium income of €4bn with a combined ratio of under 84%. We are also focusing increasingly on innovative products, from cyber policies and performance insurance for LED modules to reputation insurance. Our special focus on finding solutions in reinsurance can best be summed up by our claim “NOT IF, BUT HOW”.

I would particularly like to mention one positive development before moving on to primary insurance. Our US subsidiaries have been continuously improving their results for some time, last year achieving an excellent profit of US$ 1.3bn. A substantial share of the innovations I mentioned also comes from them. I am making this point because some of the companies have been the subject of justified criticism in the past. This pleasing trend is the result of sustained, unglamorous work over a period of years. Our US subsidiaries are now among the Group’s most profitable units.

Primary insurance

In 2013, we achieved a profit in primary insurance of well over €400m. This is a very satisfactory result and a substantial improvement on the previous year.

It is interesting to note that Munich Re’s two most expensive loss events worldwide in the property-casualty segment both occurred in Germany. They were the floods in Central

Europe and last summer's hailstorm events, with losses at ERGO correspondingly high. Despite this, ERGO was able to reduce its combined ratio. This positive trend would have looked even better without the two events I mentioned. Overall, the property-casualty business contributed around €170m to the profit made by the primary insurance field of business.

A profit of €130m was achieved in health insurance. We remain number 2 in Germany in comprehensive health insurance, and clear market leader in supplementary insurance.

Life insurance accounted for a little over €130m of the profit, though the figures benefited from net positive one-off effects. Overall, the very long period of low interest rates has made for a difficult environment, especially for German life insurers. As you will be aware, ladies and gentlemen, ERGO has designed a completely new generation of products in life insurance. It takes account of the evident changes in the business environment, which include the capital markets, new supervisory rules and the demand from customers for more flexibility. ERGO, Munich Re's reinsurance experts and MEAG worked together to develop and bring to the market two forward-looking products – ERGO Annuity Guarantee and ERGO Annuity Opportunity. We are satisfied with the sales achieved in the second half of 2013. In non-state-sponsored private-client business, 60% of ERGO's new-business customers opted for a product from the new generation, and the percentage has risen significantly in the first few months of 2014. This indicates that the new generation of products is being well received by customers. More products from this family will follow, also in the area of state-sponsored old-age provision.

Last year, ERGO defined and approved its strategy for the coming years. Some of the initiatives involved, such as introduction of the new product generation to stimulate life insurance and the streamlining of sales structures, have already been launched. Other important initiatives for our business are aimed at profitable growth in property-casualty insurance, the reinforcement of our leading position in the supplementary health insurance market, and greater use of the direct selling expertise throughout the ERGO Group. We also intend to further expand ERGO's international activities in Eastern Europe and Asia. In 2013 for example, ERGO launched its life insurance business in China via a joint venture, and this year we will also be starting life insurance operations in India. ERGO is also working on its internal structures, which are being reorganised and streamlined. Customer satisfaction measured by the Net Promoter Score will be used as a key indicator of performance. All of these are important building blocks, which ERGO is resolutely putting in place to meet its pledge to the market: "To insure is to understand".

Munich Health

Munich Health, our smallest and newest field of business, had too bad a year in 2012 and, with a result of €150m, too good a year in 2013. The right level would be about half way between the two, or to be more precise a little more than that. We believe that a profit of €100m is a realistic objective for the current year. I'll come back to that when I talk about the outlook.

What is important is that we have revised Munich Health's strategy and remedied the problems in the US primary insurance group. We successfully restructured and sold the company concerned, with the sale ultimately turning out better than expected.

Doris Höpke will take over responsibility for Munich Health from tomorrow. I am pleased to be able to say that she will not be going there to restructure a business in difficulty. Though a small number of shortcomings remaining still have to be resolved, her brief will primarily be to develop and shape the business, because despite the fact that we misjudged the political risks in the USA, health insurance is a growth market worldwide. We are making successful progress in two important growth regions, the Arabian Peninsula and India. We intend to build on and repeat this success. Overall, Munich Health puts Munich Re in a good position to make use of the opportunities available.

Strategy

A few comments on our strategy against the background of last year's figures. Munich Re is pursuing a business model with a future. Our risk expertise and our ability to offer clients tailor-made solutions open up good profit and growth prospects. As a risk carrier, we certainly don't need to worry about the world running out of risks: globalised and closely linked economies, complex technologies, demographic changes and natural hazards result in strong demand for insurance cover. These are being constantly joined by new risks, such as reputational risks and cyber risks, for which we have developed and will continue to develop solutions for our clients.

Innovations are key – if not the key – to profitable growth. We aim to exploit our Group's innovation capacity even more in the future. Indeed, the Group not only provides us with added value through risk diversification and employee development, but it also increases our potential for innovation. The new generation of life insurance products I have just mentioned is a good example. By promoting innovation in the Group, we are putting into practice our "We create benefits as one" pledge, the theme of today's Annual General Meeting.

The skill lies in creating innovations for which there is a pressing demand in the market. It is therefore vital for us to be close to our clients. Only if we know and understand their needs can we offer them innovative products and intelligent, tailor-made solutions. The strategies for both the reinsurance business and ERGO thus place great value on proximity to clients.

We strive for excellence in our core business. As a variation on ERGO's claim "To insure is to understand", we could say "We understand insurance". This is where our knowledge edge lies. We intend to, and have to, assess risks better and handle them more efficiently than our competitors. It is good that we formulated this strategy early enough and then resolutely implemented it, because anyone who has to achieve high investment returns to compensate for moderate underwriting ability is forced to take considerable risks in the capital markets, or even bet on rising interest rates. We don't have to. And we don't want to, because we don't believe we know what the future will bring in the capital markets. We will not be redirecting our investment profile towards more risk. If you wish to buy more risky investments, you can do so directly. You don't need us to to that. This is what we offer you. When you invest in Munich Re, you invest in an insurer, not in a speculator in the financial markets.

With this strategic focus, we have so far been able to withstand the financial crisis relatively well and achieve this very good result in 2013 in a difficult environment. And with this same focus, we can also face up to the – doubtless considerable – challenges of 2014 with optimism and confidence,

which leads me to the outlook.

Outlook for 2014

For 2014, we are aiming for a result of €3bn. The result target for 2013 was "close to €3bn"; we are thus setting ourselves the same objective as for last year, though dispensing with the "close to".

Broken down by field of business, we are expecting a result of €2.3bn to €2.5bn in reinsurance, €400m to €500m in primary insurance, and around €100m at Munich Health.

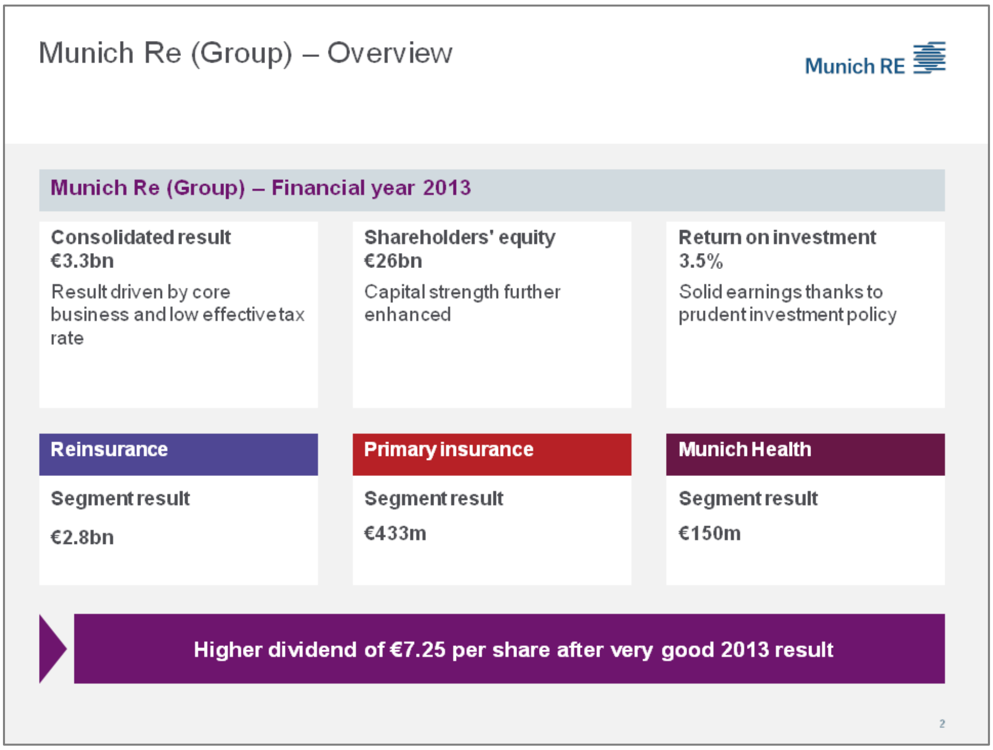
This target is definitely ambitious, given the prospect that the return on our investments will fall further and that our tax burden will revert to normal. But the target is achievable based on the quality and profitability of our core business.

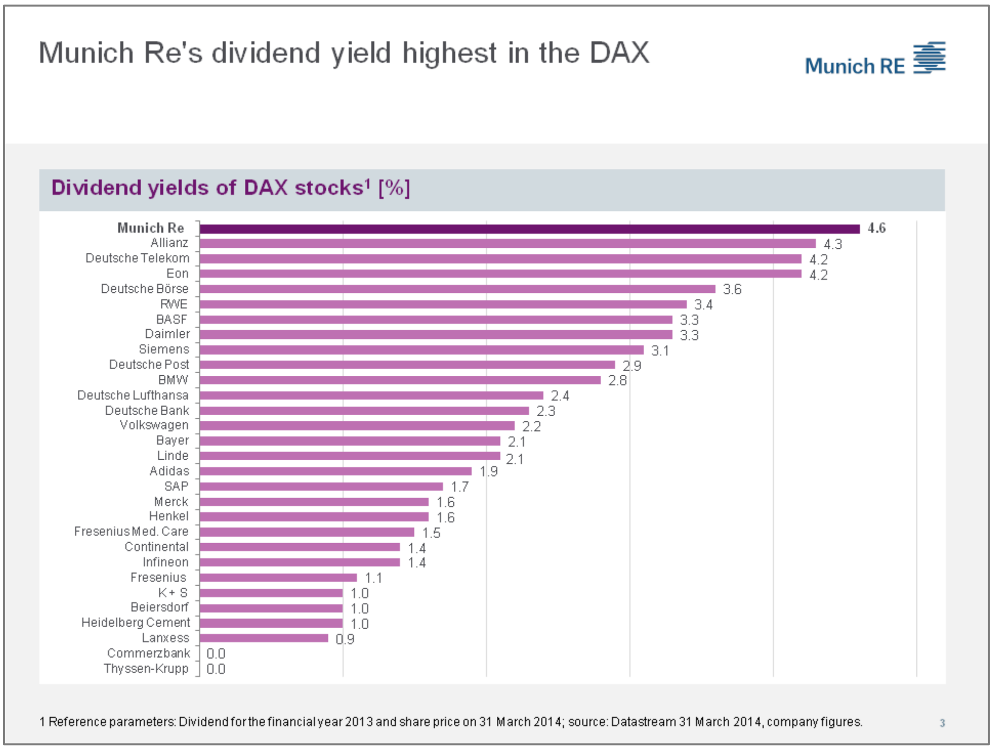
Overall, Munich Re is well positioned to meet the challenges that lie before us. More than this, we have worked to place ourselves in a position that enables us to make respectable profits even in a difficult environment. In this spirit, we will make every effort to fulfil your expectations again in 2014.

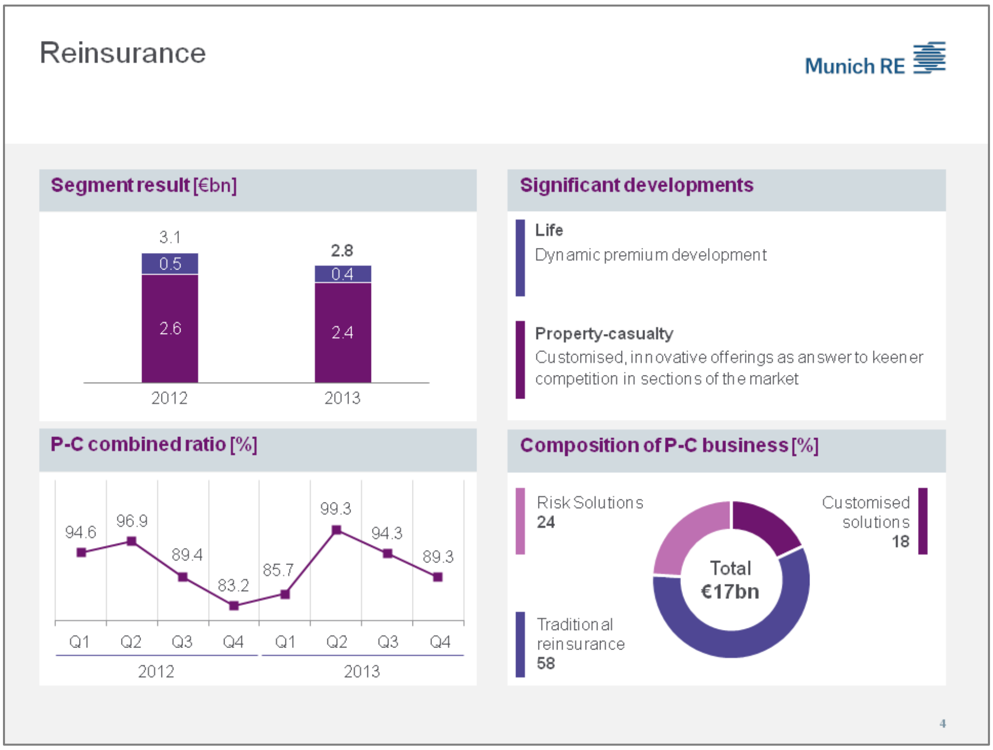
Thank you for your attention and your trust.

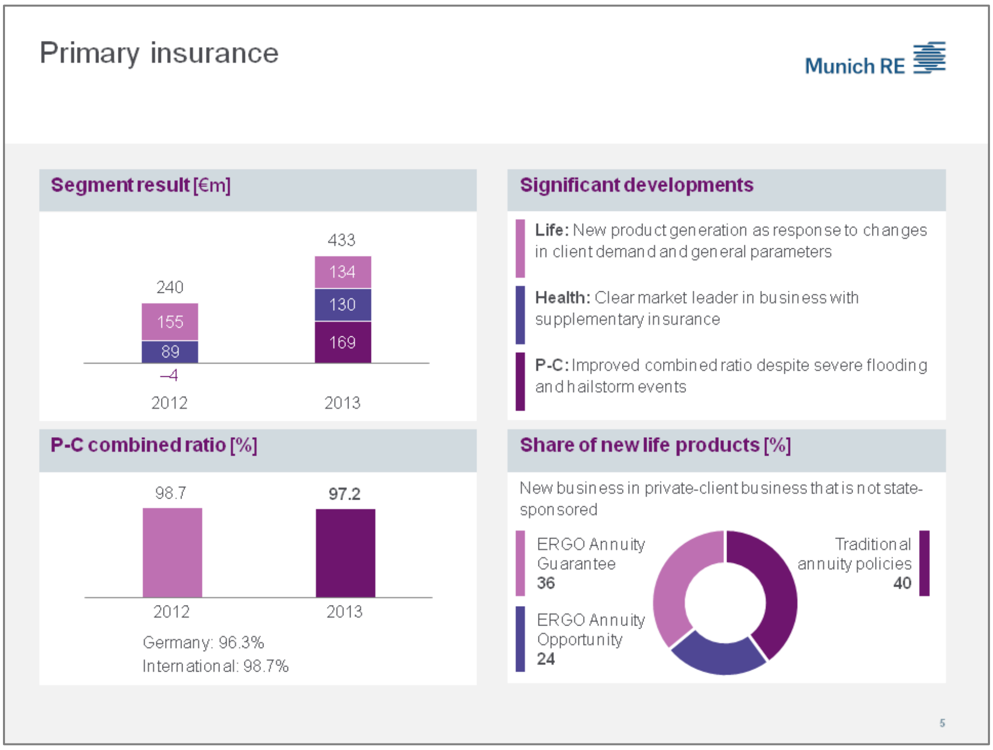
(Check against delivery)

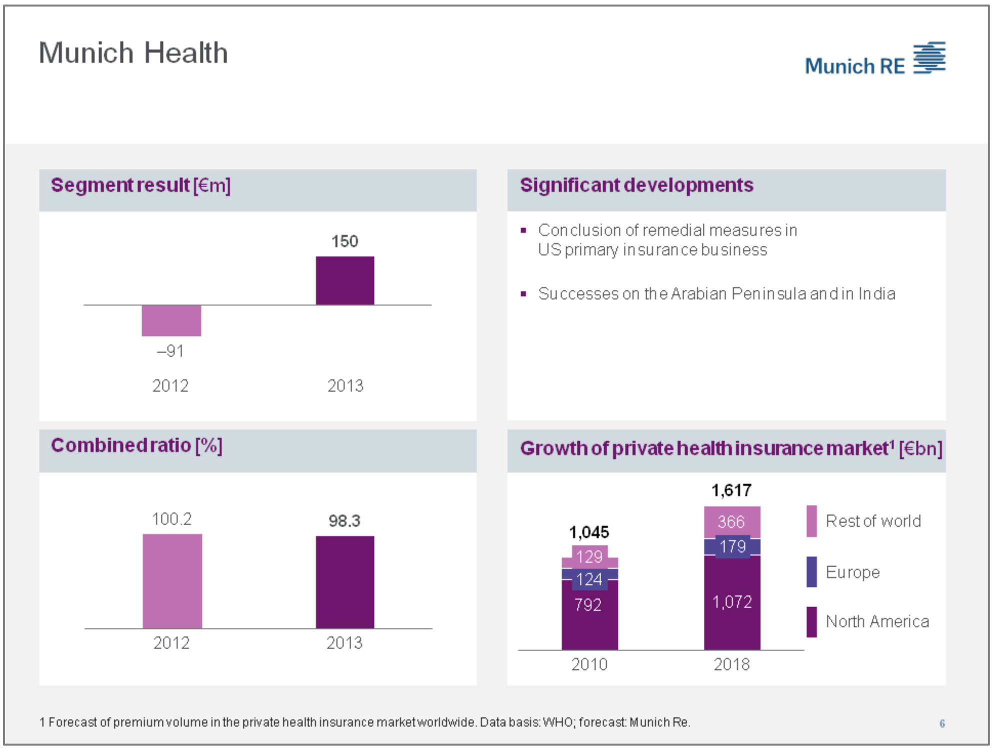

2014
Munich Reinsurance Company
Annual General Meeting 2014
Nikolaus von Bomhard
Chairman of the Board of Management
127th Annual General Meeting
Munich RE


Munich Re (Group) – Overview
Munich RE
Munich Re (Group) – Financial year 2013
Consolidated result
€3.3bn
Result driven by core business and low effective tax rate
Shareholders' equity
€26bn
Capital strength further enhanced
Return on investment
3.5%
Solid earnings thanks to prudent investment policy
Reinsurance
Segment result
€2.8bn
Primary insurance
Segment result
€433m
Munich Health
Segment result
€150m
Higher dividend of €7.25 per share after very good 2013 result
2


Munich Re's dividend yield highest in the DAX
Munich RE
Dividend yields of DAX stocks[1] [%]
Munich Re 4.6
Allianz 4.3
Deutsche Telekom 4.2
Eon 4.2
Deutsche Börse 3.6
RWE 3.4
BASF 3.3
Daimler 3.3
Siemens 3.1
Deutsche Post 2.9
BMW 2.8
Deutsche Lufthansa 2.4
Deutsche Bank 2.3
Volkswagen 2.2
Bayer 2.1
Linde 2.1
Adidas 1.9
SAP 1.7
Merck 1.6
Henkel 1.6
Fresenius Med. Care 1.5
Continental 1.4
Infineon 1.4
Fresenius 1.1
K+S 1.0
Beiersdorf 1.0
Heidelberg Cement 1.0
Lanxess 0.9
Commerzbank 0.0
Thyssen-Krupp 0.0
1 Reference parameters: Dividend for the financial year 2013 and share price on 31 March 2014; source: Datastream 31 March 2014, company figures.
3


Reinsurance
Munich RE
Segment result [€bn]
3.1
0.5
2.6
2.8
0.4
2.4
2012
2013
Significant developments
Life
Dynamic premium development
Property-casualty
Customised, innovative offerings as answer to keener competition in sections of the market
P-C combined ratio [%]
94.6
96.9
89.4
83.2
85.7
99.3
94.3
89.3
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
2012
2013
Composition of P-C business [%]
Risk Solutions
24
Customised solutions
18
Total
€17bn
Traditional reinsurance
58
4


Primary insurance
Munich RE
Segment result [€m]
433
134
130
169
240
155
89
–4
2012
2013
Significant developments
Life: New product generation as response to changes in client demand and general parameters
Health: Clear market leader in business with supplementary insurance
P-C: Improved combined ratio despite severe flooding and hailstorm events
P-C combined ratio [%]
98.7
97.2
2012
2013
Germany: 96.3%
International: 98.7%
Share of new life products [%]
New business in private-client business that is not state-sponsored
ERGO Annuity Guarantee
36
ERGO Annuity Opportunity
24
Traditional annuity policies
40
5


Munich Health
Munich RE
Segment result [€m]
150
–91
2012
2013
Significant developments
Conclusion of remedial measures in US primary insurance business
Successes on the Arabian Peninsula and in India
Combined ratio [%]
100.2
98.3
2012
2013
Growth of private health insurance market¹ [€bn]
1,617
366
179
1,072
1,045
129
124
792
2010
2018
Rest of world
Europe
North America
1 Forecast of premium volume in the private health insurance market worldwide. Data basis: WHO; forecast: Munich Re.
6

Munich Re's strategic focus

Munich RE

Assumption of risk in a changing world

Business opportunities from global demand for intelligent coverage concepts for old and new risks

Innovations in the Group

Group's set-up offers additional innovation potential

Client proximity as key to success

Proximity to clients makes customised solutions possible

Excellence in core business

Profitability in core business – no excessive risks taken in investments

7

Outlook for 2014

Munich RE

Munich Re (Group)

Consolidated result

2013	€3.3bn
Target 2014	**€3bn**

Ambitious but realistic target

Gross premiums written

2013	€51bn
Target 2014	**~€50bn**

Focus on profitability prevails – Volume not an end in itself

Return on investment

2013	3.5
Target 2014	**~3.3%**

Persistently low interest rates pushing down returns

Reinsurance

Segment result

2013	€2.8bn
Target 2014	**€2.3–2.5bn**

Primary insurance

Segment result

2013	€433m
Target 2014	**€400–500m**

Munich Health

Segment result

2013	€150m
Target 2014	**~€100m**

8

Imprint

Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

Responsible for content
Group Reporting
Group Communications

The official German original of this report is also available from the Company. In addition, you can find our annual report and interim reports, along with further information about Munich Re, on the internet at www.munichre.com.

Greenhouse gas emissions from paper productions for this annual report are offset through Munich Re's carbon-neutral strategy.

Service

Service for private investors
Alexander Rappl
Tel.: +49 89 3891-2255
Fax: +49 89 3891-4515
shareholder@munichre.com

Service for investors and analysts
Christian Becker-Hussong
Tel.: +49 89 3891-3910
Fax: +49 89 3891-9888
ir@munichre.com

Service for media
Johanna Weber
Tel.: +49 89 3891-2695
Fax: +49 89 3891-3599
presse@munichre.com

All the facts and figures for the 2013 financial year can be found in our Group Annual Report. More at www.munichre.com/annualreport2013

Important dates 2014

8 May 2014
Interim report as at 31 March 2014

7 August 2014
Interim report as at 30 June 2014

7 August 2014
Half-year press conference

6 November 2014
Interim report as at 30 September 2014

Important dates 2015

11 March 2015
Balance sheet press conference
for 2013 consolidated financial statements

23 April 2015
Annual General Meeting

7 May 2015
Interim report as at 31 March 2015

6 August 2015
Interim report as at 30 June 2015

6 August 2015
Half-year press conference

5 November 2015
Interim report as at 30 September 2015