



On track to meet 2014 financial targets

Quarterly financial statements as at 30 June 2014

7 August 2014

Nikolaus von Bomhard
Jörg Schneider
Torsten Oletzky
Torsten Jeworrek

Munich RE 

Agenda

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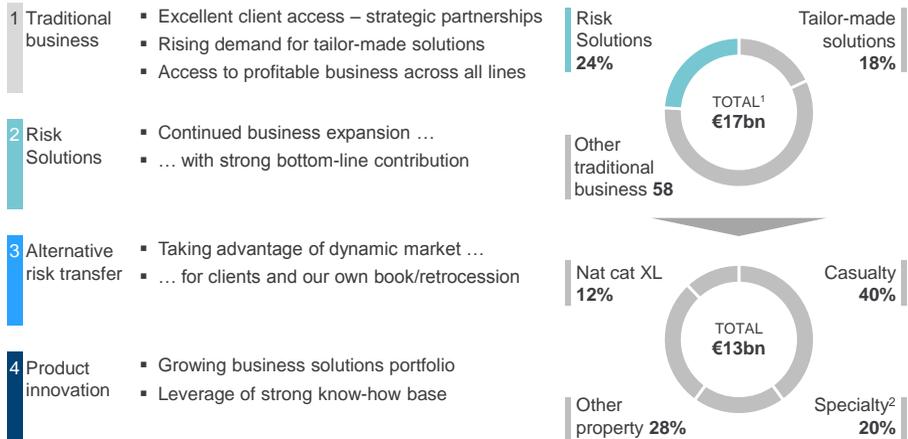
Overview

Highlights first-half year 2014

- Macroeconomic challenges**
 - Geopolitical uncertainties – global growth perspectives at risk
 - Historically low interest rates seem to be acquiring a degree of permanence
- Reinsurance market**
 - Cyclical challenges with negative impact on supply/demand dynamic
 - Opportunities for profitable growth dependent on innovative capacity
- Legal/regulatory developments**
 - German life insurance reform a net positive
 - Solvency II entering the final straight, fostering risk-based management
- Business development**
 - Strict cycle management and pricing discipline order of the day
 - Diversified business model facilitating earnings resilience
- Half-year financials**
 - Solid results – on track to meet 2014 financial targets
 - Sound capital base providing flexibility – ongoing share buy-back

Munich Re staying the course: Strong balance sheet – strong returns

Munich Re set-up supports earnings strength



Munich Re continuously increasing its share of business largely decoupled from competition in traditional reinsurance while taking advantage of ART

¹ Gross written premiums property-casualty reinsurance as at 31.12.2013.
² Aviation, agriculture, marine and credit.

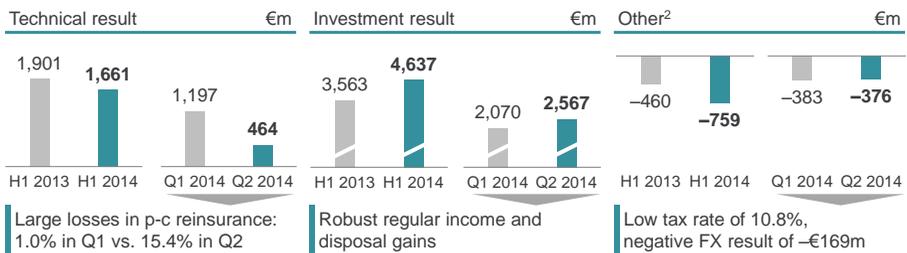
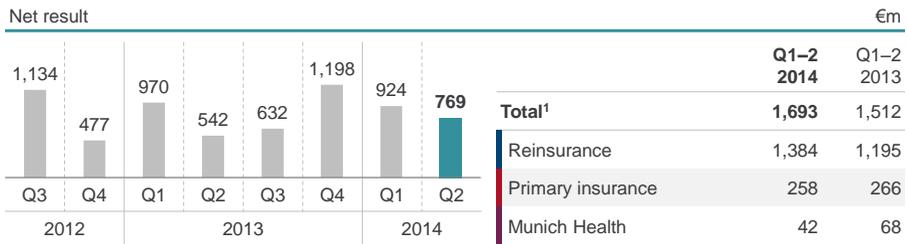
On track to meet 2014 financial targets

Munich Re (Group) – Q2 2014

<p>NET RESULT €769m (€1,693m in Q1–2)</p> <p>Good performance across all segments – Q2 results impacted by various countervailing effects</p>	<p>SHAREHOLDERS' EQUITY €27.7bn (+1.0% vs. 31.3.)</p> <p>Strong capitalisation according to all metrics providing high degree of financial flexibility – €1.5bn capital repatriation in Q2</p>	<p>INVESTMENT RESULT Rol of 4.5% (4.1% in Q1–2)</p> <p>Annual guidance raised after strong half-year performance – Long duration and active asset management paying off</p>						
<p>Reinsurance</p> <p>NET RESULT €634m (€1,384m in Q1–2)</p> <table border="1" style="width: 100%; text-align: center; border-collapse: collapse;"> <tr> <td style="width: 50%; background-color: #003366; color: white;">502</td> <td style="width: 50%; background-color: #006699; color: white;">132</td> </tr> </table> <p>P-C LIFE</p> <p>Combined ratio 101.4% – Major loss ratio 15.4%</p> <p>Technical result of €103m in line with annual guidance</p>	502	132	<p>Primary insurance</p> <p>NET RESULT €104m (€258m in Q1–2)</p> <table border="1" style="width: 100%; text-align: center; border-collapse: collapse;"> <tr> <td style="width: 33%; background-color: #800000; color: white;">20</td> <td style="width: 33%; background-color: #CC0000; color: white;">38</td> <td style="width: 33%; background-color: #FF0000; color: white;">46</td> </tr> </table> <p>P-C</p> <p>Combined ratio 96.0% (Germany: 95.1%, international: 97.5%)</p> <p>LIFE HEALTH</p> <p>Decent net result Solid, stable performance</p>	20	38	46	<p>Munich Health</p> <p>NET RESULT €22m (€42m in Q1–2)</p> <table border="1" style="width: 100%; text-align: center; border-collapse: collapse;"> <tr> <td style="width: 100%; background-color: #660033; color: white;">22</td> </tr> </table> <p>REINSURANCE</p> <p>Combined ratio 98.9%</p> <p>PRIMARY INSURANCE</p> <p>Combined ratio 98.2%</p>	22
502	132							
20	38	46						
22								

Financial highlights Q2 2014 – Munich Re (Group)

Quarterly results shaped by different major-loss burdens



¹ Segments do not add up to total amount; difference relates to the segment "asset management".
² Other non-operating result, goodwill impairments, net finance costs, taxes.

Agenda



Overview Nikolaus von Bomhard

Munich Re (Group) Jörg Schneider

Primary insurance Torsten Oletzky

Reinsurance Torsten Jeworrek

Outlook Nikolaus von Bomhard

Munich Re (Group) – Capitalisation

Increase in equity capital despite high payouts to shareholders



Equity	€m	
Equity 31.12.2013	26,226	
Consolidated result	1,693	Change Q2: 769
Changes		
Dividend	-1,254	-1,254
Unrealised gains/losses	1,728	959
Exchange rates	162	160
Share buy-backs	-834	-255
Other	-49	-100
Equity 30.6.2014	27,672	279

UNREALISED GAINS/LOSSES

Fixed-interest securities
Q1-2: +€1,615m
Q2: +€878m

Non-fixed-interest securities
Q1-2: +€110m
Q2: +€79m

EXCHANGE RATES

Positive FX contribution
mainly driven by US\$

Capitalisation

€bn



¹ Other debt includes bank borrowings of Munich Re and other strategic debt.

² Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

Munich Re (Group) – Investment portfolio

Investment portfolio – Reasonable balance of opportunities and limited risk



Investment portfolio¹ %

Land and buildings
2.4 (2.5)

Shares, equity funds and participating interests²
4.4 (4.6)

Miscellaneous³
11.5 (11.8)

Loans
28.2 (28.2)

Fixed-interest securities
53.5 (52.9)



Portfolio management

Ongoing reduction of German government bonds to further improve diversification ...

... by cautiously increasing exposure in emerging markets, Italy, Spain and France

Slight reduction in corporate bonds and structured products

Cautious increase in subordinated bank bonds

Small decrease of equity-backing ratio to 4.0% net of hedges

¹ Fair values as at 30.6.2014 (31.12.2013). ² Net of hedges: 4.0% (4.5%). ³ Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

Munich Re (Group) – Investment result

Investment result – High disposal gains, but only a fraction of strong increase in market value



Investment result								€m	
	Q1–2 2014	Return ¹	Q1–2 2013	Return ¹	Q2 2014	Return ¹	Q1 2014	Return ¹	
Regular income	3,636	3.2%	3,826	3.4%	1,924	3.4%	1,712	3.1%	
Write-ups/write-downs	29	0.0%	-445	-0.4%	156	0.2%	-127	-0.2%	
Disposal gains/losses	953	0.9%	463	0.4%	441	0.8%	512	0.9%	
Other income/expenses ²	19	0.0%	-281	-0.2%	46	0.1%	-27	0.0%	
Investment result	4,637	4.1%	3,563	3.2%	2,567	4.5%	2,070	3.8%	
Total return		11.3%		-2.0%		12.1%		10.5%	

Regular income	Write-ups/write-downs	Q1–2 2014	Q2 2014	Disposal gains/losses	Q1–2 2014	Q2 2014
Q2 2014: Positive impact from dividends; 3-month average reinvestment yield ~2.7% vs. ~2.5% in Q1 2014	Equities	-37	-17	Fixed-income	614	249
	Derivatives	47	155	Equities	582	437
	thereof interest-rate hedging programme	155	80	Derivatives	-258	-244
	Other	19	18	Other	15	-1

¹ Annualised return on quarterly weighted investments (market values) in % p.a.

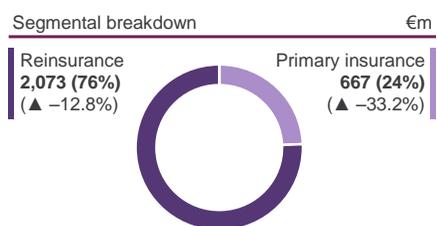
² Including impact from unit-linked business. Q1–2 2014: €325m (0.3%-points). Q2 2014: €214m (0.4%-points)

Munich Health – Premium development

Munich Health – Premium development



Gross premiums written	€m
Q1–2 2013	3,377
Foreign-exchange effects	-187
Divestments/Investments	-368
Organic change	-82
Q1–2 2014	2,740



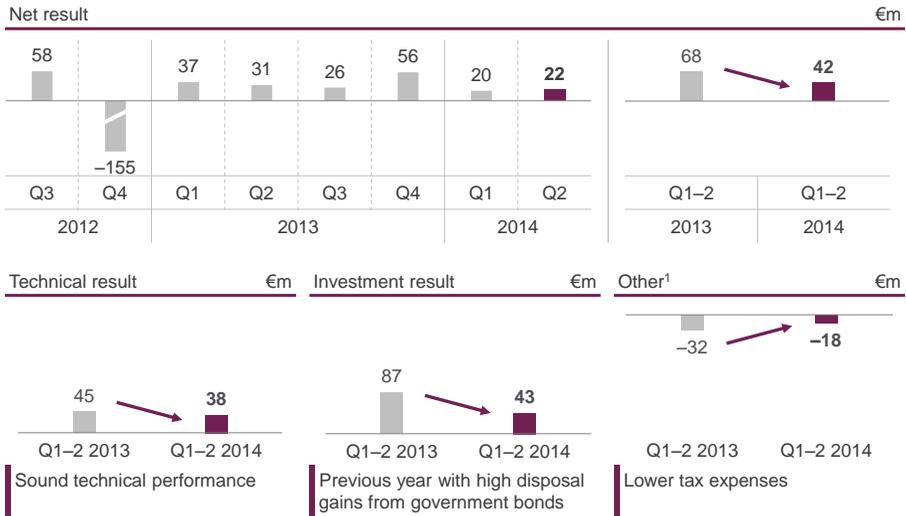
Gross premiums written	€m
Q1–2 2013	3,377
Reinsurance	-305
Primary insurance	-332
Q1–2 2014	2,740

Reinsurance
Negative FX effects (-€187m) and reduced share of large volume deals

Primary insurance
Sale of Windsor Health Group at end of last year (-€368m)

Munich Health – Key figures

Munich Health – Key figures



¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

Agenda



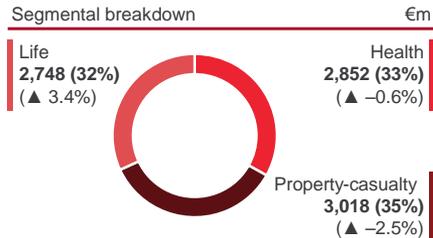
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Primary insurance – Premium development

Gross premiums written overall stable despite negative FX effects



Gross premiums written		€m
Q1–2 2013	8,620	
Foreign-exchange effects	-41	
Divestments/Investments	0	
Organic change	39	
Q1–2 2014	8,618	



Gross premiums written		€m
Q1–2 2013	8,620	
Life	90	
Health	-16	
Property-casualty	-76	
Q1–2 2014	8,618	

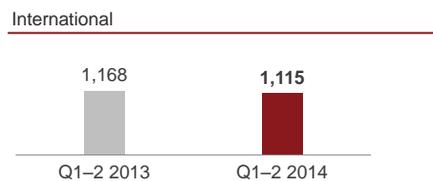
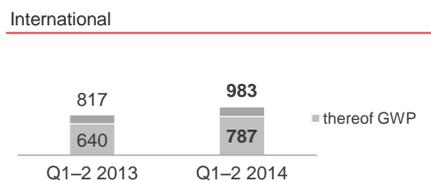
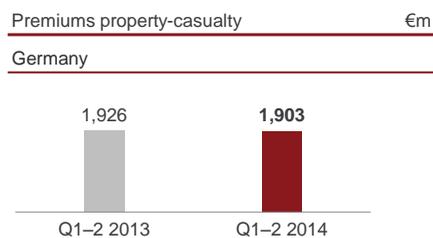
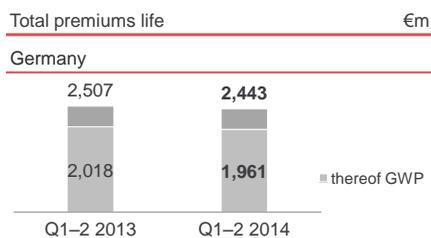
Life: Growth in international business (23.0%), decline in Germany (-2.8%)

Health: Growth in supplementary and travel, decline in comprehensive business

P-C: Decrease esp. driven by negative FX effects, mainly Turkey (-€34m) and Polish business

Primary insurance – Key figures

Slight decrease of premium income in Germany countered by growth in Life International

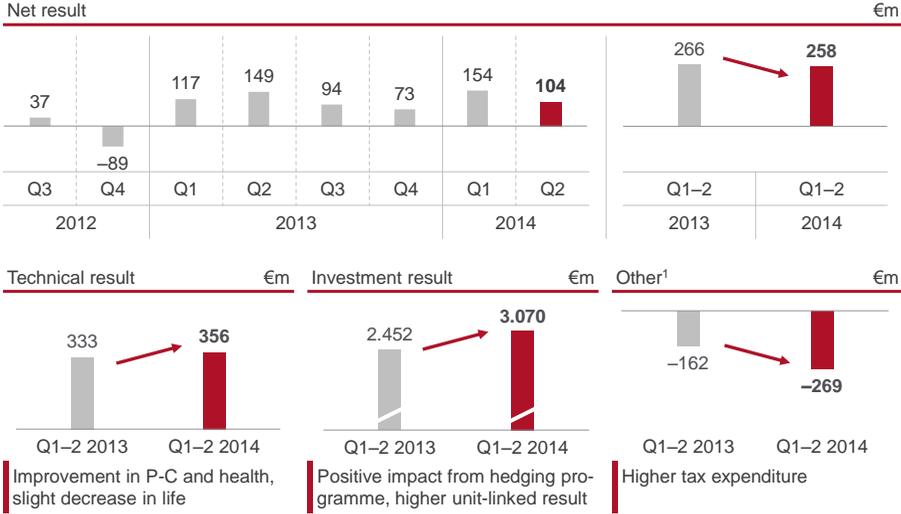


Decrease in Germany in a still difficult market environment; growth in Poland, Austria and Belgium

Decline in Germany mainly from commercial business, in international business esp. due to negative FX effects and business in Poland

Primary insurance – Key figures

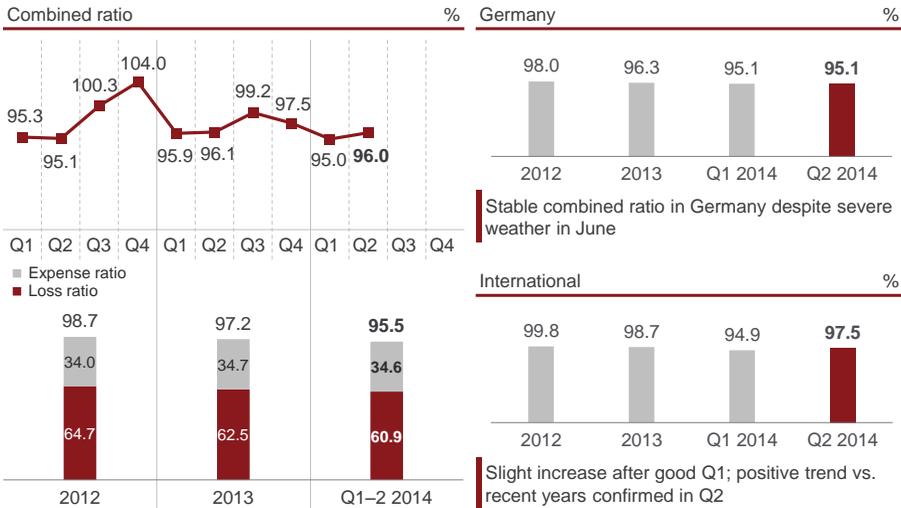
Good half-year result in primary insurance



¹ Other non-operating result, goodwill impairments, net finance costs, taxes. Quarterly financial statements as at 30 June 2014 16

Primary insurance property-casualty – Combined ratio

Combined ratios on a good level



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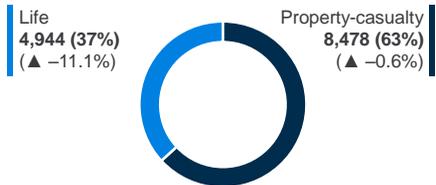
Reinsurance – Premium development

Reinsurance – Premium development



Gross premiums written	€m
Q1–2 2013	14,096
Foreign-exchange effects	-744
Divestments/Investments	0
Organic change	70
Q1–2 2014	13,422

Segmental breakdown €m



Gross premiums written €m

Q1–2 2013	14,096
Life	-619
Property-casualty	-55
Q1–2 2014	13,422

Life
Negative FX effects (–€385m) and reduced share of large volume deals

Property-casualty
Organic growth (€304m) mainly due to new business in motor – negative FX effects (–€359m), mainly US\$ and Aus\$

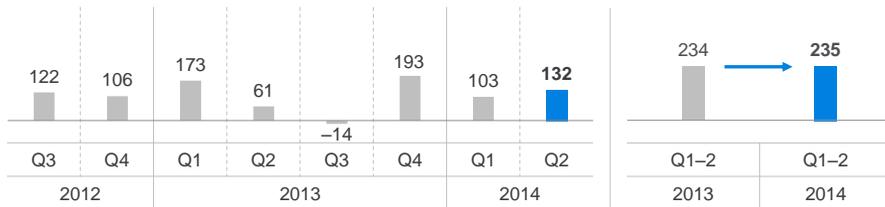
Reinsurance life – Key figures

Reinsurance life – Key figures



Net result

€m



Technical result

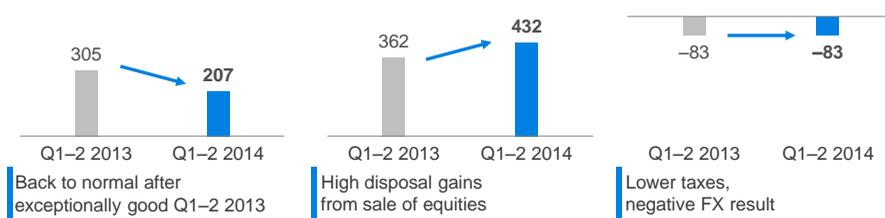
€m

Investment result

€m

Other¹

€m



Back to normal after exceptionally good Q1-2 2013

High disposal gains from sale of equities

Lower taxes, negative FX result

¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

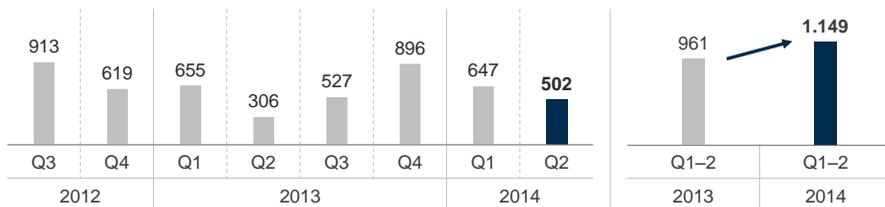
Reinsurance property-casualty – Key figures

Reinsurance property-casualty – Key figures



Net result

€m



Technical result

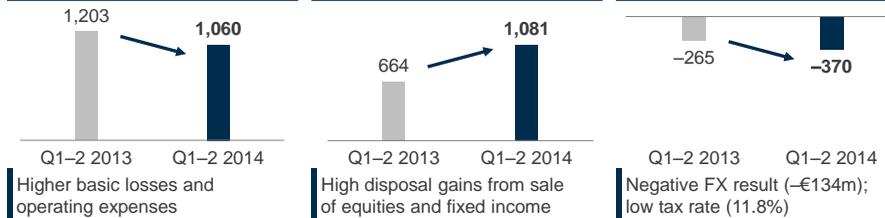
€m

Investment result

€m

Other¹

€m



Higher basic losses and operating expenses

High disposal gains from sale of equities and fixed income

Negative FX result (-€134m); low tax rate (11.8%)

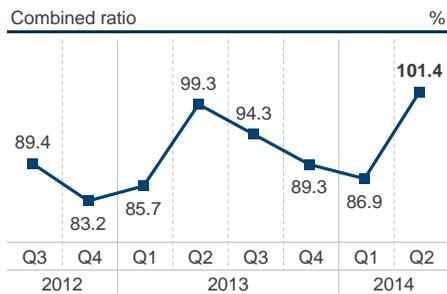
¹ Other non-operating result, goodwill impairments, net finance costs, taxes.

Reinsurance property-casualty – Combined ratio

Combined ratio



Combined ratio						%
		Basic losses	Nat cat losses	Man-made losses	Expense ratio	
2012	91.0	50.2	7.7	3.1	30.0	
2013	92.1	51.3	4.7	5.7	30.4	
Q1–2 2014	94.1	55.2	4.1	4.1	30.7	
Q2 2014	101.4	54.6	7.3	8.1	31.4	



Large losses 2014				%
		Total	Nat cat	Man-made
Q1–2 2014	8.2	4.1	4.1	
Q2 2014	15.4	7.3	8.1	
Avg. annual expectation	~12.0	~8.5	~3.5	

Reserve releases basic losses ¹		€m	%-points
Q1–2 2014	~320	~4.0	
Q2 2014	~180	~4.5	

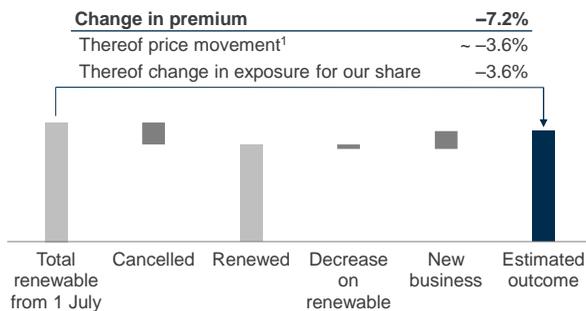
¹ Balance of increases (e.g. agriculture) and releases (e.g. fire, motor, marine and liability).

Reinsurance property-casualty – July renewals 2014

Portfolio profitability continues to meet our return targets



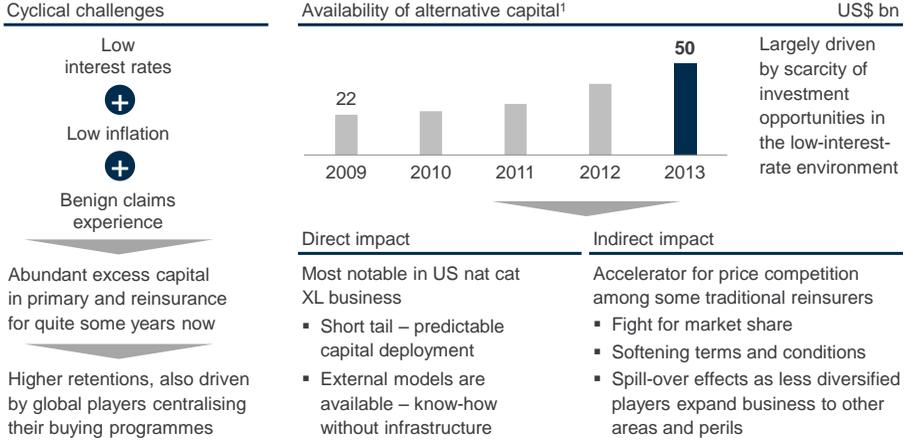
July renewals 2014							
%	100	-18.3	81.7	-3.6	14.7	92.8	Portfolio changes
€m	2,029	-371	1,657	-74	299	1,882	<ul style="list-style-type: none"> Slight shift from property to casualty Proportional: Benefiting from continued positive pricing trend in primary insurance (US casualty) and adequate margins (Latin America, Australia) XL: Reduction driven by lower nat cat premiums



Strict cycle management and pricing discipline the order of the day

¹ Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

Competitive landscape in reinsurance



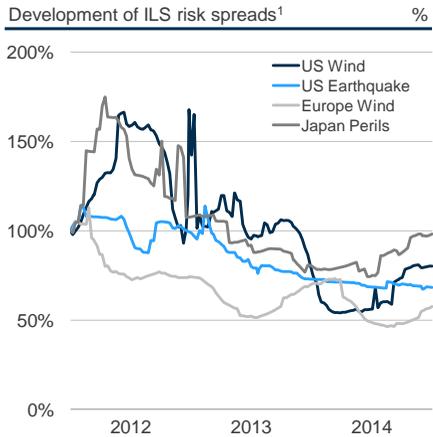
July renewals revealed continuing margin compressions due to abundant supply, especially in the nat cat area

¹ Source: AonBenfield. Quarterly financial statements as at 30 June 2014 24

Increased sensitivity on risk spreads – First indications of stabilisation in cat-bond pricing ...



- Market trends**
- Rising secondary market yields in the cat-bond market indicate that return requirements of ILS investors may have reached a floor
 - Sustainability of alternative capital not yet tested
 - Supply may be challenged after large events
 - Rising credit spreads could make other asset classes more attractive
 - Clients rely on traditional reinsurers providing reliable support and value-adding solutions – Alternative capital is unlikely to replace the established large diversified players



... while rates are reaching technical thresholds of most players in the traditional reinsurance market

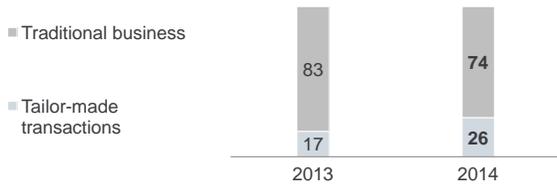
¹ Source: Munich Re. Until 30 June 2014. Based on spreads derived from secondary market trades. Quarterly financial statements as at 30 June 2014 25

Disciplined management of traditional business ...



Growing share of structured complex deals¹

%



Differential terms and private placements accounting for more than 40% of the renewed business

Taking advantage of alternative risk transfer

Strong track record of ILS structuring – in 2013 transactions for 3rd parties amounting to €1.2bn (17% market share)

Opportunistic use of favourable market terms – Significant extension of retrocession

Special purpose vehicles providing additional capacity, e.g. sidecar "Eden Re"

¹ Anteil am gesamten erneuerten Geschäft.

... while continuously expanding know-how driven business

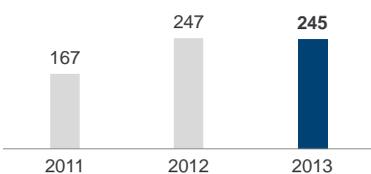


Risk Solutions – Premiums, combined ratio



Product innovation – Premiums

Mio. €



Strategic advantage

- Innovative business development platform
- First mover in different market segments
- Cross-linked expertise creating new solutions

Munich Re with distinct value proposition based on solutions beyond capacity

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Outlook 2014

Munich Re (Group)

GROSS PREMIUMS WRITTEN		RETURN ON INVESTMENT		NET RESULT	
Target 2014 ¹	~€48bn	Target 2014	~3.5% (prev. -3.3%)	Target 2014	€3bn
Focus on bottom-line prevails		Uplifting annual guidance after strong half-year performance		RoRaC target of 15% after tax over the cycle to stand	

Reinsurance**Primary insurance****Munich Health**

COMBINED RATIO		COMBINED RATIO		COMBINED RATIO	
Target 2014	~95% (prev. -94%)	Target 2014	~95%	Target 2014	~99%
NET RESULT		NET RESULT		NET RESULT	
Target 2014	€2.3–2.5bn	Target 2014	€400–500m	Target 2014	~€100m

¹ By segment: Reinsurance slightly above €26bn, primary insurance slightly above €16.5bn, Munich Health slightly below €5.5bn.

Disclaimer



This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

Figures up to 2010 are shown on a partly consolidated basis.

"Partly consolidated" means before elimination of intra-Group transactions across segments.