



# Good start to 2014

Quarterly financial statements as at 31 March 2014

8 May 2014

Jörg Schneider  
Torsten Oletzky  
Torsten Jeworrek

Munich RE 

Agenda



Munich Re (Group)	2
Primary insurance	10
Reinsurance	15
Outlook	22

Munich Re (Group) – Financial highlights Q1 2014

Good start to 2014

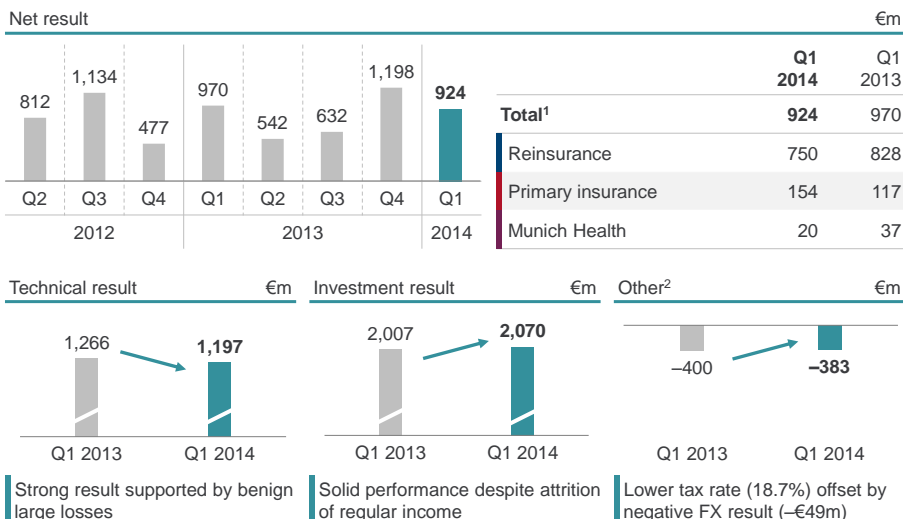


Munich Re (Group) – Q1 2014

<p><b>NET RESULT</b> <b>€924m</b></p> <p>Good operating performance across all segments – sound underwriting, low major losses and resilient investment result</p>	<p><b>SHAREHOLDERS' EQUITY</b> <b>€27.4bn</b> (+4.4% vs. 31.12.)</p> <p>Strong capitalisation according to all metrics providing high degree of financial flexibility – continuation of share buy-backs</p>	<p><b>INVESTMENT RESULT</b> <b>Rol of 3.8%</b></p> <p>Solid return given low-yield environment – higher disposal gains</p>					
<p><b>Reinsurance</b></p> <p><b>NET RESULT</b> <b>€750m</b></p> <table border="1"> <tr> <td>647</td> <td>103</td> </tr> </table> <p><b>P-C</b></p> <p>Combined ratio 86.9% – Major loss ratio of only 1.0%</p>	647	103	<p><b>Primary insurance</b></p> <p><b>NET RESULT</b> <b>€154m</b></p> <table border="1"> <tr> <td>44</td> <td>33</td> <td>77</td> </tr> </table> <p><b>P-C</b></p> <p>Combined ratio 95.0% (Germany: 95.1%, international: 94.9%)</p> <p><b>LIFE</b></p> <p>Pleasant investment result</p>	44	33	77	<p><b>Munich Health</b></p> <p><b>NET RESULT</b> <b>€20m</b></p> <p><b>20</b></p> <p><b>REINSURANCE</b></p> <p>Combined ratio 99.7% (98.8% in Q1 2013)</p> <p><b>PRIMARY INSURANCE</b></p> <p>Combined ratio 99.4% (101.0% in Q1 2013)</p> <p><b>HEALTH</b></p> <p>Solid, stable performance</p>
647	103						
44	33	77					
<p><b>LIFE</b></p> <p>Technical result (€104m) in line with annual guidance of &gt;€400m</p>	<p><b>HEALTH</b></p> <p>Solid, stable performance</p>	<p><b>REINSURANCE</b></p> <p>Combined ratio 99.7% (98.8% in Q1 2013)</p> <p><b>PRIMARY INSURANCE</b></p> <p>Combined ratio 99.4% (101.0% in Q1 2013)</p>					

Munich Re (Group) – Financial highlights Q1 2014

## Sound underwriting and resilient investment result

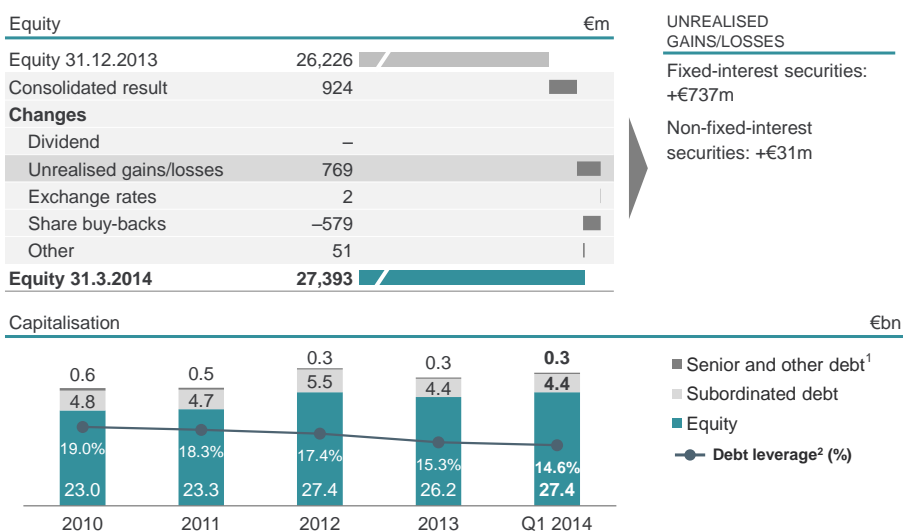


<sup>1</sup> Segments do not add up to total amount; difference relates to the segment "asset management".  
<sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Quarterly financial statements as at 31 March 2014 4

Munich Re (Group) – Capitalisation

## IFRS capital position



<sup>1</sup> Other debt includes bank borrowings of Munich Re and other strategic debt.  
<sup>2</sup> Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

Quarterly financial statements as at 31 March 2014 5

## Investment portfolio

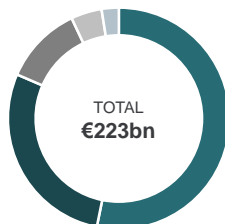
### Investment portfolio<sup>1</sup>

%

Land and buildings  
2.5 (2.5)

Shares, equity funds and  
participating interests<sup>2</sup>  
4.5 (4.6)

Miscellaneous<sup>3</sup>  
11.5 (11.8)



Fixed-interest  
securities  
53.2 (52.9)

Loans  
28.3 (28.2)

### Portfolio management

At Group level, duration gap between assets and liabilities remains very low

Expansion of US, Spanish and Italian at the expense of German government bonds

Slight reduction and ongoing geographic diversification of covered bonds

Slight reduction of corporate bonds and structured products

Small decrease of equity-backing ratio to 4.2% net of hedges

<sup>1</sup> Fair values as at 31.3.2014 (31.12.2013). <sup>2</sup> Net of hedges: 4.2% (4.5%). <sup>3</sup> Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

## Investment result

### Investment result

€m

	Q1 2014	Return <sup>1</sup>	Q1 2013	Return <sup>1</sup>
Regular income	1,712	3.1%	1,806	3.2%
Write-ups/write-downs	-127	-0.2%	-103	-0.2%
Disposal gains/losses	512	0.9%	324	0.6%
Other income/expenses <sup>2</sup>	-27	0.0%	-20	0.0%
<b>Investment result</b>	<b>2,070</b>	<b>3.8%</b>	<b>2,007</b>	<b>3.6%</b>

	Write-ups/write-downs	Q1 2014	Q1 2013	Disposal gains/losses	Q1 2014	Q1 2013
Regular income						
Q1 2014 vs. Q4 2013 unchanged 3-month average reinvestment yield of ~2.5% (~2.2% in Q1 2013)	Equities	-20	-23	Fixed-income	365	392
	Derivatives	-108	-16	Equities	145	54
	Thereof interest-rate hedging programme	75	-17	Derivatives	-14	-122
	Other	1	-64	Other	16	-

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

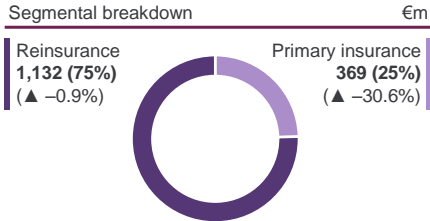
<sup>2</sup> Including impact from unit-linked business. Q1 2014: €111m (0.2%-points). Q1 2013: €137m (0.2%-points).

Munich Health – Premium development

Munich Health – Premium development



Gross premiums written		€m
Q1 2013	1,674	
Foreign-exchange effects	-104	
Divestment/Investment	-180	
Organic change	111	
<b>Q1 2014</b>	<b>1,501</b>	



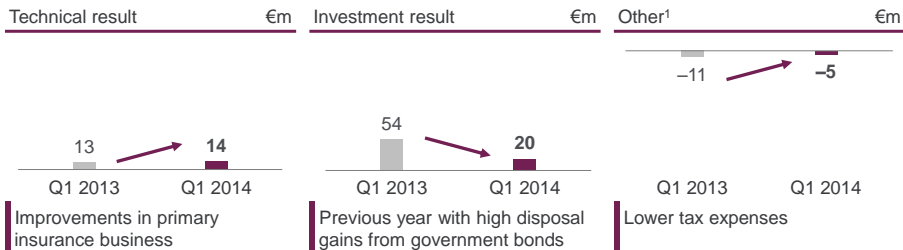
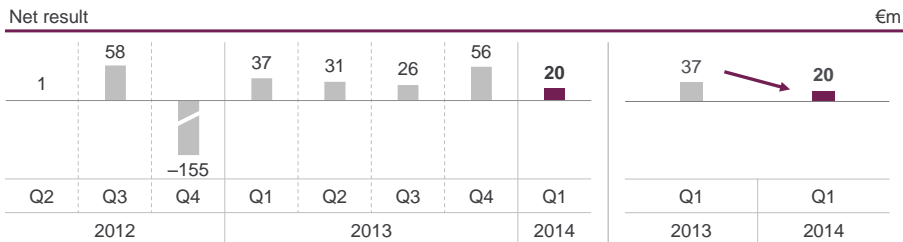
Gross premiums written		€m
Q1 2013	1,674	
Reinsurance	-10	
Primary insurance	-163	
<b>Q1 2014</b>	<b>1,501</b>	

**Reinsurance**  
Negative FX effects (–€104m) – organic growth in US business and Middle East

**Primary insurance**  
Sale of Windsor Health Group at end of last year (–€180m)

Munich Health – Key figures

Munich Health – Key figures



<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Agenda



Munich Re (Group)

**Primary insurance**

Reinsurance

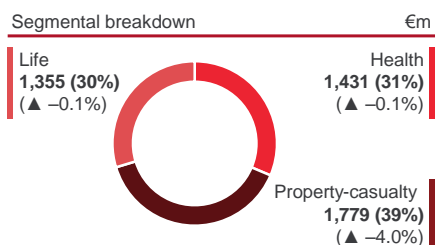
Outlook

Primary insurance – Premium development

**Primary insurance – Premium development**



Gross premiums written	€m
Q1 2013	4,643
Foreign-exchange effects	-23
Divestment/Investment	-
Organic change	-55
<b>Q1 2014</b>	<b>4,565</b>



Gross premiums written	€m
Q1 2013	4,643
Life	-2
Health	-1
Property-casualty	-75
<b>Q1 2014</b>	<b>4,565</b>

**Life:** Growth in international business (13.3%), decline in Germany (-4.4%)

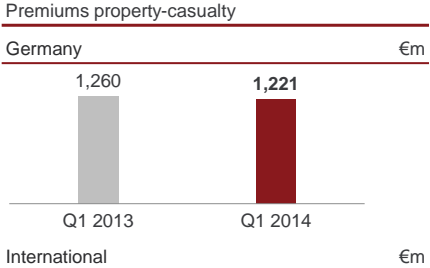
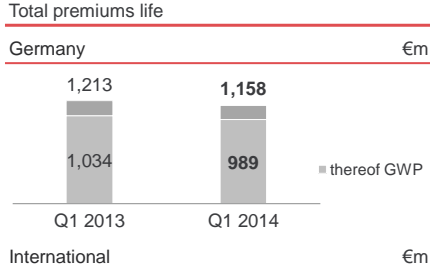
**Health:** Growth in supplementary and travel, decline in comprehensive business

**P-C:** Decrease mainly from commercial/industrial business and international legal expenses



Primary insurance – Key figures

Premiums in Germany and abroad

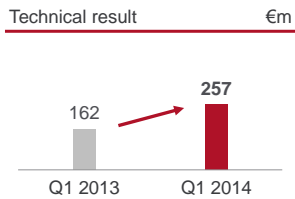
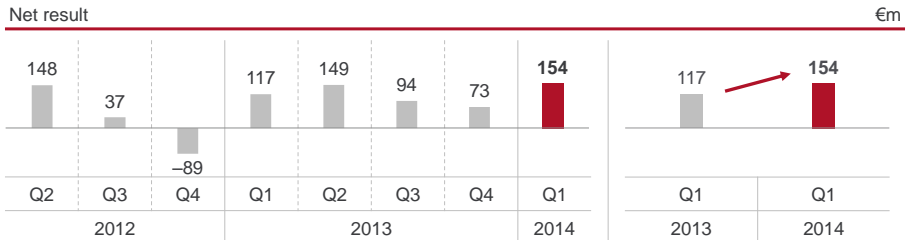


Slight decrease in Germany, growth in Poland, Austria and Belgium

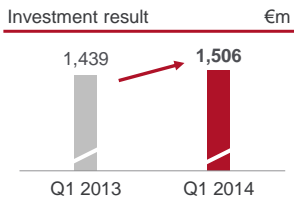
Decline in Germany mainly from commercial business, in international business mainly from legal expenses

Primary insurance – Key figures

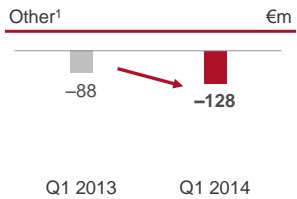
Good result in Q1 in primary insurance



Improvement in all segments, mainly life

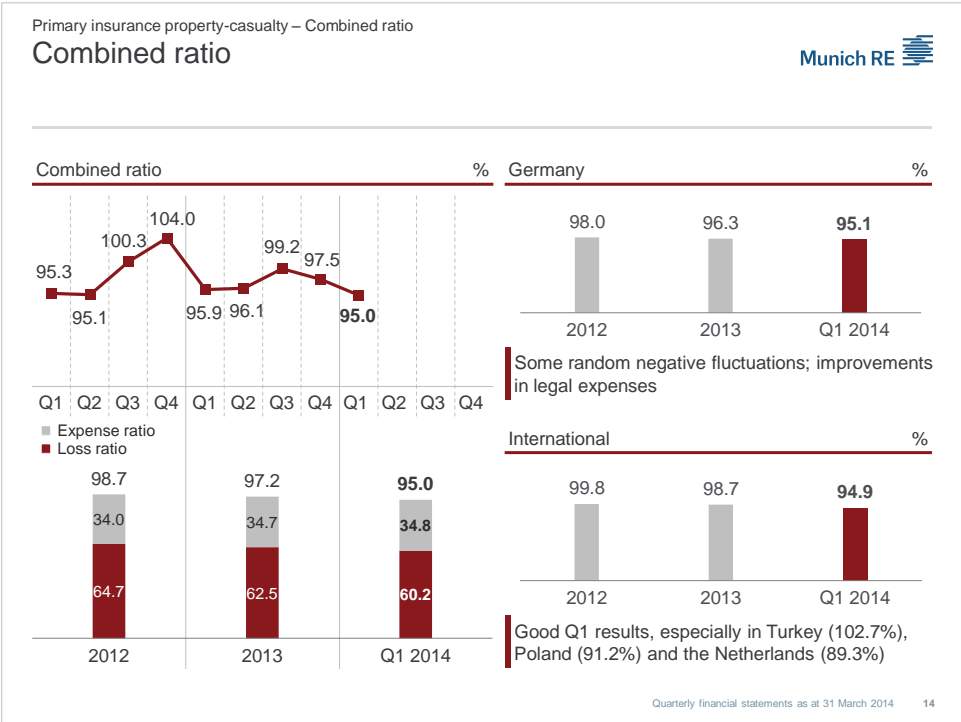


Positive impact from hedging programme, lower unit-linked result



Higher tax expenditure

<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.



**Agenda**

- Munich Re (Group)
- Primary insurance
- Reinsurance**
- Outlook

Quarterly financial statements as at 31 March 2014 15

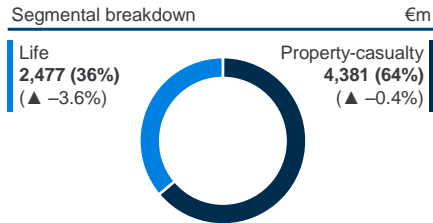


Reinsurance – Premium development

Reinsurance – Premium development



Gross premiums written		€m
Q1 2013	6,967	
Foreign-exchange effects	-422	
Divestment/Investment	-	
Organic change	313	
<b>Q1 2014</b>	<b>6,858</b>	



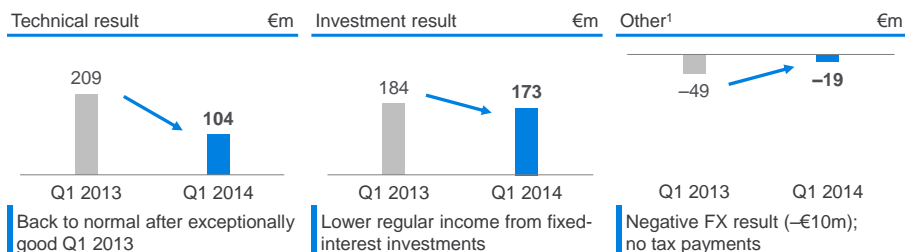
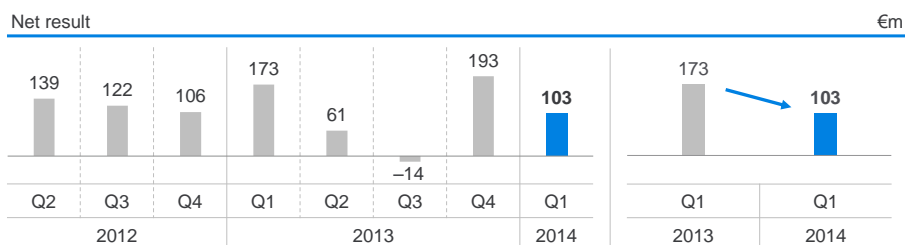
Gross premiums written		€m
Q1 2013	6,967	
Life	-92	
Property-casualty	-17	
<b>Q1 2014</b>	<b>6,858</b>	

**Life**  
Organic growth (€121m), especially in USA and Australia – negative FX effects (–€213m), mainly Can\$

**Property-casualty**  
Organic growth (€192m) mainly due to new large quota-share motor treaties – negative FX effects (–€209m), mainly US\$ and Aus\$

Reinsurance life – Key figures

Reinsurance life – Key figures



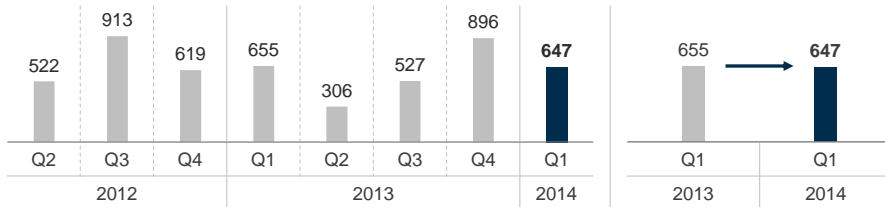
<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Reinsurance property-casualty – Key figures

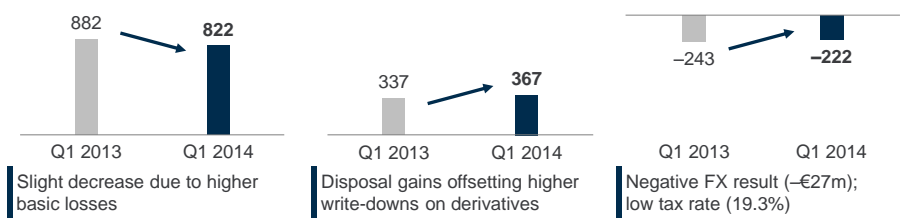
Reinsurance property-casualty – Key figures



Net result €m



Technical result €m Investment result €m Other<sup>1</sup> €m



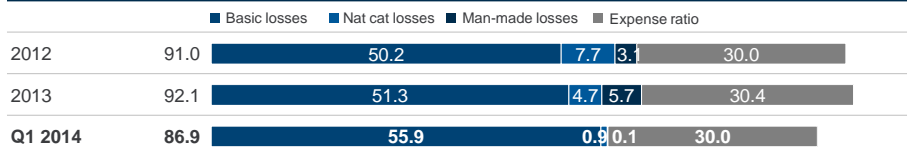
<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

Reinsurance property-casualty – Combined ratio

Combined ratio



Combined ratio %



Combined ratio %



Large losses Q1 2014 %

	Total	Nat cat losses	Man-made losses
Actual Q1 2014	1.0	0.9	0.1
Avg. annual expectation	~12.0	~8.5	~3.5

Reserve releases basic losses <sup>1</sup>	€m	%-points
Q1 2014	~140	~3.5

<sup>1</sup> Balance of increases (e.g. agriculture) and releases (e.g. fire, motor and marine).

Reinsurance property-casualty – April renewals 2014

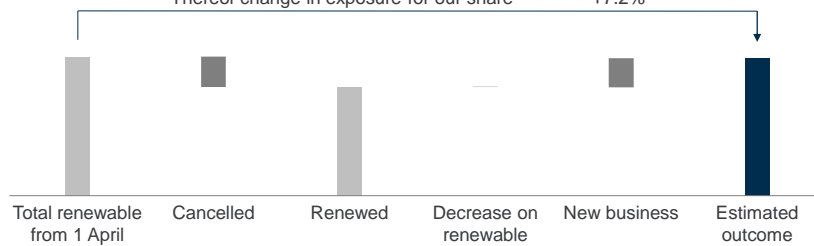
## Despite rate decline, prices remain at an attractive level



### April renewals 2014

%	100	-21.9	78.1	-0.1	20.8	<b>98.8</b>
€m	824	-180	643	-1	172	<b>814</b>

**Change in premium** **-1.2%**  
 Thereof price movement<sup>1</sup> ~ -8.4%  
 Thereof change in exposure for our share +7.2%



### Portfolio profitability continues to meet our return targets

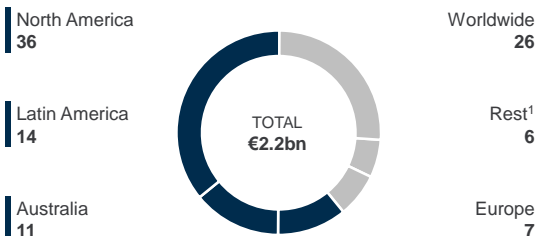
<sup>1</sup> Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

Reinsurance non-life – Renewals – Outlook

## High capacity and competition expected to persist



### Regional allocation of July renewals



### Outlook for July renewal

- Ongoing competitive market environment unless major losses occur
- Pressure on prices expected to be moderate following several renewals in the USA with price reductions

Renewal focus:	Main renewal date	Nat cat share
North and Latin America	in Australia	~25%

### Ongoing strict bottom-line orientation to maintain portfolio quality in a competitive market environment

<sup>1</sup> Asia, Pacific and Africa.

Agenda



Munich Re (Group)

Primary insurance

Reinsurance

**Outlook**

Outlook 2014



**Munich Re (Group)**

GROSS PREMIUMS WRITTEN		RETURN ON INVESTMENT		NET RESULT	
Target 2014 <sup>1</sup>	~€48bn (prev. ~€50bn)	Target 2014	~3.3%	Target 2014	€3bn

Focus on bottom-line prevails; reduction due to FX

Solid return given ongoing low interest-rate environment

RoRaC target of 15% after tax over the cycle to stand

**Reinsurance**

**Primary insurance**

**Munich Health**

COMBINED RATIO		COMBINED RATIO		COMBINED RATIO	
Target 2014	~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

<sup>1</sup> By segment: Reinsurance slightly above €26bn, primary insurance ~€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.