Strong balance sheet – Strong returns

Balance sheet press conference 2014

20 March 2014

Munich RE

Agenda

Munich RE

All segments contributing to strong Group result

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Munich Re (Group) – FY 2013

NET RESULT
€3,342m (€1,198m in Q4)

Delivering good net result supported by sound core business and low tax rate

SHAREHOLDERS' EQUITY
€26.2bn (+1.4% vs. 30.9.)

Strong capital position according to all metrics allowing for dividend increase and share buy-back

INVESTMENT RESULT
RoI of 3.5% (3.7% in Q4)

Solid result given low interest rates and moderate risk profile

Reinsurance

NET RESULT
€2,797m (€1,089m in Q4)

2,384 | 413

P-C
Combined ratio 92.1% (89.3% in Q4) – Better than target of 94%

LIFE
Technical result close to target – mix of positive and adverse developments

Primary insurance

NET RESULT
€433m (€73m in Q4)

169 | 134 | 130

P-C
Combined ratio 97.2% (97.5% in Q4) – Nat cats in Germany

LIFE
Result in line with expectations

HEALTH
Solid, stable performance

Munich Health

NET RESULT
€150m (€56m in Q4)

150

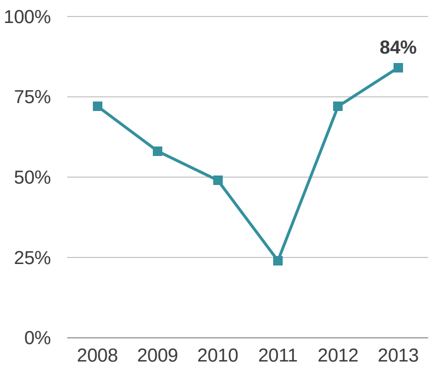
PRIMARY INSURANCE
Combined ratio 93.5% (93.7% in Q4) – Good result largely driven by improved US Medicare business

Strong balance sheet – Strong returns

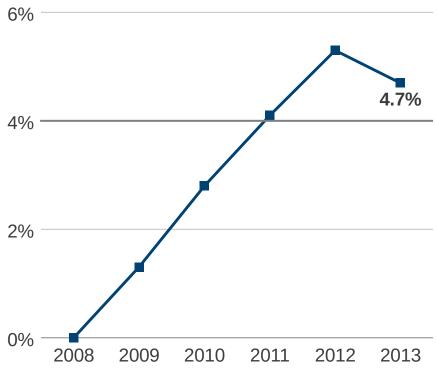
Low interest rates – Technical profitability becoming even more relevant

Munich RE

Increasing earnings contribution from underwriting[1]



Run-off result[2]: Profitability in P-C reinsurance supported by strong reserving position



Becoming less dependent on investment income – focus remains on creating value in core underwriting business

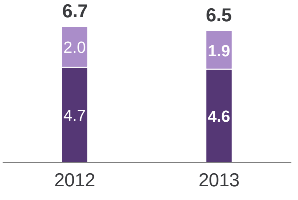
[1] Contribution of technical result as a percentage of operating result.
[2] Run-off result in % of net earned premiums in property-casualty reinsurance.

Strong balance sheet – Strong returns

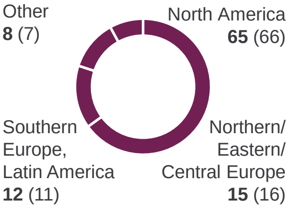
Munich Health – Key financials

Munich RE

Gross premiums written €bn



Regional premium breakdown[1] %

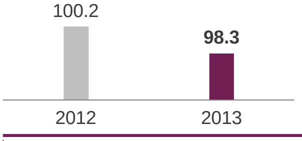


Major drivers

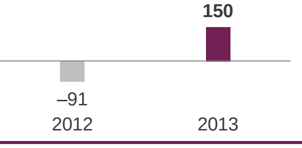
Primary insurance
Organic growth in Spain and Benelux, decline in USA due to exit from PFFS business

Reinsurance
Negative FX effects (–€242m); new business in Middle East and increased large-volume deals

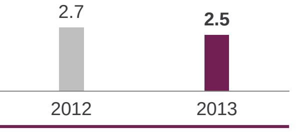
Combined ratio %



Net income €m



Return on investment %



2013 results driven by improved US Medicare business and release of premium deficiency reserve in the USA

[1] Gross premiums written as at 31.12.2013 (31.12.2012).

Agenda

Munich RE

Strong balance sheet – Strong returns	Nikolaus von Bomhard
Munich Re (Group)	Jörg Schneider
Primary insurance	Torsten Oletzky
Reinsurance	Torsten Jeworrek
Outlook	Nikolaus von Bomhard

Munich Re (Group) – Financial highlights 2013

Significant currency effects partially offset by organic growth

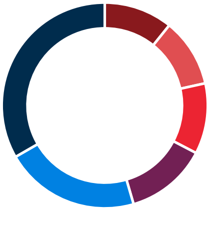
Munich RE

Gross premiums written	€m
2012	51,969
Foreign-exchange effects	–1,498
Divestment/Investment	–105
Organic growth	694
2013	**51,060**

Segmental breakdown €m

Reinsurance property-casualty
17,013 (33%) (▲ –0.2%)

Reinsurance life
10,829 (21%) (▲ –2.7%)



Primary insurance property-casualty
5,507 (11%) (▲ –0.8%)

Primary insurance life
5,489 (11%) (▲ –5.3%)

Primary insurance health
5,671 (11%) (▲ –1.1%)

Munich Health
6,551 (13%) (▲ –2.3%)

Munich Re (Group) – Capitalisation

Strong capital position, low debt leverage

Munich RE

Equity		€m Change Q4
Equity 31.12.2012	27,439	
Consolidated result	3,342	1,198
Changes		
Dividend	–1,255	–
Unrealised gains/losses	–2,612	–307
Exchange rates	–714	–276
Share buy-backs	–189	–296
Other	215	38
Equity 31.12.2013	**26,226**	**357**

UNREALISED GAINS/LOSSES

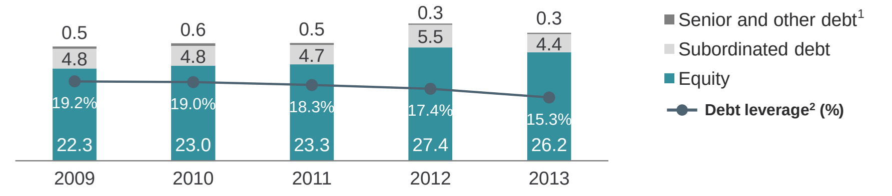
Fixed-interest securities
2013: –€2,921m
Q4: –€460m

Non-fixed-interest securities
2013: €321m
Q4: €161m

EXCHANGE RATES

Negative 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

Active asset management on the basis of a well-diversified investment portfolio

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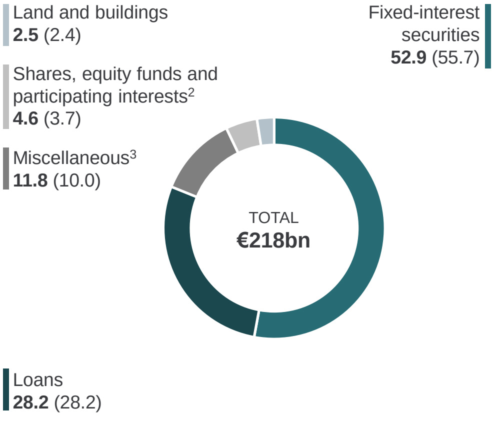
Investment portfolio[1] %



Portfolio management

- Decreasing market values due to rising interest rates and devaluation of foreign exchange rates
- Reduction of German, US, UK and Australian government bonds
- Reduction and ongoing geographic diversification of covered bonds
- Further cautious expansion of corporate bonds across all industries
- Increase of equity-backing ratio to 4.5%[2]

1 Fair values as at 31.12.2013 (31.12.2012). 2 Net of hedges: 4.5% (3.4%). 3 Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies/infrastructure and gold.

Munich Re (Group) – Investment result

Investment result – Disposal gains partly compensating for higher write-downs and declining regular income

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Investment result — Mio. €

	2013	Return[1]	2012	Return[1]	Q4 2013	Return[1]
Regular income	**7,498**	**3.4%**	7,761	3.6%	1,812	3.3%
Write-ups/write-downs	**–670**	**–0.3%**	8	0.0%	–129	–0.2%
Disposal gains/losses	**1,059**	**0.5%**	652	0.3%	330	0.6%
Other income/expenses[2]	**–230**	**–0.1%**	21	0.0%	–18	0.0%
Investment result	**7,657**	**3.5%**	**8,442**	**3.9%**	**1,995**	**3.7%**

Regular income

3-month average reinvestment yield increased to ~2.5% in Q4 2013 (~2.2% in Q4 2012)

Write-ups/write-downs	2013	2012
Equities	**–108**	–23
Derivatives	**–232**	38
t/o swaptions	**–134**	–23
Other	**–330**	–144

Disposal gains/losses	2013	2012
Fixed-income	**921**	216
Equities	**849**	313
Derivatives	**–701**	–210
Other	**–10**	11

Pleasing investment result given low interest rates and moderate risk profile

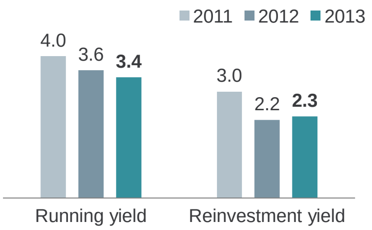
[1] Return on quarterly weighted investments (market values) in % p.a.
[2] Including impact from unit-linked business. 2013: €400m (0.2%-points). 2012: €603m. Q4 2013: €159m (0.3%-points).

Munich Re (Group) – Investment result

Well-balanced investment management in low-interest-rate environment

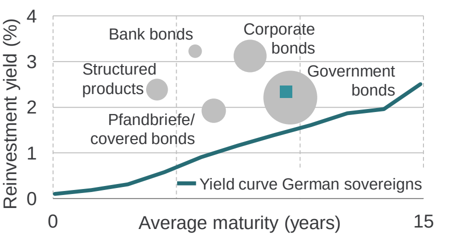
Munich RE

Running and reinvestment yield %



- Assets serving insurance liabilities – duration matching proving beneficial throughout recent years
- Solid results and reinvestment yields from well-balanced portfolio with limited economic exposures

Composition of reinvestment yield 2013[1]



Expansion

- Corporate and emerging market bonds
- Renewable energies and new technologies
- Real estate

Reduction

- Select developed market bonds
- Inflation-linked bonds

No need for yield hunting or re-risking in times of inflated asset prices

[1] Bubble size reflecting reinvestment volume. Yield curve as at 31.12.2013.

Munich Re (Group) – Summary

Dividend increase after strong financial result 2013

Financial results	NET INCOME **€3.3bn**	Strong net income in 2013 driven by sound underwriting performance
Investment portfolio	ROI **3.5%**	Continued diversification of investment portfolio and active duration management
Reserving	COMBINED RATIO[1] **92.1%**	Careful reserving protects solid balance sheet and facilitates strong underwriting results
Capital position	DIVIDEND **+3.6%**	Strong capital position continuously built up over years establishing the basis for future earnings power

[1] Reinsurance property-casualty.

Agenda

Strong balance sheet – Strong returns	Nikolaus von Bomhard
Munich Re (Group)	Jörg Schneider
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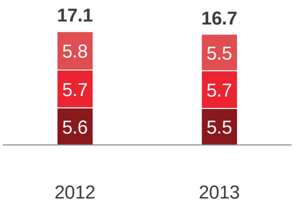
Outlook	Nikolaus von Bomhard

Primary insurance – Key financials

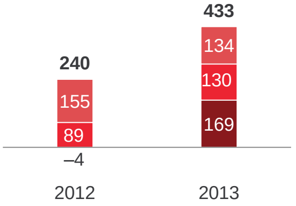
Primary insurance – Key financials

Munich RE

Gross premiums written €bn



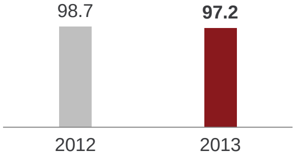
Net result €m



Major result drivers

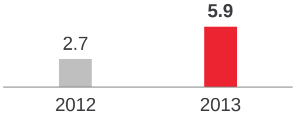
- **Life:** Result largely driven by one-offs (Germany: tax refund, international: swaptions)
- **Health:** Higher investment result and shareholder share
- **P-C:** Improved underwriting result, high restructuring charges in 2012

P-C: Combined ratio %



Germany: 96.3% (98.0%)
International: 98.7% (99.8%)

Life and health: MCEV €bn



Benign capital markets and assumption changes

Return on investment %

Declining regular income and lower unit-linked result

Primary insurance – Key figures

Premiums in Germany and abroad

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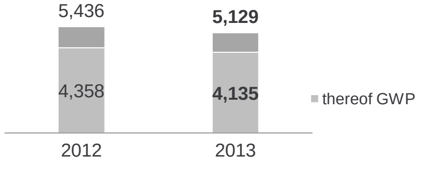
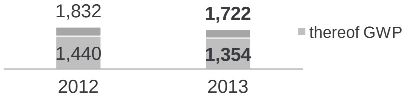
Total premiums life €m

Germany



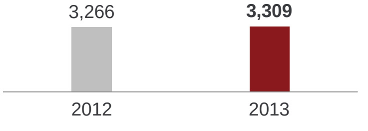
International



Lower single premiums in Germany, Austria and Belgium

Premiums property-casualty €m

Germany



International

Growth in German business +1.3% offset by decline abroad (disposal of Korean entity)

Primary insurance property-casualty – Germany

German business affected by nat cats

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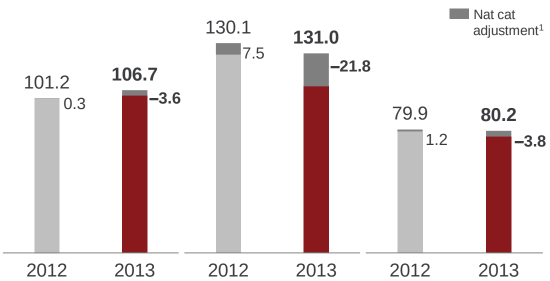
Normalised combined ratio 2013	%
Combined ratio 2013	**96.3**
Nat cat adjustment[1]	–3.3
Normalised combined ratio	**93.0**

Severe nat cat events in 2013

- Flood in June most expensive catas-trophe in terms of economic losses
- Hailstorms that hit some regions in Germany in sum most expensive event for insurance industry



Comments

- **Motor:** Discipline to remain high – no participation in price battle
- **Homeowners insurance:** Conversion of portfolio to newest terms and conditions is a necessity from customer and shareholder point of view – and is under way
- **Household contents insurance:** Profitable line for ERGO and market
- Large man-made losses lower vs. 2012

[1] Relative to budget/long-term average.

Primary insurance life and health – Germany

New products in life – Health growth from supplementary insurance

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Life

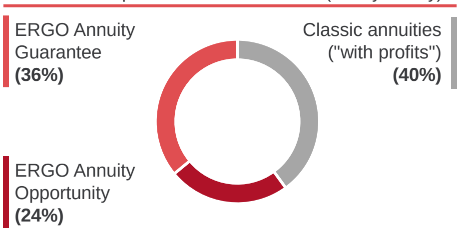
- ERGO first German life insurer to present new guarantee-type products in June 2013
- Offer restricted to third-layer private provision and tied agent organisations for a start – there, more than 50% of third-layer sales in new products
- Extension to other layers (Rürup, corporate pensions) and sales channels (brokers, banks) to follow in 2014/15

Health

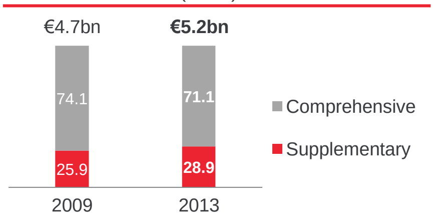
Comprehensive insurance
- ERGO No. 2 in the German market
- Results and political environment stable

Supplementary insurance
- ERGO clear market leader
- Growth area long-term care insurance
- Strong expansion in direct sales

Share of new products – 2nd half 2013 (3rd layer only)[1]



ERGO business mix (GWP) %



[1] New business APE excl. ERGO Direkt.

Primary insurance – International

International business well on track

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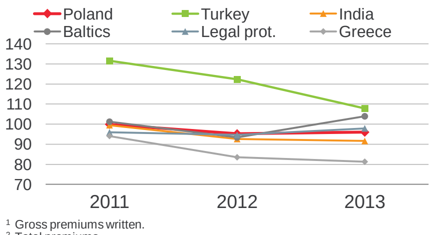
Property-casualty[1]

- **Poland** (€873m): Delivering sustainably good results; continue organic growth path with combined ratio <96%
- **Turkey** (€224m): Good progress after significant reduction of MTPL portfolio and improved pricing Target combined ratio <100% by 2015/16
- **India** (€362m): Successful JV HDFC ERGO (26% stake) since 2008 – among the best combined ratios in the market (2012: 91.6%)

Combined ratio – Major countries %



Life

- **Austria** (€571m) and **Poland** (€130m) with lower premiums
- **Belgium** (€531m): Growth slowing down due to reduction in guaranteed interest rates and increase in insurance tax
- Joint ventures in **Asia**
  - ERGO China Life commenced operations in Q3 2013
    Ambition: Premiums of ~€600m in year 2024
  - Launch of Indian business operations with partner Avantha in 2014
    Ambition: Premiums of ~€800 in year 2024

1 Gross premiums written.
2 Total premiums.

Primary insurance – Summary

Key takeaways

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Life	New generation of products in Germany from mid-2013 is the right answer to challenges from low-interest-rate environment
Health	In-force premium growth and gradual shift to supplementary insurance
Property-casualty	Overall combined ratio target: ~95% Germany ~93%, international ~98%
Organisation, sales, distribution	Improve quality and efficiency with new organisational structure in Germany

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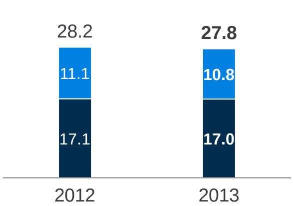
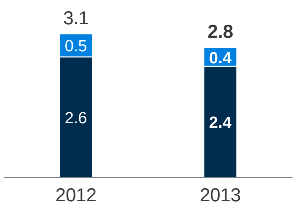
Reinsurance – Key financials

Munich RE

Gross premiums written €bn



Net result €bn

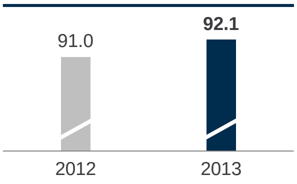


Major result drivers

Life: Technical result almost meeting €400m target

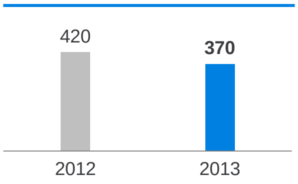
P-C: Slight deterioration in combined ratio and decreased investment income

P-C: Combined ratio %



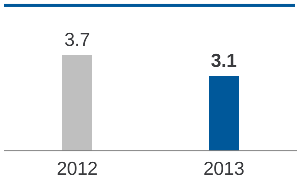
Underlying combined ratio of ~94.1% in line with target

Life: Technical result €m



Adverse development in US and Australian business, negative FX

Return on investment %



Lower regular income and higher write-downs on derivatives

Reinsurance life

Another year of very strong new business generation

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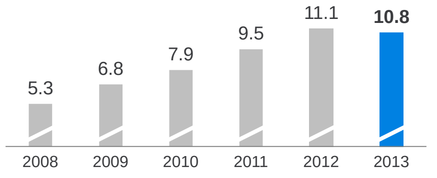
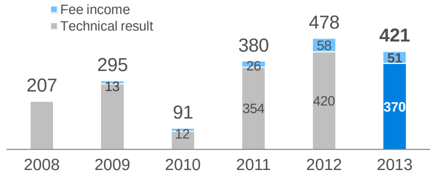
Premiums and value generation per year

Gross premiums written (GWP) €bn



Technical result and fee income[1] €m



- Value added by new business at sustainably high level (€577m) with growth initiatives paying off
  - Continued strong demand for FinMoRe[2]; contribution to technical result incl. fee income 28%
  - Asia: Sustained growth across all major markets; contribution to technical result incl. fee income 17%
  - Longevity book being developed carefully in line with risk appetite
- Premium decline mainly driven by FX effects

Favourable new business development – overall leading market position maintained

[1] "Fee income": Result contribution shown as part of non-technical result (deposit accounting).
[2] Financially motivated reinsurance (solvency relief, financing).

Reinsurance property-casualty – Combined ratio

Profitability still at a very good level

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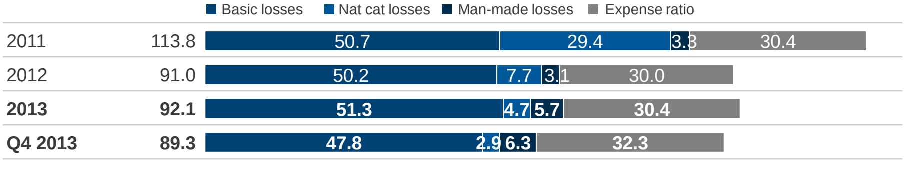
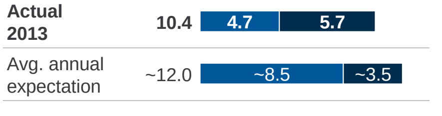
Combined ratio %



Combined ratio %

Large losses 2013 %



Reserve releases basic losses (net[1])	€m	%-points
2013	**~759**	**~4.7**

[1] Including reserve releases for basic losses ~€845m (~5.2%). Run-off result for large losses €86m.

Reinsurance property-casualty – Market environment

Munich Re well equipped to grow business in challenging markets

Munich RE

Comprehensive challenges …	… requiring the right mix of skills to stand out		
Margin compression	1	Portfolio profitability	▪ Sound profitability despite market pressure ▪ Well positioned for demanding outlook
	2	Tailored solutions	▪ Excellent client access – valued benefit ▪ Growing share of structured complex deals
Change in demand and purchasing patterns	3	Risk Solutions	▪ Continued business expansion ▪ Strong bottom-line contribution
	4	ART Alternative risk transfer	▪ Munich Re taking advantage of dynamic market … ▪ … for clients and its own book
Extended competitive landscape	5	Product innovation	▪ Growing business solutions portfolio ▪ Continued extension of strong know-how base

Reinsurance property-casualty – January renewals 2014

Premium growth driven by tailor-made solutions with key clients – Cycle management in traditional business

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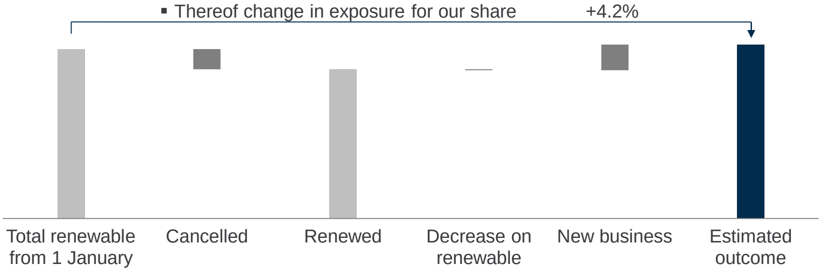
January renewals 2014

	Total renewable from 1 January	Cancelled	Renewed	Decrease on renewable	New business	Estimated outcome
%	100	–11.8	88.2	–0.7	15.1	**102.7**
€m	8,718	–1,025	7,693	–57	1,319	**8,955**

Change in premium	**+2.7%**
▪ Thereof price movement[1]	~ –1.5%
▪ Thereof change in exposure for our share	+4.2%



Strong client orientation creates new business opportunities

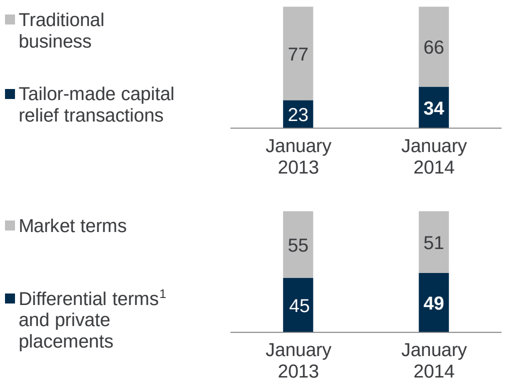
[1] Risk-adjusted.

Reinsurance property-casualty – Tailored solutions

Harvesting the benefits of our value proposition with tailored solutions

Munich RE

January renewals – Share of total renewed business %



- Shifting client demand
  - Rising demand for complex custom-fit solutions instead of standard practice
  - Increased requirement of interdisciplinary capabilities
- Munich Re offering strategic partnerships
  - Comprehensive skill-set and capacity
  - Growing track record of closed "tailored solution" deals
- Increasing share of individually valued Munich Re capacity

Tailored solutions delivering growing share of business less bound to market terms

1 Differential terms either in pricing or conditions.

Reinsurance – Property-casualty operations US

Good result in US property-casualty business – Expansion into specialty business pays off

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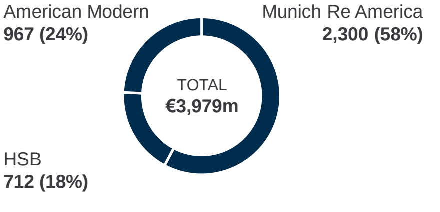
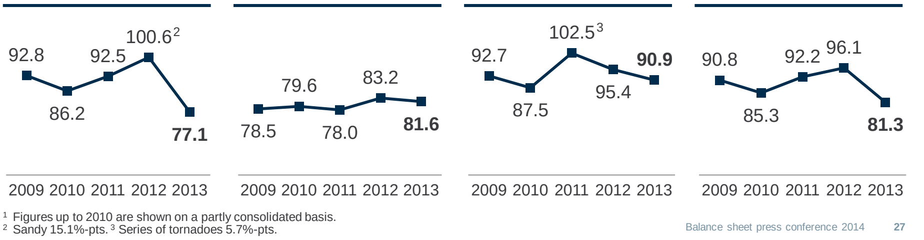
Gross premiums written €m



- Good-quality combined ratio particularly good in 2013: 81.3% (figure for 2012 heavily impacted by Superstorm Sandy)
- Traditional reinsurance very solid
- Strategic investments in growth in specialty business (American Modern 2008, HSB 2009) increasingly paying off
- Cross-cutting product development platform leverages innovative strength of the units for the North America market

Combined ratio 2013[1] %



1 Figures up to 2010 are shown on a partly consolidated basis.
2 Sandy 15.1%-pts. 3 Series of tornadoes 5.7%-pts.

Reinsurance property-casualty – Summary

Key takeaways

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Financial results	**Property-casualty**: Combined ratio again below target **Life**: Very strong new business value generation
Traditional portfolio	**Property-casualty**: Cycle management with focus on know-how-driven segments, strict focus on results **Life**: Sizeable and reliable contributions
Business expansion	**Property-casualty**: Growth of the special primary insurance sector with leadership in knowledge and innovation **Life**: Very well positioned – both in large established and growth markets
Outlook	**Property-casualty**: Good profitability expected for next renewals **Life**: IFRS technical result to sustainably surpass €400m mark

Agenda

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Strong balance sheet – Strong returns	Nikolaus von Bomhard
Munich Re (Group)	Jörg Schneider
Primary insurance	Torsten Oletzky
Reinsurance	Torsten Jeworrek
Outlook	Nikolaus von Bomhard

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Political parameters for old-age provision

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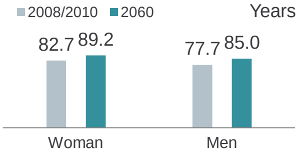
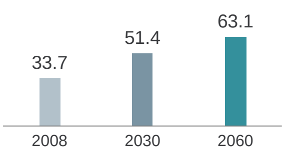
Demographic trend calls for answers in old-age provision

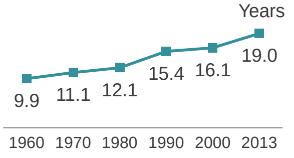
Increasing life expectancy[1]



Rising old-age dependency ratio[2]



Longer pension payment period[3]



Pension policy

- Expansion of funded elements rather than expansion of pay-as-you-go elements
- Consistent implementation of retirement at 67 (honest perspective = further increase in retirement age) rather than lowering retirement age

Demographic trend calls for continuation of reforms

Bewertungsreserven

- New regulation of policyholder participation in valuation reserves required
- Correction of misregulation
- Injustices in the community of policyholders would be rectified
- At the same time, life insurers would be strengthened in the low-interest-rate environment

No evaluation of the government's plans until draft legislation has been submitted

[1] German Federal Statistical Office, results of 12th population forecast, base assumption L1.
[2] German Federal Statistical Office, results of 12th population forecast, variant 1-W2.
[3] German state pension fund.

Munich Re (Group) – Outlook

Outlook 2014

Munich RE

Munich Re (Group)

GROSS PREMIUMS WRITTEN		RETURN ON INVESTMENT		NET RESULT	
2013	€51bn	2013	3.5%	2013	€3.3bn
Target 2014[1]	**~€50bn**	Target 2014	**~3.3%**	Target 2014	**€3bn**

Focus on bottom-line growth prevails

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	
2013	92.1%	2013	97.2%	2013	98.3%
Target 2014	**~94%**	Target 2014	**~95%**	Target 2014	**~99%**
NET RESULT		NET RESULT		NET RESULT	
2013	€2.8bn	2013	€433m	2013	€150m
Target 2014	**€2.3–2.5bn**	Target 2014	**€400–500m**	Target 2014	**~€100m**

[1] By segment: Reinsurance ~€28bn, primary insurance slightly above €16.5bn, Munich Health slightly above €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.