MANAGING FOR VALUE IN AN UNCERTAIN ECONOMIC AND REGULATORY ENVIRONMENT

Morgan Stanley "European Financials Conference"

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Munich RE

Munich Re (Group) – Highlights

Strong 2009 earnings and sound capitalisation allow for increase in dividend

Munich RE

Munich Re (Group)

Profitable top-line growth by leveraging our capital strength

Substantial organic growth (incl. large solvency relief deals in life and health reinsurance[1]) and first-time consolidation of recent acquisitions in primary insurance and reinsurance business

Strong consolidated result in challenging markets

Net result of €2.56bn (€1.58bn) equivalent to RoRaC of 15.1%, thus meeting the target over the cycle; proposed dividend for 2009 increases to €5.75 per share (€5.50)

Sound capitalisation further strengthened

Shareholders' equity increased to €22.3bn as at December 2009 despite approx. €1.5bn capital repatriation in 2009; capital buffer according to internal model risen to €9.3bn[2]

[1] In total ~20 large quota share deals with an additional €2.3bn gross premiums written and VANB contribution >€100m in 2009. Until 2013, these deals are expected to generate gross premiums written of €2.5bn p.a. (on average). [2] After announced dividend for 2009 of €1.1bn to be paid in April 2010 and €0.6bn outstanding from 2009/10 share buy-back programme.

Munich Re (Group) – Highlights

Munich Re generates solid returns for the shareholder – Combined with a low-risk profile

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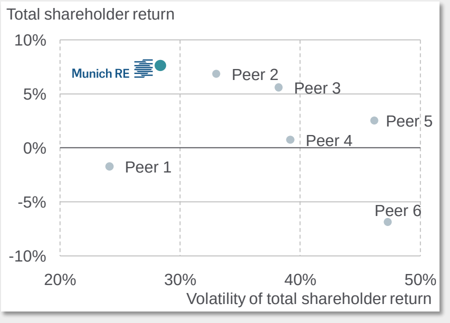
Investment profile

- High dividend yields and share buy-backs – cash yield of around 10%[1]
- Strictly value-based, risk-adjusted management approach
- Managing insurance risks as main source of value creation
- Stringent bottom-line focus

Total shareholder return vs. risk[2]



Munich Re managing for value in an uncertain environment – stringent execution of our strategy delivering sustainable earnings

[1] Assuming shareholders participate equally in €1bn share buy-back; based on 2009 closing share price as per 31.12.2009 (€108.67).
[2] Annualised total shareholder return defined as price performance plus dividend yields over a 5-year period (2005–2009); based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

Munich Re (Group) – Highlights

Liability-driven integrated business model facilitating diversification and predictable results

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Disciplined financial management as a strong basis …

1 RISK MANAGEMENT

Proven integrated risk management – well-prepared for Solvency II

2 ASSET MANAGEMENT

Well-diversified investment portfolio – disciplined asset-liability management

3 CAPITAL MANAGEMENT

Sound capitalisation – attractive return on equity compared to cost of capital

… for a value-oriented and integrated group strategy

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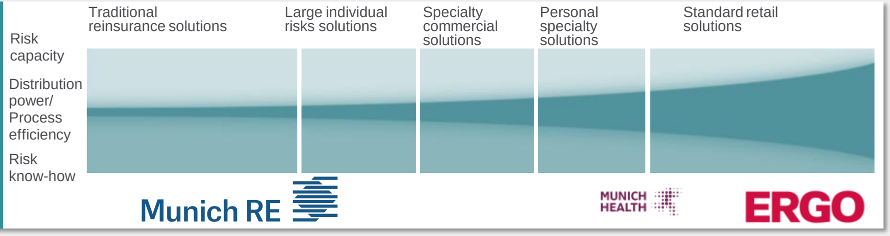

Munich Re offers a value proposition based on a business model largely uncorrelated with the equity markets

1 Risk management

Risk management well positioned to cope with regulatory changes

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Munich Re further improves its risk management position

Further strengthened economic capital position driven by increase of available financial resources

Risk model refined in light of crisis, leading to an increase in economic risk capital

Internal risk model in the Solvency II approval process

Solvency II will have significant impact on the insurance industry

- Insurance industry will be required to **significantly improve its enterprise risk management** – a challenge mainly for small and medium-sized insurance companies
- In particular, **refinements in ALM necessary** – especially relevant for primary life insurance
- Specialised insurers will face **higher capital requirements**
- **Global, well-diversified reinsurers with good credit ratings** will benefit from top- and bottom-line growth opportunities

Insurance industry has to master the Solvency II revolution – Munich Re risk management already anticipates expected changes

1 Risk management

Solvency II – Current calibration issues

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Solvency II calibration process

- Capital requirements suggested by CEIOPS in 3 waves of consultations in 2009 are excessive
  - Increase of risk factors for market and credit risk expected, but not to this degree
  - Increase of risk factors for insurance risks and correlations unexpected and insufficiently motivated
  - Suggested calibration would lead to massive capital shortfall in insurance industry
- In Jan 2010, CEIOPS has adapted its view on market and credit risk factors substantially
- Further adaptions for insurance risks expected prior to finalisation of QIS5 specifications

Still high uncertainty in terms of Solvency II calibration, but signs of convergence visible

Analysis of uncertainty for Munich Re

Overstated capital requirements

Potential implications on MR balance-sheet …

- Limitations to capital management
- Limitations to business opportunities

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…but:

- MR plans to apply internal model, not the standard formula
- Limitations may affect peers harder than MR

+

Potential business opportunities for MR…

- Need for risk transfer may rise stronger than expected

+

…but:

- Business opportunities based on temporarily over-calibrated capital requirements may not be sustainable

–

Munich Re in a position of relative strength even in a regime of excessive capital requirements – Nevertheless advocates a reasonable calibration

2 Asset management

Well-diversified investment portfolio with low-risk profile

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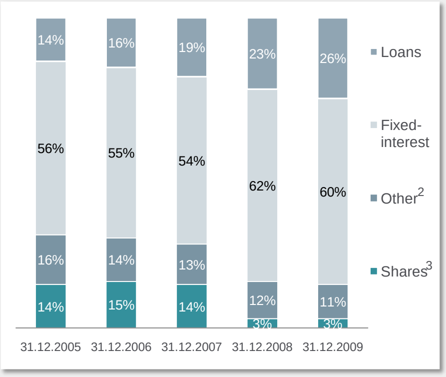
Allocation of investment portfolio[1]



De-risking and low interest-rate environment

Deliberately accepting impact on P&L …

- Running yield to gradually come down according to roll-over of fixed-income portfolio
- Significantly less contribution from gains/losses on disposal (mainly affecting reinsurance segment)
- Only partially offset by normalisation of balance from write-ups/write-downs

… as economic view remains key

- Limited impact of interest-rate shifts on the asset-liability matched portfolio
- Reduced risk capital consumption and stable risk-based returns

Strategic decision to maintain a low to moderate risk profile for the investment portfolio

[1] Based on fair values. [2] Other includes real estate, deposits retained on assumed reinsurance, investments for unit-linked life insurance, deposits with banks, investment funds (bond, property). [3] Shares, equity funds and participating interests (before taking equity derivatives into account).

2 Asset management

Investment strategy for 2010 – Well-prepared for different economic and capital market scenarios

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Keeping an eye on potential market disruptions with longer asset durations…

Sovereign debt
- Maintain overweight in German bunds
- Continue to hold digestible positions in weaker sovereign bonds

Corporate bonds
- Reduction of exposure through sale and purchase of credit default swaps

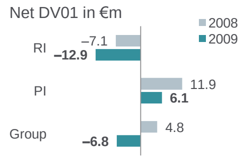
Bank bonds
- Further reduction of financial institutions exposure

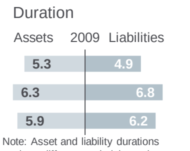
… while carefully preparing for a scenario of rising yields and inflation

Equities
- Cautious increase with downside protection (out-of-the money puts)

Alternative assets
- Increase in commodities
- Further enhance position in renewable energies through private and public equity and debt instruments

Real estate
- Slight increase with focus on residential and prime commercial real estate in core Europe





Note: Asset and liability durations apply to different underlying volumes

Reinsurance
Longer duration to earn yield pick-up in a continuously steep interest-rate environment

Life primary insurance
Continuation of proactive asset-liability management, in line with new ERGO strategy

3 Capital management

Uncorrelated business model generates predictable returns – Well above (low) cost of capital

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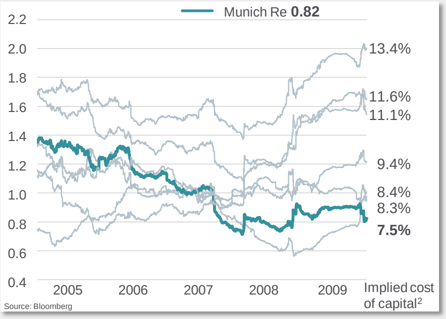
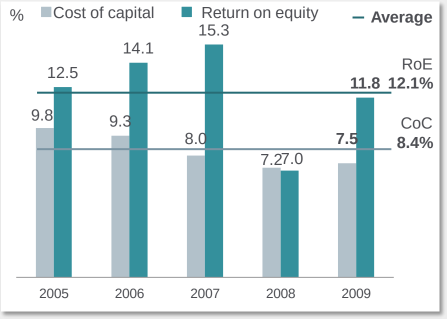
Beta values vs. Peers[1] 2005–2009 (as at 31.12.2009)



Source: Bloomberg

Return on equity vs. cost of capital[2] 2005–2009



Low cost of capital
- Investment portfolio marginally geared to equity markets
- Insurance risks largely independent of capital markets

Low correlation of share price to market index

RoE continuously exceeds cost of capital
- Strong average RoE despite our solid capitalisation
- Reliable value creation of Munich Re
- High predictability based on liability-driven business model

1 Peers: Allianz, AXA, Generali, Hannover Re, Swiss Re, Zurich Financial Services; Raw beta to DJ Stoxx 600, total return, daily basis, 1-year. 2 Calculation using CAPM with 10-year German government bonds, 5% market risk premium and 1-year raw beta to DJ Stoxx600, daily basis. Source: Bloomberg.

3 Capital management

Strong book value growth based on shareholder-friendly capital repatriation

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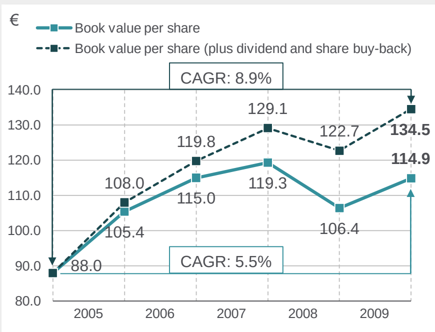
Book value per share[1] 2005–2009



Value-based capital management

€5.1bn dividend payments[2] from 2005 to 2009; 5.3% dividend yield in 2009[3]

Around €3bn investment in selected M&A and greenfield activities (2005–2009) to foster our integrated Group strategy

€4.4bn share buy-backs from 2005 to 2009, up to €0.6bn until AGM 2010

Strong capitalisation provides strategic flexibility going forward

[1] Shareholders' equity excl. minority interests divided by shares in circulation.
[2] Dividend payments for the correspondent business years which are paid in the following year.
[3] Based on 2009 closing share price as per 31.12.2009 (€108.67).

4 Reinsurance

Non-Life business development demonstrates strict portfolio management and stable underwriting results

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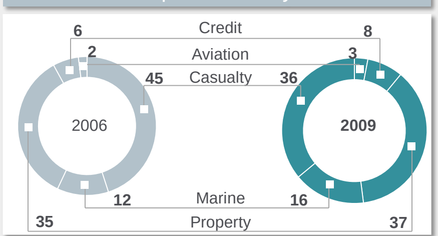
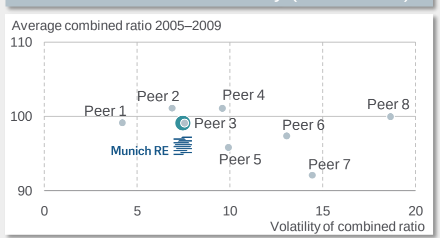
Portfolio development: Treaty business[1]



Combined ratio and volatility (2005–2009)[2]



Comment

- Reallocation of capacities to short-tail lines taking advantage of better risk-reward characteristics thereby continuously improving the portfolio quality
- Casualty business reduced significantly given the lower attractiveness of prices and terms
- Share of non-proportional business increased from 23% (2006) to 27% (2009) by taking opportunities in pricing

Comment

- Munich Re's average combined ratio impacted by peak catastrophe year 2005 (KRW); however in 3 out of 5 years the combined ratio was below the over-the-cycle target of 97%
- Comparatively low volatility of combined ratio due to superior portfolio diversification resulting in high predictability of earnings

[1] Management view, not comparable with IFRS reporting. Treaty business amounts to 86% of Munich Re's non-life portfolio; remainder 14% facultative business. [2] Source: Company reports. Peer group include Everest Re, Hannover Re, Odyssey Re, Partner Re, Scor, Swiss Re, Transatlantic Re and XL Capital. Munich Re's combined ratio incl. all components of losses and expenses. Volatility measured by standard deviation.

4 Reinsurance

Solvency II to fully crystallise the value of the reinsurance business model

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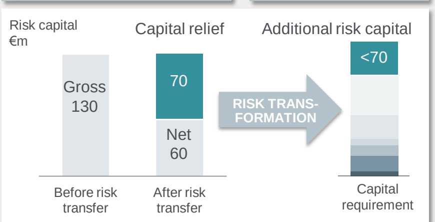
Risk transfer – Illustrative

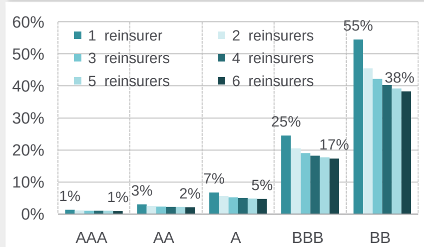
Primary insurer's portfolio | **Reinsurer's portfolio**



Diversification of reinsurers is higher due to
- Number of individual risks
- Geographical spread (global business model)
- Product and line of business mix

Well-diversified reinsurers will benefit from Solvency II

Deduction on capital relief for the counterparty default risk[1]



- Explicit consideration of reinsurance credit risk through a deduction from capital relief
- Example: Capital relief from a reinsurance treaty with only one AA-rated reinsurer greater than with a panel of six A-rated reinsurers

Financial strength to provide a clearer competitive edge

[1] Graph based on Consultation Paper No. 51: SCR standard formula – further advice on the counterparty default risk module A.9.

4 International health

Munich Re meets the opportunities of the international health markets

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MUNICH HEALTH

Heterogeneous markets and regulatory environments

Rising complexity of business models and increasing competition

Expertise
Leveraging best-practice know-how along the health risk value chain for both primary insurance and reinsurance

Specialisation
Offering solutions in complex markets by bundling the global health expertise of Munich Re Group under one roof

MUNICH HEALTH

Innovation
Providing value-adding services to customers along the complete health risk value chain

Flexibility
Reflecting local health market specifics and customer needs by providing tailor-made solutions

Customer request for high-quality health insurance

Tightening public budgets – Need for affordable private health solutions

Fundamental demographic and socio-economic developments will continue to drive global health markets growth substantially above GDP

4 International health

Munich Health – Flexible roll-out of different business models meets regional demand on a global basis

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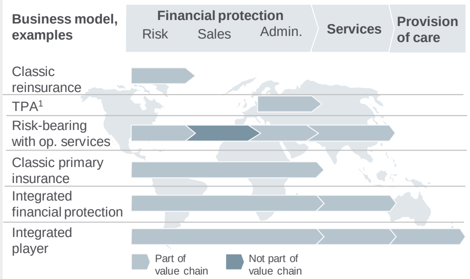
Munich Health covering the full value chain



- **Premium volume**: €4.0bn in 2009 (€2.7bn in 2008)
- **Staff**: More than 5,000 health experts at 26 international locations
- **Clients**: >7 million primary and over 400 reinsurance clients

Opportunities

- New brand and unified organisation for strong market positioning
- Competence profile provides competitive advantage
- Healthcare markets with continued attractive growth perspectives
- Leverage financial strength of Munich Re to meet customer demand from financial crisis and Solvency II

Challenges

- Challenging economic environment
- Ongoing consolidation in parts of the existing portfolio
- Currently limited opportunities and risk appetite for M&A deals
- Uncertainty about US health care regulation[1]

Munich Health perfectly complements Munich Re's integrated business model with growth potential

[1] Third-party administrator.

4 Primary insurance

Implementing new ERGO brand strategy and increasing competitiveness in life

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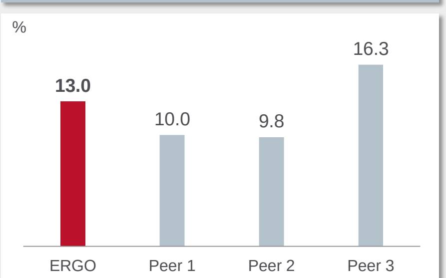
ERGO

RoE: Compared with selected peers, solid performance of ERGO 2005–2009[1]



- P-C business contributes strongly to the overall performance
  - Value-generating business mix
  - Combined ratio below market average
- Life business in Germany a challenge for many

New ERGO branding strategy: One brand per line of business

- Building a powerful new brand – further strengthening our sales power
- Make the new brand a source of increasing motivation for sales partners, tied agents and employees

Life: Focus points for increasing competitive strength

- Concentrate new business in one stronger risk carrier to foster competitiveness ...
- ...on the basis of
  - products attractive to policyholders and shareholders alike
  - sound financials (incl. policyholder surplus)
- Further optimisation of back book ALM – significant reduction of shareholders' risk

[1] Comparison of ERGO RoE with selected peers (average 2005-2009). Peers: Allianz, Axa, Zurich Financial Services; RoE 2009 not yet publicly available for Generali. Source: Bloomberg, reported figures for ERGO and for Axa RoE 2009.

4 Primary insurance

ERGO brand to be introduced in German market

Munich RE ERGO

Four main reasons for switch towards ERGO brand in Germany

- Changing customer behaviour – give customers switching between sales channels access to ERGO under one common brand
- KQV brand tarnished by Arcandor insolvency
- Life insurance improvements – competitiveness as well as profitability
- Brand awareness – achieve economies of scale in marketing spending

ERGO 2010

Direct	Life	P-C[1]	International	Health	Travel
ERGO Direkt Versicherungen	ERGO	ERGO DAS (legal expenses)	ERGO DAS (legal expenses)	DKV	ERV

Goal: To attract additional customers and foster growth

[1] Including legal expenses (D.A.S.).

Summary and outlook

Placing high emphasis on sustainable earnings managing for value in an uncertain environment

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Exploiting the strong 2009 position ...

Stringent execution of our long-term strategy in challenging markets – we kept our promise

Strong earnings and attractive cash returns fully meeting financial targets

Long-term business development initiatives in all lines of business well underway

… for successful development in 2010

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

- Net income expectation above €2.0bn 1
- Combined ratio reinsurance P-C of 97% over the cycle 2
- Combined ratio primary insurance P-C below 95%
- RoI expected to be below 4%

Capital repatriation

- Attractive dividend of €1.1bn as a key part of our capital management strategy
- Further share buy-back as an option

1 This target remains achievable despite the claims burdens from the earthquake in Chile and Winter Storm Xynthia, although the further development of major losses in relation to the expected annual average will naturally be a significant factor. For 2011 we anticipate an increase in results.

2 Combined ratio of 97% over the cycle in 2010 with view to the earthquake in Chile and Winter Storm Xynthia over Europe only achievable if random large losses remain below expectation over the course of the year.

Appendix: Shareholder information

Financial calendar

Financial calendar	
28 April 2010	Annual General Meeting
29 April 2010	Dividend payment
18–19 May 2010	Credit Suisse "Global Insurance Conference", New York
21 May 2010	Deutsche Bank "German & Austrian Corporate Conference", Frankfurt am Main
7 May 2010	Interim report as at 31 March 2010
10–11 June 2010	Goldman Sachs "Financial Services Conference", Madrid
4 August 2010	Interim report as at 30 June 2010; Half-year press conference
9 November 2010	Interim report as at 30 September 2010

Appendix: Shareholder information

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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.

Note regarding the presentation of the previous year's figures

- For the new reporting format in connection with the first-time application of IFRS 8 "Operating Segments" as at 1 January 2009, several prior-year figures have been adjusted in the income statement.
- For the sake of better comprehensibility and readability, we have refrained from adding the footnote "Previous year's figures adjusted owing to first-time application of IFRS 8" to every slide.
- For details and background information on IFRS 8, please read the presentation "How does Munich Re apply the accounting standard IFRS 8 'Operating Segments'?" on Munich Re's website (http://www.munichre.com/en/ir/contact_and_service/faq/default.aspx).
- On 30 September 2008, through its subsidiary ERGO Austria International AG, Munich Re increased its stake in Bank Austria Creditanstalt Versicherung AG (BACAV) and included it in the consolidated group. The figures disclosed at the time of first consolidation were of a provisional nature. Therefore, several previous year figures have been adjusted in order to complete the initial accounting for a business combination (IFRS 3.62).
- Previous year figures also adjusted according to IAS 8.