COMPETING IN THE AGE OF AUSTERITY

Bank of America Merrill Lynch Banking & Insurance CEO Conference

London, 29 September 2010

Nikolaus von Bomhard

Munich RE

Munich RE

Overview – Financial highlights Q1–2 2010

Execution and delivery – Strong result in challenging markets

Munich RE

Munich Re (Group)

Strong net result of €1,194m in Q1–2 2010 (€709m in Q2 standalone)

Investment result mitigating high amount of losses

Annualised RoRaC of 13.2%

Shareholders' equity further strengthened to €23.7bn

Share buy-back plan on track: ~€390m[1] completed since AGM in April 2010

High investment result

Annualised RoI of 5.3% in Q1–2 2010 based on disposal gains and write-ups as portfolio and duration management proves beneficial

Reinsurance

Result burdened by significant losses

Major losses in P-C (CR: 106.4%) partially offset by improved result in life reins.

Renewals in P-C maintain good profitability

Primary insurance

Good operating performance

€164m consolidated ERGO result in Q1–2 2010 despite goodwill impairment

Positive response to intro-duction of new ERGO brand

Munich Health

Q2 2010 shows improved financial development

Consolidation of activities in order to strengthen sustainable earnings generation well underway

[1] As at 30 September 2010.

Munich Re (Group) – Highlights

Munich Re generates solid returns for its shareholders

Munich RE

Investment profile

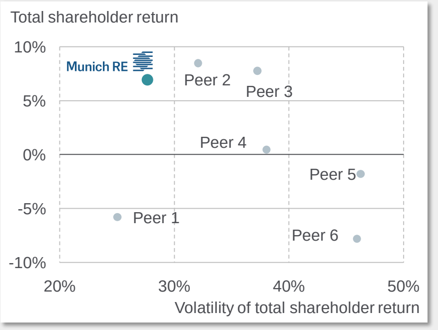
High dividend yields and share buy-backs – cash yield of around 10%[1]

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 the age of austerity – 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 5½-year period (01.01.2005–30.06.2010); 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

Integrated business model facilitating diversification and predictable results

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

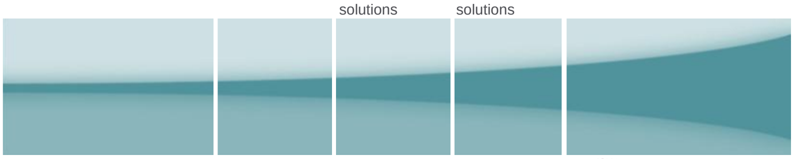
4

Traditional reinsurance solutions | Large individual risks solutions | Specialty commercial solutions | Personal specialty solutions | Standard retail solutions

Risk capacity

Distribution power/ Process efficiency

Risk know-how



Munich RE | MUNICH HEALTH | ERGO

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

1 Risk management

Regulatory change promotes fully risk-based and holistic corporate management

Solidly steering through the crisis

ERM[1]

- Reduced impact of weak capital markets
- Ongoing analysis of scenarios
- Reliable risk modelling
- Group-wide strat. risk managem. framework
- Reasonable exposure to financial sector

- Hedging strategy proved successful
- Risks generally well captured by risk model
- Exposure to financial sector further reduced
- Binding strategic risk criteria and operational risk limits
- Swift reaction to changed market conditions

Munich Re fared well through the crisis thanks to its strongly entrenched ERM

Long-term opportunities

SOLVENCY II

- Asset-liability management
- Product/under-writing policy
- Investment policy
- Reinsurance policy
- Capital management

- Continuity, stability and sustainability becoming increasingly attractive
- Solvency II – Regulatory quantum leap as from 2013
  - Risk-based capital requirements
  - Holistic risk management taking account of benefits of diversification

Opportunities for Munich Re as a strongly capitalised, well-diversified reinsurer

[1] ERM: Enterprise risk management.

2 Asset management

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

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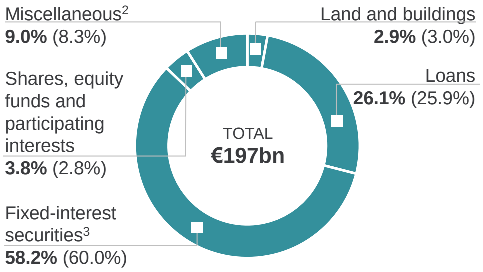
Investment portfolio[1]



Portfolio duration[4]

	Assets	Liabilities	Net DV01[5]
Reinsurance	5.5	3.7	–12.3
Primary insurance	6.9	7.4	7.4
Munich Re Group	6.3	5.8	–4.9

Active portfolio management

Fixed income

- Duration lengthening proves beneficial in the current low-interest environment
- Well-positioned for a lower for longer scenario in primary life (interest hedging via receiver swaptions)
- FX impact contributed to a significant increase in market value of assets
- Selected credit exposure mitigates lower regular income of reinvestments

Non-fixed income

- Gradual expansion of gross equity exposure with downside protection (net equity exposure: 2.5%)[1]
- Further enhance position in renewable energies and new technologies

1 Fair values as at 30.6.2010 (31.12.2009). 2 Deposits retained on assumed reinsurance, investments for unit-linked life insurance, deposits with banks, investment funds (bond, property). 3 Categories "available for sale", "held to maturity" and "at fair value".
4 As at 30.6.2010. Asset and liability durations apply to different underlying volumes. 5 Net DV01: Sensitivity in absolute terms (€m) to parallel upward shift of yield curve by one basis point reflecting portfolio size.

3 Capital management

Strong track record of returns well above (low) cost of capital

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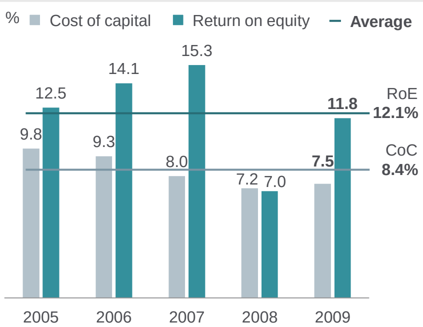
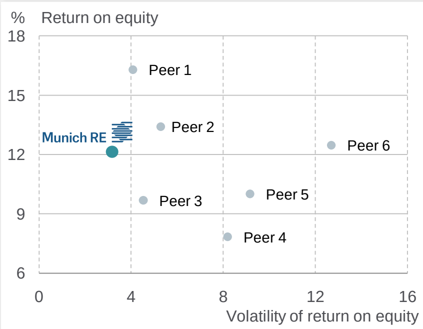
Return on equity vs. cost of capital[1]



Low cost of capital resulting from low correlation of share price to market index

Return on equity and volatility[2]



Solid returns with low volatility

Reliable value creation with high predictability of financial results

1 Calculation using CAPM with ten-year German government bonds, 5% market risk premium and one-year raw beta to DJ Stoxx600, daily basis. Source: Bloomberg.
2 FYE 2005–2009. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

3 Capital management

Significant book value growth based on shareholder-friendly capital repatriation

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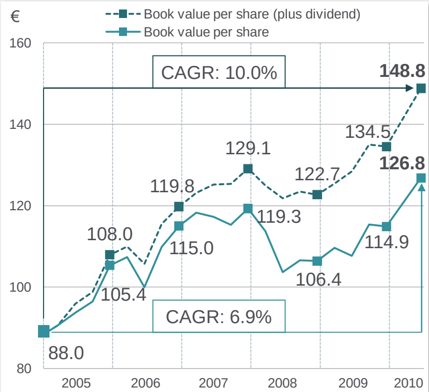
Book value per share[1]



Sound capital base

Sound capitalisation according to all capital measures:

Regulatory, rating and internal model

Financial solidity leading to low cost of capital:

Low CDS spread (56bps)[2] and beta (0.66)[2]

Secure financial strength[3]

- 18.7% debt leverage[4]
- 13.7x interest coverage[5]

Current **share buy-back** facilitating underwriting discipline in a market with excess capital

[1] 2005 – Q1-2 2010. Shareholders' equity excl. minority interests divided by shares in circulation.
[2] As at 15 September 2010.
[3] As at 30 June 2010.
[4] Strategic debt divided by total capital (= sum of strategic debt + shareholders' equity). All subordinated bonds treated as strategic debt.
[5] Earnings before interest expenses, tax and depreciation divided by finance costs.

4 Integrated group strategy

Seizing opportunities for profitable growth further reducing dependency on investment income

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Innovative insurance solutions – Covering the whole risk value chain …

A Products

- Expanding the limits of insurability by developing new coverage concepts
- Holistic asset-liability solutions
- Public-private partnerships

B Clients

- Demand-driven repositioning following changed client behaviour
- Governmental clients
- Munich Re Risk Solutions

C Markets

- Know-how transfer
- Customised solutions for risk and balance-sheet management
- ERGO International

… while effectively addressing industry challenges

Volatile Economic Development	Demographic Change	Climate Change	Low-interest Environment	Changing Regulatory Framework

Competing in the age of austerity by strictly focusing on generating value on the liability side of the balance sheet

Underwriting of complex casualty risks based on specialised know-how

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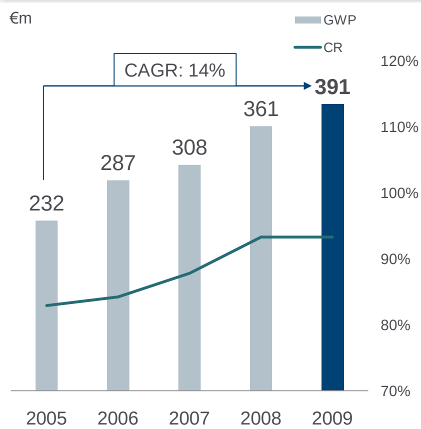
High-severity casualty – Business development[1]



High-severity casualty – Key issues

Products

- Environmental impairment liability (e.g. new concept for offshore oil drilling)
- Industrial liability (incl. pharma)
- Financial lines (incl. D&O and professional indemnity business)

- Predominantly proportional participations in clients' high excess business
- Amplitude of cycle comparatively low
- Expertise-driven high entry barriers

Cedants

- Highly professional first-tier primary insurers
- Superior underwriting and pricing skills

Quality assurance

- Regular audits of cedants' books
- Tight internal control and monitoring system

[1] Management view, not comparable with IFRS reporting. Fiscal year view.

Tapping large profit pool by offering holistic asset-liability solutions

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Life reinsurance – Strategic positioning

Primary insurance demand	Need for support in underwriting and product development	Importance of asset-liability mismatch risk has strongly increased	Demand for capital relief
Customised solutions	Transfer of know-how / Traditional solutions	Holistic asset-liability solutions	Capital relief transactions

Demand

- Solvency II will substantially increase capital requirements for AL mismatch risk
- Statutory reserving requires prudent margins
- Maintaining hedge operations to cover various guarantees is complex and aligned with high fixed costs

Munich Re offer

- One-stop shopping: Covering both insurance and capital market risks
- Hedging platform immunises against liquid market risk
- Coherency of offer achieved by one-stop approach
- Economies of scale of a large reinsurer

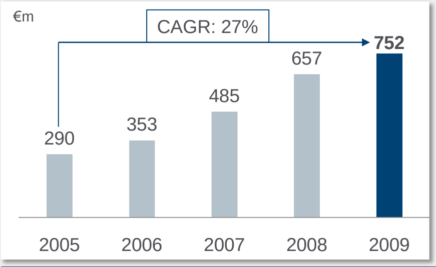
Client benefit

- Reduction of economic risk
- Regulatory capital relief
- Reserve credit
- Improving time to market and product profitability
- Customised solution provided by a financially strong reinsurer

4 A Products – Reinsurance: Public-private partnerships

Crop insurance becoming increasingly important given global climate and demographic changes

Significant premium growth[1] …



… driven by higher demand

- Increasing need for a crop insurance system
  - Population growth leading to sustainably higher global demand
  - Higher volatility in commodity prices as a result of climate change endangering reliable food and bio energy supply
- Munich Re to support all risk partners in establishing public-private partnership (PPP) crop insurance systems all over the globe

Munich Re solutions providing a win-win-win situation

Governments
Higher planning dependability and transparency by budgeting stable expenses thereby ensuring a sustainable system

Farmers
Higher financial stability being equipped with affordable risk cover and thus revenue guarantees when hit by natural catastrophes

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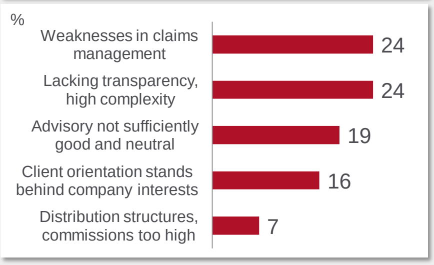
Business opportunities utilising the competitive advantage of financial strength and know-how to make long-term commitments

[1] Gross written premiums agricultural business.

4 B Clients – Primary insurance: Demand-driven repositioning

Brands unified under ERGO umbrella and new brand positioning to attract further customer groups

Insurance industry with image problems[1]



- Growing need of many people for authenticity and simplicity
- Consumers often feel that their concerns are not taken seriously
- Consumers criticising the lack of transparency regarding insurance products and services

Delivery

- Deliver on the promise of the new brand by transforming it into real experience for customers
- Develop points of action to improve comprehensibility and dialogue with customers
- Aim is to inspire customers and employees alike

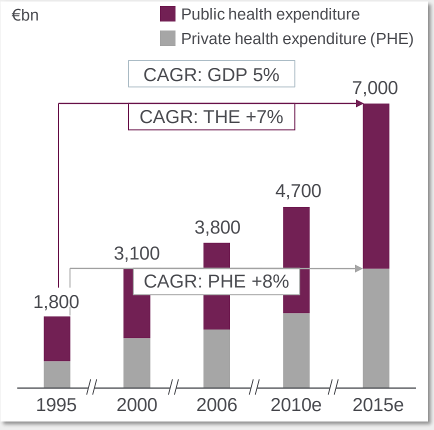
ERGO

"To insure is to understand" – Consistent gearing to clients' needs with clear, comprehensible communication

[1] Source: Allensbacher Archive, IfD survey 5228, 2007

Governments emerge as new clients for health solutions

Total health expenditure[1] (THE) grows above GDP – PHE grows even stronger



Common need to control rising healthcare costs

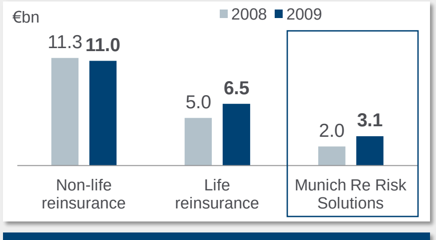
- Emerging markets face sharp rise in healthcare costs as infrastructure expansion induces strong utilisation growth
- Mature markets have to find new ways of managing and financing healthcare to control strong growth in healthcare costs driven by demographics and innovation

Munich Health is uniquely positioned to serve governmental clients through its global healthcare expertise across diverse healthcare systems and operating models

[1] Total health expenditure = sum of public and private health expenditure.
Source: WHO, Global Insight, Munich Health research

Significant growth of Munich Re Risk Solutions – profitable business with limited cycle impact

Net earned premium development[1]



Description of business model

- Within each business segment, Munich Re steers according to strict profitability targets in each phase of the cycle
- Seizing diversification benefits and asynchronous market cycles
- Allocation of risk capital according to relative risk-reward characteristics

Munich Re Risk Solutions

Specialty business
- Relatively low exposure to the cycle of traditional p-c reinsurance
- Attractive niche not directly competing with mass market primary insurance players
- Driven by risk know-how rather than distribution

Risk profile
- Engineering business (HSB), specialty commercial covers (Midland), marine (Watkins, Roanoke), aviation (GAUM)

Advantages
- Enlarging business scope, improving access to niche markets and enabling access to additional client segments
- Complementing traditional strengths of Munich Re in know-how driven insurance business

[1] Management view, not comparable with IFRS reporting. Life reinsurance excludes health business: ~€2.8bn in 2009 (~€1.8bn). MRRS includes specialised B2B primary insurance solutions out of reinsurance. Figures for acquired companies only included since consolidation: Midland as from April 2008, Roanoke as from May 2008 and HSB as from April 2009.

Portfolio growth fostered by transfer of global know-how into local markets

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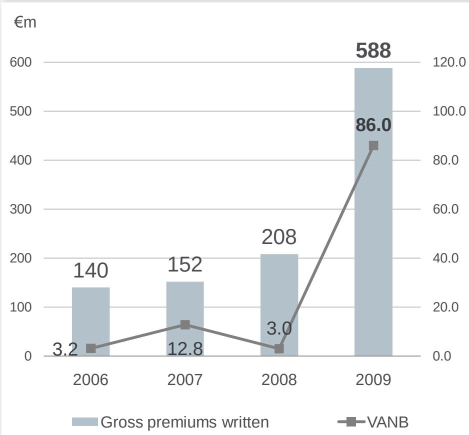
Life reinsurance Asia – Business development[1]



Approach

Offering in-depth consulting services beyond traditional reinsurance support to help Munich Re clients solve their most critical issues (e.g. product development, processes optimisation)

Munich Re's competitive advantage

- Broad hands-on experience from mature markets
- Team of local actuaries and medical doctors with excellent knowledge of local markets
- Proven ability to transform experience into value-adding practical solutions

[1] Management view, not comparable with IFRS reporting. Growth in written premium heavily influenced by financially motivated transactions. VANB calculated in accordance with EEV in 2006–2008 and MCEV since 2009. Growth mainly driven by know-how-transfer-based deals.

Solvency II provides business potential fully crystallising the value of the reinsurance business model

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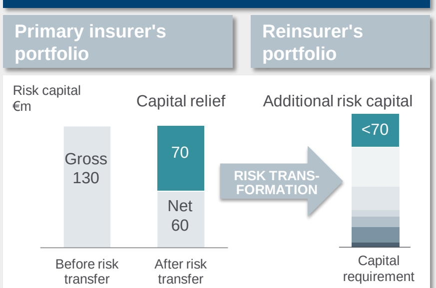
Risk transfer – Illustrative

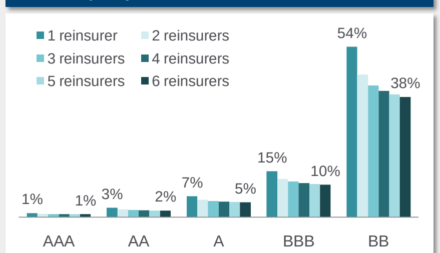


Diversification of reinsurers is higher due to

- 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 QIS5 technical specifications.

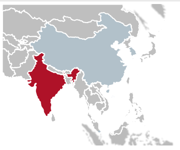
4 C Markets – Primary insurance: ERGO International

Continue sustainable growth and take opportunities to tap new markets

ERGO in Europe

- Market position among TOP 5 in either life or non-life
- Market presence

ERGO in Asia



- Market position among TOP 5 in either life or non-life[1]
- Market presence

Regions
- Presence in over 30 countries with focus on Europe and selected Asian markets
- Market-specific entry strategies

Products
- Major part of international activities in retail business
- Emphasis on P-C business
- Expertise in niche markets

Distribution
- Focus on agents and bancassurance as sales channels
- Capability to add sales channels, e.g. direct sales
- Building strong partnerships (HDFC, Unicredit)

Steering
- Technical and actuarial know-how as core competence
- Disciplined economic steering

International operations to continuously increase earnings contribution going forward – new business contributes nearly 50% to total ERGO new business

[1] Only private companies.

Outlook

Outlook 2010 – Munich Re to continue to place high emphasis on sustainable earnings

Munich Re (Group)

RoRaC
Target of 15% after tax over-the-cycle to stand

Capital repatriation
Continuation of share buy-back programme of up to €1bn until AGM 2011[3]

Gross premiums written
€44–46bn[1]
(prev. €43–45bn)

Net income
Achievement of net income >€2.0bn remains ambitious[2], but within reach

Return on investment
Slightly above 4%
(prev. < 4%)
High RoI in Q1–2 2010 not sustainable in the remainder of the year

Reinsurance

Combined ratio P-C
Target: 97% over-the-cycle
In 2010 hardly achievable

Primary insurance

Combined ratio P-C
Target: < 95%

Munich Health

Combined ratio
Target: < 99%
In 2010 hardly achievable

[1] Thereof €23–24bn in reinsurance, €17–18bn in primary insurance and approx. €5bn in Munich Health (all on basis of segmental figures).
[2] Net income target subject to normal claims development and strong investment results in the remainder of the year 2010.
[3] Until end of September Munich Re repurchased own shares amounting to ~€390m.

Backup: Shareholder information

Financial calendar

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Financial calendar

9 November 2010	Interim report as at 30 September 2010
3 February 2011	Reporting on the renewal of reinsurance treaties; key figures 2010
10 March 2011	Balance sheet press conference for 2010 financial statements
11 March 2011	Analysts' conference, London
20 April 2011	Annual General Meeting, Munich

Backup: Shareholder information

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Backup: Shareholder information

Disclaimer

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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.