



EXECUTION AND DELIVERY

Commerzbank - German Investment Seminar 2011

New York, 11 January 2011

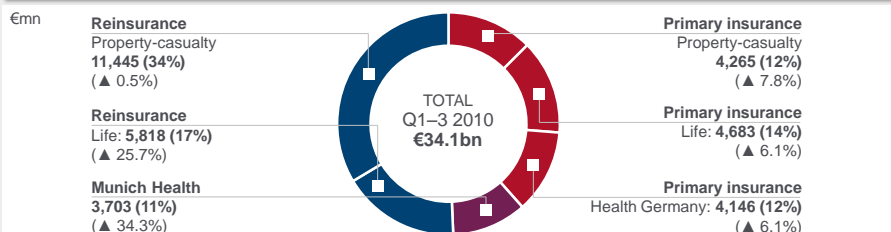
Nikolaus von Bomhard

Munich Re (Group) – Integrated business model

A leading global (re)insurer



Munich Re – Premium breakdown by segment (consolidated)



Reinsurance

- Leading expertise worldwide for 130 years
- Full range of products: from traditional reinsurance to alternative risk financing
- Diversification – a key success factor

Primary insurance

- Germany-based with growing importance in selected European and Asian markets
- Multi-channel sales strategy and unified brand to foster leading market position

Munich Health

- A leading specialised risk carrier in selected international health markets
- Flexible combination of business models and products as unique selling proposition

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Munich Re (Group) – Financial highlights

Sound financial development in the first nine months of 2010



Munich Re (Group)

Net result of €1,955m in Q1-3 2010 (€761m in Q3 standalone)

Ongoing strong investment result and low claims in Q3
Annualised RoRaC of 14.5%

Shareholders' equity further strengthened to €24.1bn

Share buy-back programme on track: €650m¹ completed since AGM in April 2010

High investment result

Annualised RoI of 5.0% in Q1-3 2010 based on high disposal gains and write-ups as portfolio and duration management continues to prove beneficial

Reinsurance

Good Q3 mitigating significant claims in Q1-2 2010

Benign claims development in P-C in Q3 (combined ratio in Q3 standalone: 93.8%)

Primary insurance

Good operating performance

€301m consolidated ERGO result in Q1-3 2010

Munich Health

Resilient operating result

Consolidation process well on track
Position in the US Medicare market strengthened by the acquisition of Windsor

¹ As at 31 December 2010

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Munich Re (Group) – Investment profile

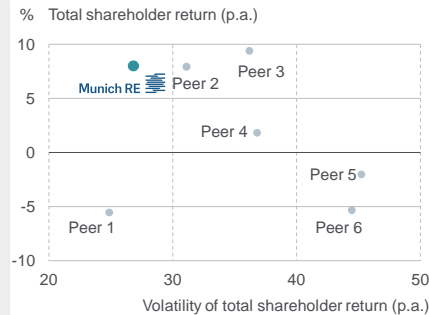
Munich Re generates solid returns for its shareholders

Munich RE 

Investment profile

- A** Strictly value-based, risk-adjusted management approach
- B** Efficient capital management a cornerstone of strategy
- C** Managing insurance risks as main source of value creation
- D** Disciplined growth with stringent bottom-line focus

Total shareholder return vs. risk¹



Munich Re managing for value – stringent execution of strategy delivering sustainable earnings

¹ Annualised total shareholder return defined as price performance plus dividend yields over a 6-year period (01.01.2005–31.12.2010); 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.

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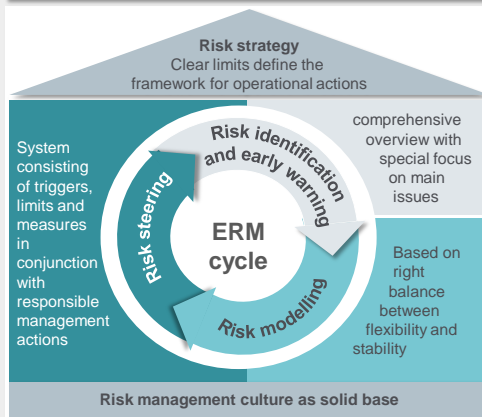
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A Value-based management approach – Risk management an integral part

Munich Re's Enterprise Risk Management (ERM) safeguards investors' interests and clients' protection

Munich RE 

Components of Munich Re's ERM



Objectives of Munich Re's ERM

- Protect and generate sustainable shareholder value
- Ensure the highest degree of confidence in meeting policyholders' and cedants' claims
- Protect Munich Re's reputation

Embedding of Munich Re's ERM

- Risk steering
- Pricing / Underwriting
- Liability-driven investment strategy
- Performance measurement
- Management compensation

Risk management is a key part of our corporate management

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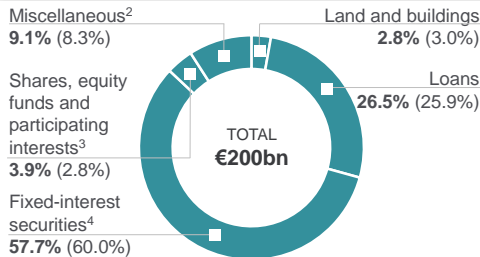
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A Value-based management approach – Well-balanced investment portfolio

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

Munich RE

Investment portfolio¹



Active portfolio management

- Ongoing tactical reallocation of fixed-income portfolio thereby realising disposal gains
- Fixed-income portfolio well balanced, digestible positions in weaker sovereign bonds
- Duration lengthening proved beneficial as yields sharply declined

Portfolio duration⁵

	Assets	Liabilities	Net DV01 (€m)
Reinsurance	6.0	4.1	-10.9
Primary insurance	7.1	7.6	8.0
Munich Re Group	6.6	6.2	-2.9

Interest management

Increasing utilisation of derivative instruments (esp. interest rate futures and receiver swaptions) to efficiently manage interest sensitivity of the portfolio

¹ Fair values as at 30.9.2010 (31.12.2009). ² Deposits retained on assumed reinsurance, investments for unit-linked life, deposits with banks, investment funds (bond, property) and held-for-trading derivatives with non-fixed-interest underlying. ³ Net of hedges; 2.6% (2.8%). ⁴ Categories "available for sale", "held to maturity" and "at fair value". ⁵ As at 30.9.2010. Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size.

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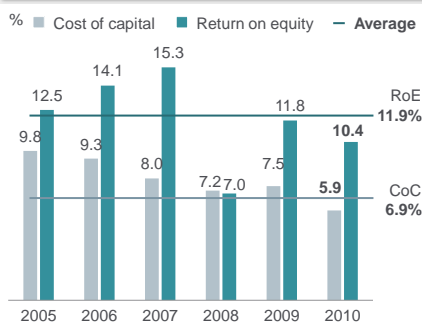
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B Capital management – Value creation

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

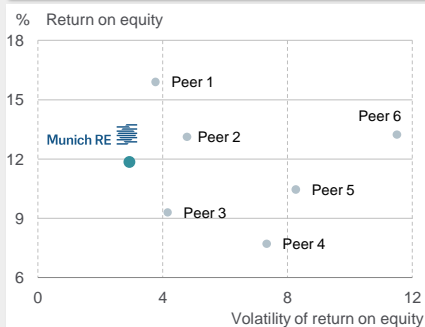
Munich RE

Return on equity vs. cost of capital^{1,2}



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

Return on equity and volatility²



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–H1-2010. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Financial Services.

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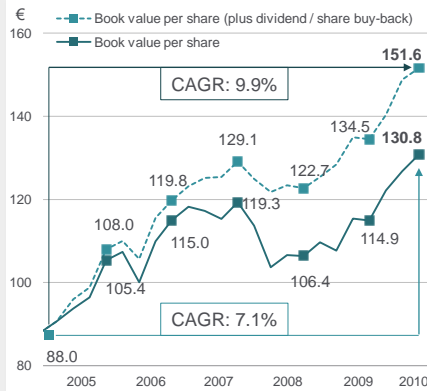
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B Capital management – Sound capital base

Significant book value growth based on shareholder-friendly capital repatriation

Munich RE

Book value per share¹



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 (58bps)² and beta (0.69)²

Secure financial strength³

- 18.3% debt leverage⁴
- 15.0x interest coverage⁵

More than €10bn paid in **dividend and share buy-backs** since 2005

¹ 2005 – Q1-3 2010, Shareholders' equity excl. minority interests divided by shares in circulation.

² As at 31 December 2010.

³ As at 30 September 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.

C Insurance risks as main source of value creation – Reinsurance

Positioning as a premium reinsurer

Munich RE

Innovative insurance solutions (examples) – Covering the whole risk value chain ...

PRODUCTS

- Expanding the limits of insurability by developing new coverage concepts
- Holistic asset-liability solutions in life reinsurance
- Public-private partnerships in agro business

CLIENTS

- Demand-driven repositioning following changed client behaviour
- Governmental clients
- Munich Re Risk Solutions (specialty business)

MARKETS

- Know-how transfer (in-depth consulting services beyond traditional reinsurance, e.g. life reinsurance Asia)
- Customised solutions for risk and balance-sheet management

... while effectively addressing industry challenges

VOLATILE
ECONOMIC
DEVELOPMENT

DEMOGRAPHIC
CHANGE

CLIMATE
CHANGE

LOW-INTEREST
ENVIRONMENT

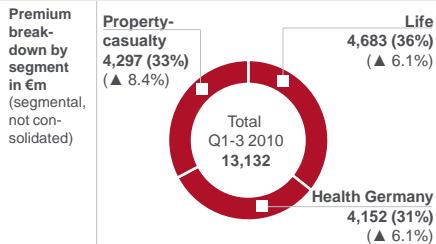
CHANGING
REGULATORY
FRAMEWORK

Strictly focusing on generating value on the liability side of the balance sheet

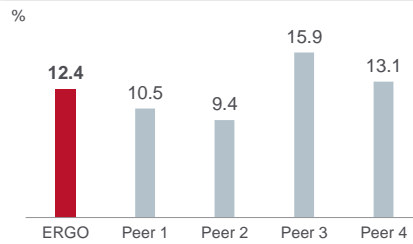
Insurance risks as main source of value creation – Primary insurance ERGO with good financial performance



Well-balanced business mix



RoE: Solid performance compared to peers¹



- P-C business contributes strongly to the overall performance
 - Value-generating business mix
 - Combined ratio below market average
- A market leader in German health business, low capital intensity
- Life business in Germany a challenge for many

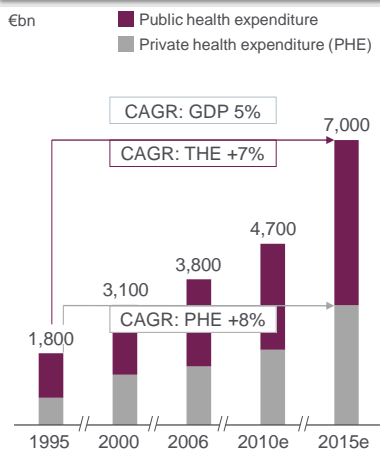
ERGO delivered a solid RoE on average over the last years

¹ Comparison of ERGO RoE with selected peers (average 2005-H1 2010). Peers: Allianz, Axa, Zurich Financial Services, Generali. Source: Bloomberg, reported figures for ERGO.

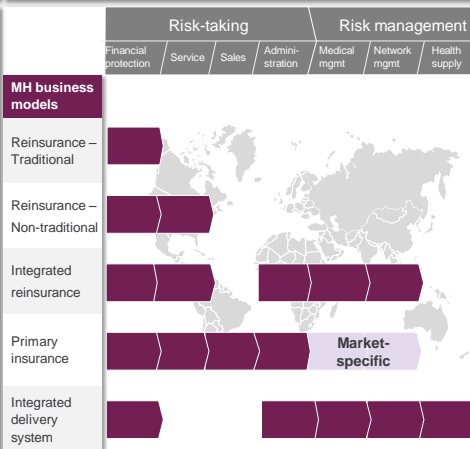
Insurance risks as main source of value creation – Munich Health Munich Health covering the entire value chain in selected international health markets



Total health expenditure¹ (THE) grows above GDP – Growth in PHE even stronger



Global healthcare expertise across diverse healthcare systems and operating models



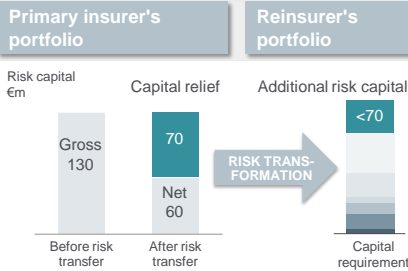
¹ Total health expenditure = sum of public and private health expenditure. Source: WHO, Global Insight, Munich Health research

D Growth opportunities – Solvency II

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



Risk transfer – Illustrative

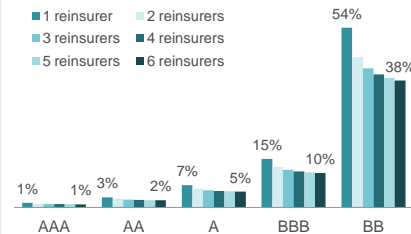


Diversification of reinsurers is higher due to

- Number of individual risks
- Geographical spread (global business model)
- Product and line of business mix

Well-diversified reinsurers will benefit from Solvency II

Deduction from capital relief for the counterparty default risk¹



- 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

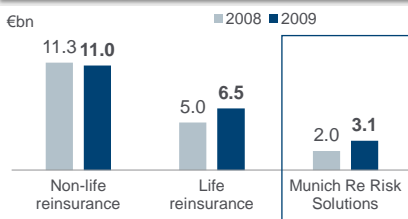
¹ Graph based on QIS5 technical specifications.

D Growth opportunities – P-C reinsurance

Continued growth of Munich Re Risk Solutions – profitable business with limited cycle exposure



Net earned premium development¹



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

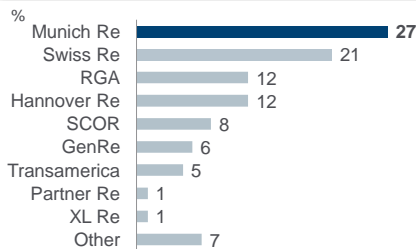
¹ Management view, not comparable with IFRS reporting. Life reinsurance excludes health business: –€2.8bn in 2009 (–€1.8bn). MRRS includes specialised B2B primary insurance solutions out of reinsurance. Figures for acquired companies only included since consolidation: Midland as from April 2008, Roanoke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

D Growth opportunities – Life reinsurance

Life reinsurance – Profitable core segment with leading market position and low correlation to P-C earnings

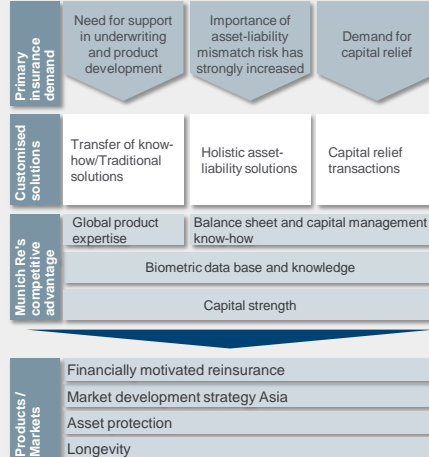
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Life reinsurance – Global market share¹



- Market leaders to continue increasing their market shares as growing demand for know-how and capital-intensive solutions is expected to benefit the leading players
- Traditional life reinsurance business to provide earnings stability going forward

Life reinsurance – Growth initiatives



¹ Source: Munich Re Economic Research. Estimates based on life and health net earned premiums 2009 as reported in company reports.

D Growth opportunities – Primary Insurance

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

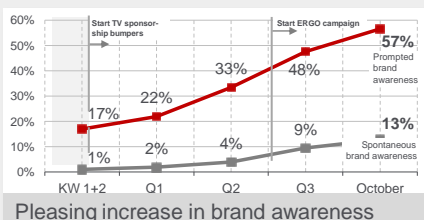
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Very popular advertising campaign



"To insure is to understand"

- 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
- Inspire customers and employees alike



Pleasant increase in brand awareness

Delivery on brand pledges work in progress

- Portfolio of "Beacon Projects" implemented to deliver on brand pledges, e.g. regarding
 - Clarity for customers
 - Feedback culture
 - Easy-to-understand products
 - Claims handling

D Growth opportunities – Primary Insurance

Continue sustainable growth and take opportunities to tap new markets in international business



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-life¹
- 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

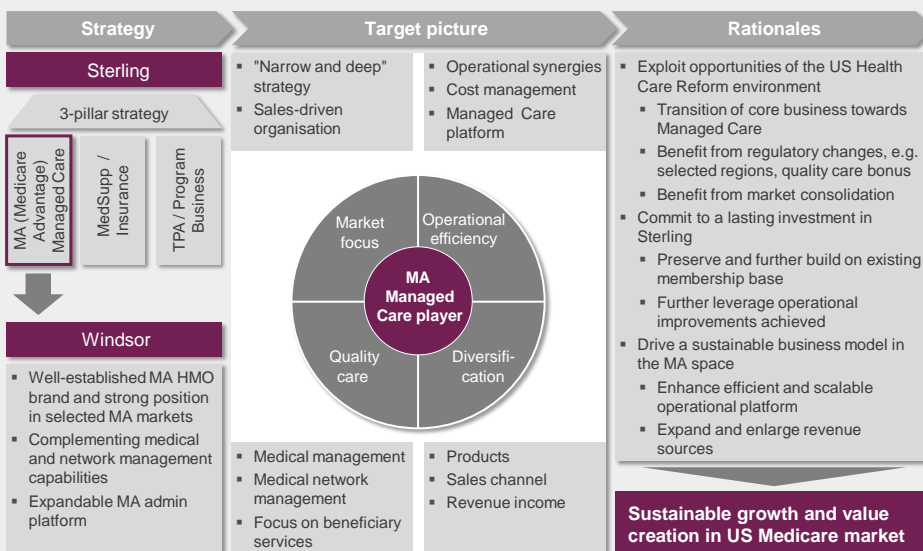
- Technical and actuarial know-how as core competence
- Disciplined economic steering

International business to continuously grow going forward – new business contributes nearly 50% to total ERGO new business

¹ Only private companies.

D Growth opportunities – Munich Health

By acquiring Windsor, Munich Health is pursuing a transition towards Managed Care in the US Medicare market



Outlook

Munich Re to continue to place high emphasis on sustainable earnings in a low-yield environment



Outlook 2010

as at Q3 2010

CAPITAL REPATRIATION

Continuation of share buy-back programme of up to **€1bn** until AGM 2011¹

GROSS PREMIUMS WRITTEN

€44–46bn²

RETURN ON INVESTMENT

~4.5% (prev. slightly >4%)

NET INCOME

~€2.4bn³ (prev. >€2.0bn)

COMBINED RATIO – REINSURANCE P-C

97% over-the-cycle – in 2010 slightly below 100% expected⁴

COMBINED RATIO – PRIMARY INSURANCE P-C

~95%

First indication 2011

RoRAC

15% a real challenge given sustainably very low interest rates, while economically balanced business and investment portfolio stabilises profitability and reduces cost of capital

RETURN ON INVESTMENT

Assuming insignificant non-recurring gains/losses and a continuation of the low interest-rate environment, RoI expected to drop below 4%

PROFIT

Expectation for net result to stand – Net result 2011 now presumably slightly below the increased outlook for 2010⁵ while higher technical result expected

¹ Full execution remains subject to developments in the capital markets and the general economic environment. Until 31 December Munich Re repurchased own shares amounting to €650m.
² Thereof €23–24bn in reinsurance, €17–18bn in primary insurance and approx. €5bn in Munich Health (all on basis of segmental figures).
³ Assuming stable capital markets and FX developments as well as normal claims activity in Q4.
⁴ Presuming normal claims activity in Q4.
⁵ Assuming normal claims activity and generally stable prices in reinsurance.



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Q&As



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