Munich Re: A leading global (re)insurer

Key business segments

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 presence in attractive growth markets in Eastern Europe and Asia
- Offers P-C, life and German health insurance

Munich Health
- A leading specialised risk carrier in selected international health markets
- Unique selling proposition: Flexible combination of business models and products across healthcare sector value chain

Premium breakdown by segment Q1 2011

- Reinsurance
  - Property-casualty: €4.4bn (34%)
  - Life: €2.4bn (18%)
  - Munich Health: €1.3bn (11%)

Premium breakdown by geography 2010

- Europe: €27.2bn (60%)
- North America: €12.1bn (26%)
- Asia and Australasia: €4.2bn (9%)
- Africa, Near and Middle East: €0.9bn (2%)

Financial highlights Q1 2011

Severe nat cats leaving their mark on Q1 figures

Munich Re (Group)
- Net loss of €948m in Q1
- High burden from nat cat events of ~€2.7bn in total – Positive annual result expected
- Shareholders’ equity reduced to €20.5bn
- Net loss, adverse FX development and increased interest-rates
- Solid investment result
  - Annualised RoI of 3.6%1

Reinsurance

- Significant claims in property-casualty
  - Combined ratio of 159.4%1
  - Positive impact on reinsurance prices to be expected

Primary insurance

- Positive earnings contribution
  - Consolidated ERGO result of €15m in Q1 burdened by impairment of €34m in respect of Korean business

Munich Health

- Well on track
  - Consolidation process making good progress

Notes:
- 1 Consolidated figures.
- 2 Q1 2011 compared to Q1 2010.

Consolidation process making good progress
Munich Re generates solid shareholder returns

10 Attractive risk-reward1 …

Managing insurance risks as main source of value creation

Deeply-embedded risk management

Disciplined asset-liability management

Efficient capital management

Well-balanced business portfolio

Munich Re managing for value – Stringent execution of strategy delivering reliable earnings

1 Annualised total shareholder return defined as price performance plus dividend yields over a 6-year period (01.01.2005–31.03.2011) 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.

Sustainable value generation based on prudent business and financial management

RoE in excess of cost of capital

High persistency in strategic execution

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.

Liability-driven business model

Current low interest-rate environment a drag on RoE …

... while Munich Re keeps excess of RoE above cost of capital at relatively stable levels – average spread ~50%

Low cost of capital as a consequence of liability-driven business model and well-diversified investment portfolio

Single outlier years due to large claims are part of the reinsurance business
**Risk management**

**Strongly diversified natural catastrophe exposure - frequency of severity is coincidental, not systemic**

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**Munich Re Group’s nat cat exposures**

<table>
<thead>
<tr>
<th>Event</th>
<th>Exposure (€m pre-tax, gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic Hurricane</td>
<td>4,000</td>
</tr>
<tr>
<td>Storm Europe</td>
<td>3,000</td>
</tr>
<tr>
<td>Earthquake Japan</td>
<td>2,000</td>
</tr>
<tr>
<td>Top 35 exposures</td>
<td>1,000</td>
</tr>
</tbody>
</table>

**Highlights**

- High level of diversification due to
  - Global geographical diversification of nat cat-business,
  - Strong diversification between perils (storm, earth-quake, flood),
  - Peak risk and accumulation management

Despite recent claims experience nat cat business remains one of Munich Re’s most profitable business lines

The recent nat cat events are not expected to require any significant change of individual scenario curves nor the aggregate loss distribution – Pricing model proves adequate

**Munich Re continues to commit substantial capacity to nat cat business**

1 Exposures relate to the full year, e.g. 2011 relates to the period from 1.1.2011 to 31.12.2011.

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**Nat cat losses in Q1 2011**

<table>
<thead>
<tr>
<th>Incident</th>
<th>Loss (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earthquake Japan</td>
<td>1,500</td>
</tr>
<tr>
<td>Earthquake Christchurch, New Zealand</td>
<td>740</td>
</tr>
<tr>
<td>Flood Queensland, Australia</td>
<td>260</td>
</tr>
<tr>
<td>Cyclone Yasi, Australia</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,700</strong></td>
</tr>
</tbody>
</table>

1 Rounded numbers. Adjusted for impact from the transfer of insurance risks to the capital markets.
### Risk management

**Enterprise risk management dedicated to improve Munich Re’s risk/return profile**

#### Business opportunities
- New oil spill cover
- Deepwater Horizon case expected to lead to demand for additional liability cover with attractive margin
- Munich Re able to use competitive advantage to offer complex structured reinsurance solutions, especially in life reinsurance
- 2011 renewals include Solvency II-triggered business for the first time (more than €50m premium volume)

#### Risk management involvement
- Comprehensive risk assessment by Corporate Underwriting
- In-depth cooperation with business units
- Complementing risk strategy with an explicit risk appetite
- Close cooperation with client management
- Identification of solutions optimising clients’ risk capital relief under Solvency II
- External and internal training and seminars

### Disciplined asset-liability management

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

#### Investment portfolio
- Miscellaneous 10.2% (5.7%)
- Shares, equity funds and participating interests 4.5% (4.0%)
- Fixed-interest securities 56.5% (57.7%)
- Land and buildings 3.0% (2.9%)
- Loans 25.8% (25.7%)

#### Portfolio management
- Ongoing tactical reallocation of portfolio, thereby realising disposal gains
- Slight shift from government bonds into corporates and equities
- Further improving geographic diversification
- Reduction of net equity exposure to 2.8%

#### Interest management
- Slight duration decrease as a result of active portfolio management and increased risk-free yields
- Duration mismatch remaining tight

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Munich Re

Available financial resources/Economic basis


Available financial resources (AFR)  29.6  29.6  28.4

Economic risk capital  11.8  8.9  20.7  17.4

Economic capital buffer  4.4  4.8  8.9  11.0

Economic capital buffer after share buy-back and dividends  7.4  9.3

Economic solvency ratio  9%  136

Economic solvency ratio – Sensitivity

<table>
<thead>
<tr>
<th>%</th>
<th>31.12.10</th>
<th>Interest-rate +100bps</th>
<th>Interest-rate –100bps</th>
<th>Equity markets +30%</th>
<th>Equity markets –30%</th>
<th>Interest-rate –100bps/ Equity markets –30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>148</td>
<td>123</td>
<td>139</td>
<td>134</td>
<td>118</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

Capital strength maintained despite higher risk exposure

Capital repatriation: We have delivered on our promise

Active capital management 1

<table>
<thead>
<tr>
<th>Cash yield (%)</th>
<th>3.3</th>
<th>4.7</th>
<th>11.8</th>
<th>10.4</th>
<th>7.3</th>
<th>11.5</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>€m</th>
<th></th>
<th>3,427</th>
<th>2,410</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>707</td>
<td>1,238</td>
<td></td>
<td>1,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>707</td>
<td>1,238</td>
<td></td>
<td>1,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>888</td>
<td>1,124</td>
<td>1,073</td>
<td>1,072</td>
<td>1,110</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>884</td>
<td>1,124</td>
<td>1,073</td>
<td>1,072</td>
<td>1,110</td>
<td></td>
</tr>
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<td>884</td>
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<td>1,072</td>
<td>1,110</td>
<td></td>
</tr>
</tbody>
</table>

... integral part of our financial strategy

- Capital repatriation of more than €10bn since 2007 via dividends and share buy-backs, delivering on our promise of the Changing Gear programme
- Sustaining high underwriting discipline
- Dividend is our strong commitment, whereas share buy-backs are considered a flexible tool
- Dividend of €6.25 per share for 2010, an increase of almost 9%
- New €500m buy-back programme put on hold for the time being

High cash payout to remain a cornerstone of Munich Re’s active capital management

1 Dividend refers to calendar year, actual cash flow is in the consecutive year.
2 Total payout (dividend and buy-back) divided by average market capitalisation.
Munich Re offering a value-adding integrated business model

Munich Health
- Global health markets providing ample opportunities
- MH making good progress on consolidation path in 2010...
- ...pursuing a transition towards managed care in the US
- Flexible use of primary and reinsurance facilitates growth

Primary insurance
- Introduction of new ERGO brand creating momentum
- While domestic p-c business keeps outperforming competitors ...
- ...in life business the challenging environment is actively addressed
- International expansion with focus on improving profitability

Reinsurance
- Shaping diverging market trends with sharpened value proposition
- Strict cycle management in commodity business ...
- ...while leveraging underwriting expertise and customer proximity in know-how intensive business
- Continued growth in life

Well-balanced business portfolio
- Liability-driven strategy facilitating diversification and sustainable earnings
- Providing the best solution for each risk category

Portfolio of complementary profiles providing strategic flexibility
- Strong bottom-line focus ...
- P-C reinsurance business – diversification and innovation at work
- Primary p-c business – strong contributor to ERGO’s overall performance
- Re-positioning of primary life business in Germany
- Generating sustainable returns remains the fundament of capital repatriation
- ... enabling profitable growth
- Business development
- Life reinsurance – leveraging our know-how in attractive target markets
- Munich Health – seizing opportunities as integrated health risk manager
- ERGO international – cautious expansion in CEE and Asia
- Focus on organic growth while considering bolt-on acquisitions

Patience to develop long-term growth opportunities

German & Austrian Corporate Conference 2011
Continued growth through consistent execution of business initiatives

Global market leader (market share)

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Munich Re</td>
<td>27%</td>
</tr>
<tr>
<td>Swiss Re</td>
<td>13%</td>
</tr>
<tr>
<td>RGA</td>
<td>12%</td>
</tr>
<tr>
<td>Hannover Re</td>
<td>9%</td>
</tr>
<tr>
<td>Berkshire</td>
<td>7%</td>
</tr>
<tr>
<td>Transamerica</td>
<td>5%</td>
</tr>
</tbody>
</table>

Life re share within reinsurance segment

<table>
<thead>
<tr>
<th>% of GWP in 2000</th>
<th>% of GWP in 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>78</td>
<td>67</td>
</tr>
<tr>
<td>22</td>
<td>33</td>
</tr>
</tbody>
</table>

Solid growth in life reinsurance

<table>
<thead>
<tr>
<th>Year</th>
<th>GWP (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>6,356</td>
</tr>
<tr>
<td>2007</td>
<td>5,953</td>
</tr>
<tr>
<td>2008</td>
<td>5,284</td>
</tr>
<tr>
<td>2009</td>
<td>6,796</td>
</tr>
<tr>
<td>2010</td>
<td>7,901</td>
</tr>
</tbody>
</table>

Well-balanced business portfolio – Life reinsurance

Growth fostered by strategic business initiatives

Financially motivated reinsurance

- Large-volume deals
- Customised reinsurance solutions
- Capacity with high security
- Continued demand

Market development Asia

- Expertise and capital strength
- Outstanding product development and consulting services
- Tailor-made reinsurance offerings

Innovation

- Coverage of financial guarantees and embedded options
- Strong risk management implemented
- State-of-the-art modelling capabilities

Asset protection

- Longevity

Sustainable growth through consistent execution of business initiatives

1 Global life and health market share. Estimates based on net earned premiums 2010 as reported in company reports. Source: Munich Re Economic Research.

# German & Austrian Corporate Conference 2011 14

# German & Austrian Corporate Conference 2011 15
Future value generation – Ambition levels increased

Value of new business (VNB): Communicated ambition achieved/maintained

- **CAGR:** >8%
- **2006:** €165m
- **2011:** €330m
- **2015:** €450m

Driven by large-volume deals exceptionally high VNB in 2009 (€562m) and 2010 (€475m) above original target for 2011

IFRS technical result: Ambition increased

- **Former ambition level:** €300m
- **Run rate:** to fluctuate around €400m

One-off impact in 2010 (US long term care); medium-term expectation in the order of ~€400m

Life reinsurance segment well prepared to maintain growth momentum

Outlook 2011 – Even more so after severe events as in Q1 reinsurance remains an attractive business model

Munich Re (Group)

<table>
<thead>
<tr>
<th>Gross Premiums Written</th>
<th>Return on Investment</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>€47–49bn (prev. €46–48bn)</td>
<td>Slightly below 4%</td>
<td>Positive annual result expected</td>
</tr>
<tr>
<td>Positive earnings contribution while concluding consolidation phase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>~€17–18bn</td>
<td></td>
<td>RoRaC-target of 15% after tax over-the-cycle to stand</td>
</tr>
<tr>
<td>~€6bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reinsurance

<table>
<thead>
<tr>
<th>Combined Ratio P-C</th>
<th>Gross Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>97% over-the-cycle – Not achievable in 2011</td>
<td></td>
</tr>
<tr>
<td>~€25–26bn</td>
<td></td>
</tr>
</tbody>
</table>

Primary insurance

<table>
<thead>
<tr>
<th>Combined Ratio P-C</th>
<th>Gross Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 95%</td>
<td></td>
</tr>
<tr>
<td>€17–18bn</td>
<td></td>
</tr>
</tbody>
</table>

Munich Health

<table>
<thead>
<tr>
<th>Gross Premiums Written</th>
</tr>
</thead>
<tbody>
<tr>
<td>~€6bn</td>
</tr>
</tbody>
</table>
Key takeaways

Value-adding integrated business model
covers important parts of the value chain of risks

Diversification and sophisticated risk management
are cornerstones of our strategy

Financial strength and track record of solid returns
allow participation in market opportunities mainly via organic growth

Capital management and cycle management
are key to our future success

Appendix

Mission
Feedback
Financial calendar
Contacts
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Investor & Rating Agency Relations is a central function responsible for Munich Re’s communication with the capital market. Its main objective is an active communication to support a fair capital-market valuation of Munich Re shares and outstanding bonds.

**External communication...**

- ... should increase the transparency of Munich Re’s recent financial performance, strategy and its expectations about future perspectives, while complying with the principles of a credible, accurate, complete and timely provision of relevant information.
- ... has the goal of achieving a fair valuation and optimising the cost of capital by increasing information efficiency between Munich Re and the financial community and developing a relationship of trust with our investor base.

**Internal communication...**

- ... entails the transmission of investors’ and creditors’ demands, and the capital markets’ perception of Munich Re, to management and staff.
- ... aims to support management in the setting of ambitious targets as well as in the execution of a value-based and shareholder-oriented strategy.

Investor & Rating Agency Relations facilitates targeted, systematic and ongoing communication between current and potential investors, financial analysts and rating agencies on the one hand, and Munich Re’s senior management on the other, with the aim of enhancing Munich Re’s visibility and attractiveness in the international financial community.

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**Feedback - Anything missing?**

The purpose of this presentation is to provide you with comprehensive, transparent, and user friendly information.

In case that you have any proposals to improve this presentation with respect to content and illustration, we would very much appreciate your feedback by phone (+49 89 3891-3875) or via e-mail (ir@munichre.com). Thank you very much for your kind support.
## Financial Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 June 2011</td>
<td>Citi “Climate Change &amp; Water Investment Conference”, London</td>
</tr>
<tr>
<td>8 June 2011</td>
<td>Goldman Sachs “Financial Services Conference”, Paris</td>
</tr>
<tr>
<td>4 August 2011</td>
<td>Interim report as at 30 June 2011; Half-year press conference</td>
</tr>
<tr>
<td>11-13 September 2011</td>
<td>Les Rendez-Vous de Septembre, Monte Carlo</td>
</tr>
<tr>
<td>8 November 2011</td>
<td>Interim report as at 30 September 2011</td>
</tr>
<tr>
<td>13 March 2012</td>
<td>Balance sheet press conference for 2011 financial statements</td>
</tr>
<tr>
<td>14 March 2012</td>
<td>Analysts’ conference, London</td>
</tr>
<tr>
<td>26 April 2012</td>
<td>Annual General Meeting, Munich</td>
</tr>
</tbody>
</table>

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## For information, please contact

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<thead>
<tr>
<th>Name</th>
<th>Contact Information</th>
</tr>
</thead>
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<td>Tel.: +49 (211) 4937-1573 E-mail: <a href="mailto:andreas.hoffmann@ergo.de">andreas.hoffmann@ergo.de</a></td>
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</table>

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