GOOD START TO THE YEAR 2012

Goldman Sachs Sixteenth Annual European Financials Conference

Brussels, 13 June 2012

Nikolaus von Bomhard

Munich Re highlights – Good start to the year 2012 despite ongoing macroeconomic uncertainty

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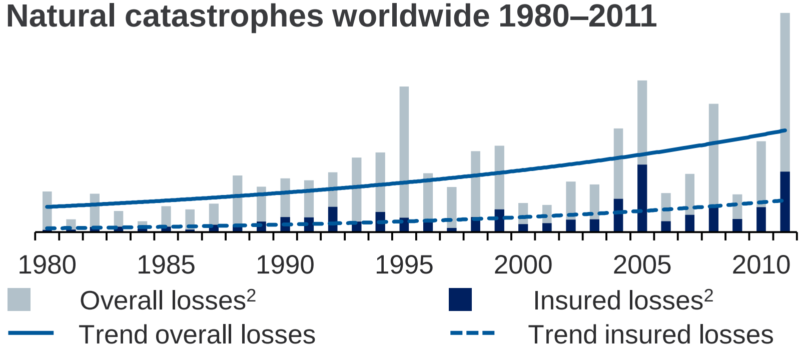
2011

Bund yield	Equity markets
Credit spreads	Volatility

Historically low yields as ongoing uncertainty of euro crisis fuels flight to safe haven

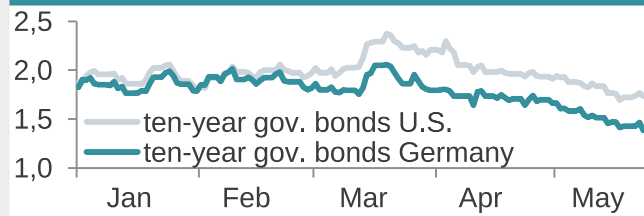
Natural catastrophes worldwide 1980–2011



With US$380bn economic losses, the costliest year ever in terms of natural catastrophes

2012 (ytd)

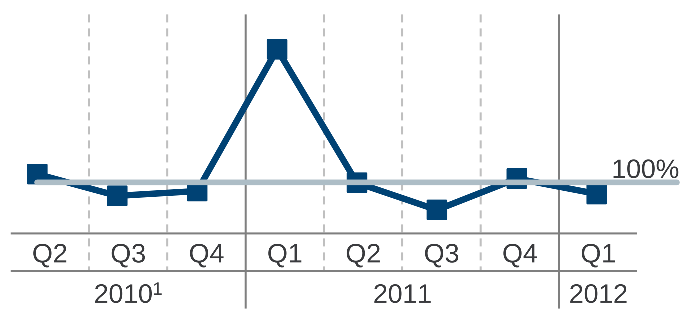
%



Bund yield dropped to all time low as markets anticipate a further escalation of the euro crisis

Combined ratio

%



Munich Re showing a nat cat ratio of 1.0% in Q1 2012 vs. 69.2% in Q1 2011

In an extreme year 2011, Munich Re maintained a stable dividend – Back to normal in 2012 and well on track to meet financial targets

[1] Figures up to 2010 are shown on a partly consolidated basis.
[2] In 2011 values.

Munich Re's long-term shareholder return remains solid

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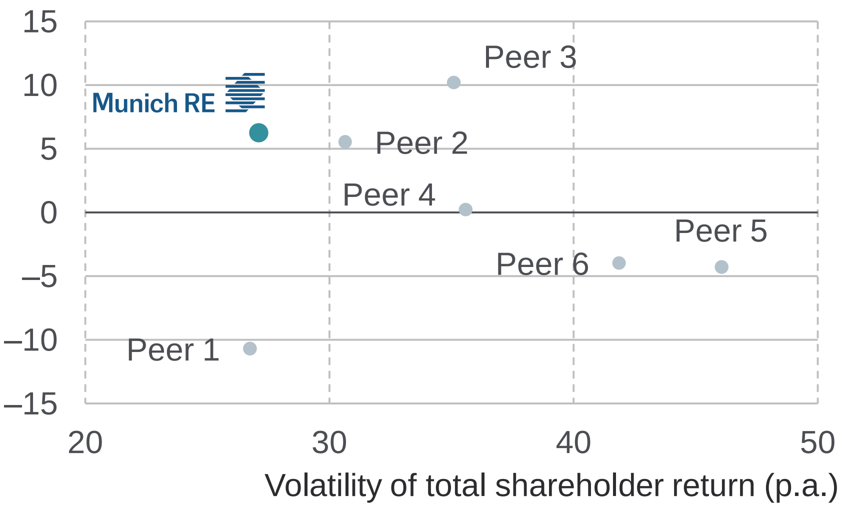
In years of volatile macroeconomic environment, Munich Re provides…

2007	2008	2009	Since 2010	
Subprime crisis	Credit crisis	Global recession	Sovereign crisis	Continued high level of uncertainty

… an attractive risk/return profile[1]…

%

Total shareholder return (p.a.)



… based on our strategic thrusts

1. **Disciplined risk and asset-liability management** – The basis for successful navigation through the crises
2. **Sound capital base** – According to all measures, facilitating profitable business growth
3. **Well-balanced business portfolio** – Largely uncorrelated to macroeconomic changes

Munich Re well set for an uncertain environment: Stringent risk management and high level of diversification – In core insurance business and investments

[1] Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 31.5.2012; 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 Insurance Group.

Prudent investment approach

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Asset gearing[1] – High quality and broad diversification

%

"Safe haven" gov. bonds[2]	184%
Bank bonds[3]	27%
Structured credit[4]	25%
"PIIGS" gov. bonds	24%
Net equities	18%

- Limited risky asset exposure
- Overweight in high quality bonds

Portfolio duration[5] – Active management of interest-rate risk

	Assets	Liabilities	Net DV01 (€m)
Reinsurance	7.1	6.4	–18.4
Primary insurance	7.3	8.8	18.3
Munich Re (Group)	**7.2**	**8.1**	**–0.1**

- Active increase of asset duration
- "Duration hedge" between primary and reinsurance

Well-balanced investment portfolio safeguarding low capital market gearing of shareholders' equity

[1] Gross exposure divided by shareholders' equity. As at 31.3.2012. [2] German and US government bonds.
[3] Senior bonds, subordinated bonds, loss-bearing bonds and loans for refinancing.
[4] ABS, CDO/CLN, MBS. [5] As at 31.3.2012. Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size.

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

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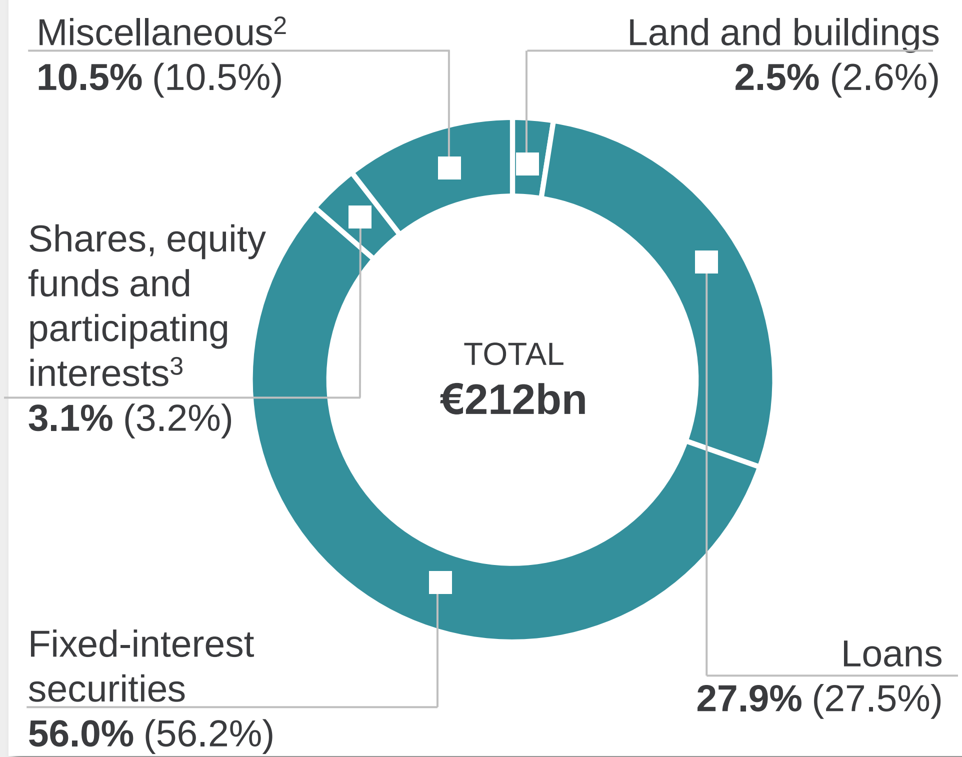
Investment portfolio[1]



Portfolio management in 2011/12

- Increased position in US governments and bonds of supranationals[4]
- Further reduction of bank bonds
- Ongoing geographic diversification of covered bond portfolio
- Stronger focus on emerging market debt
- Increase of inflation-linked exposure
- Cautious increase of investments in renewable energies and infrastructure

Broad diversification remains key as Munich Re is prepared for volatile capital market environment

1 Fair values as at 31.3.2012 (31.12.2011). 2 Deposits retained on assumed reinsurance, unit-linked investments, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies.
3 Net of hedges: 2.1% (2.0%). 4 European Community, European Investment Bank, EFSF and other.

Impact of capital market scenarios on Munich Re's financial strength

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Scenario	Capital market impact		Impact on: AFR		ERC		ESR
			AFR		ERC		ESR
Relief	Safe haven yields	⇧	↓↓		→		
	Weaker sovereign spreads	⇩	↑		↓		
	Corporate credit spreads	⇩	↑	→	↓	↓	↑
	EUR vs. USD	⇧	↓		↓		
	Equities	⇧	↑		↑		
Further escalation	Safe haven yields	⇩	↑↑		→		
	Weaker sovereign spreads	⇧	↓		↑		
	Corporate credit spreads	⇧	↓	→	↑	↑	↓
	EUR vs. USD	⇩	↑		↑		
	Equities	⇩	↓		↓		

Comments

AFR
Impact moderate in both scenarios
- Offsetting positions on various asset classes and across business divisions (primary and reinsurance)
- Proven in the past

ERC
Exposures fall in case of relief and vice versa

ESR
Impact on economic solvency in case of further escalation manageable

Munich Re protected against extreme scenarios

Sound capital position according to all metrics

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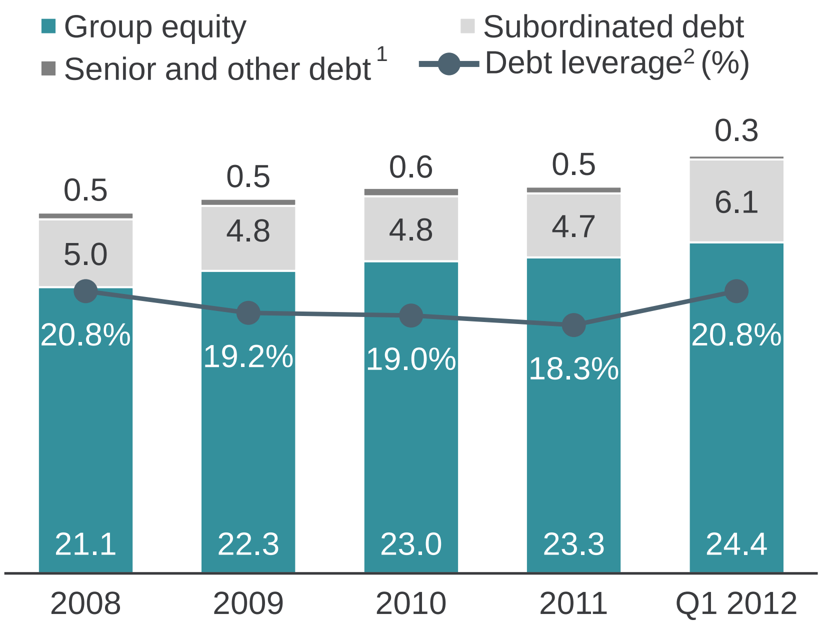
Capital structure

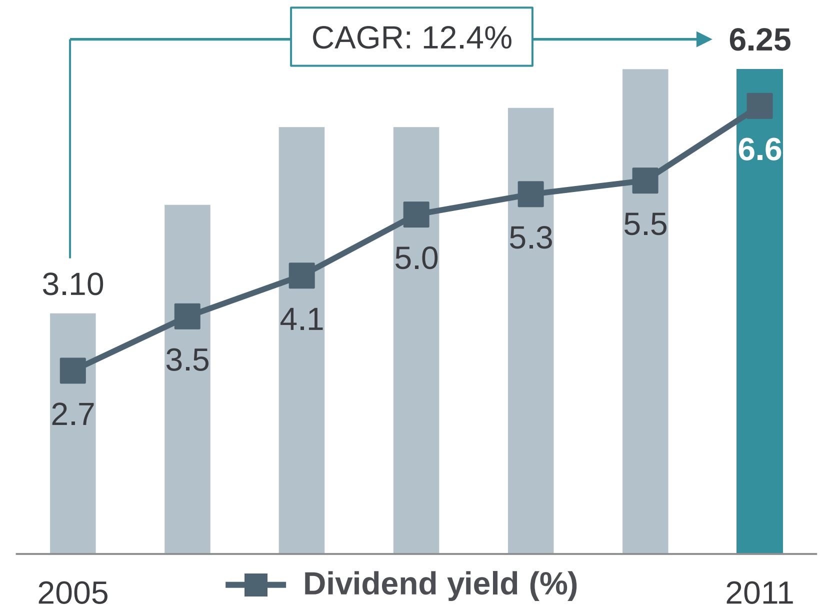
€bn



- Munich Re one of the least leveraged groups in the industry
- Strong rating capital with buffer above AA rating requirements and stable outlook

Dividend growth

€



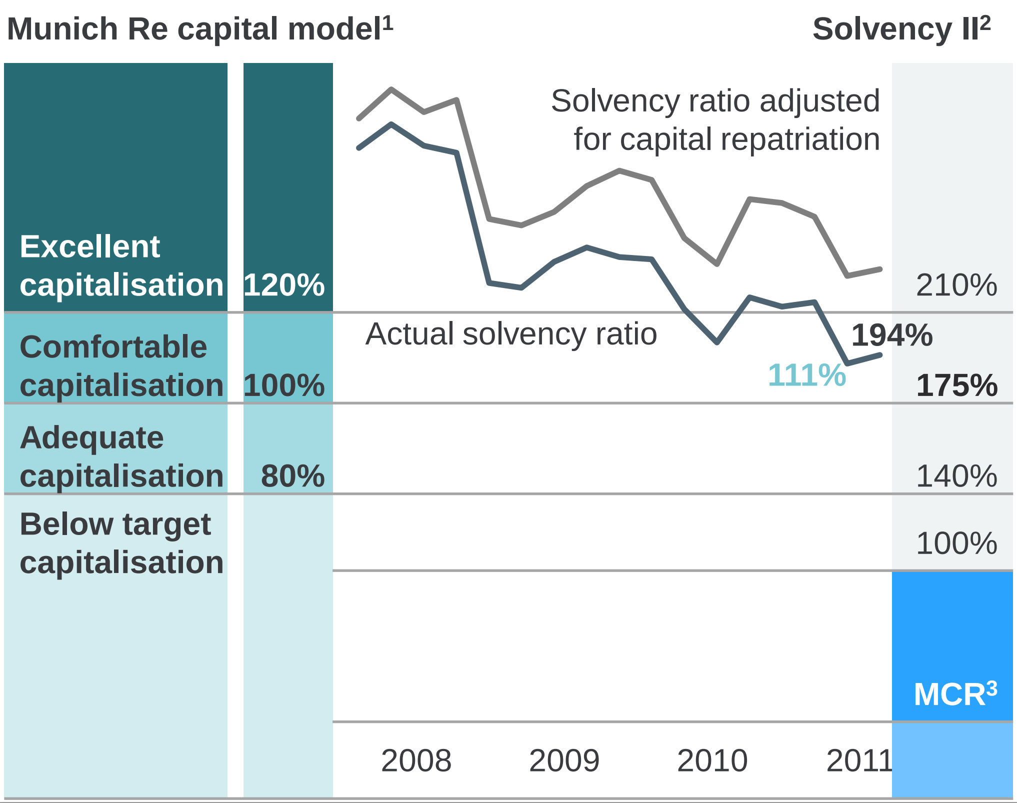
- Sustainable dividend growth – Attractive dividend yield even in challenging times
- Sound German GAAP capitalisation facilitating dividend continuity

[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 (= sum of strategic debt + shareholders' equity).

Economic capital position – Solid capitalisation in challenging times

Munich Re solvency ratio

%



Comments

2011

Comfortable economic solvency ratio of 111%[1] (194%[2]) – despite extreme capital markets and high nat cat claims

Q1 2012

Increase of solvency ratio – Decrease of ERC[3] (lower market and credit risk) and increase of AFR[4] (net profit)

Q2 2012 so far

Volatile capital markets – Decrease of "safe haven" yields, falling equity markets and rising credit spreads

Munich Re able to withstand stress scenarios

[1] Munich Re capital model (MRCM): 175% of VaR 99.5%. [2] Solvency II calibration: VaR 99.5%.
[3] ERC = Economic risk capital. [4] AFR = Available financial resources.

Business portfolio of complementary profiles performing in any market environment

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Sensitivity to macroeconomic changes: Higher – Lower

Capital generation – Business development

Primary life
In particular, products with investment component dependent on interest rate development

ERGO International
Cautious business expansion in CEE and Asia in a macroeconomic-sensitive environment

Primary non-life
Quite robust to macro-economic changes delivering stable earnings

Primary health
Yearly price adjustments to reflect medical inflation in addition to high client retention

Munich Health
Managing political risks and portfolio consolidation while long-term growth opportunities persist

Reinsurance non-life
Nat cat and some other businesses hardly correlated with macroeconomic cycle

Reinsurance life
Potentially more client demand for capital relief in addition to further business expansion in Asia

Balancing long-term growth opportunities and capital generation – Relatively low gearing to economic cycle

Global leading position in life reinsurance expanded by large-volume deals and growth in Asia

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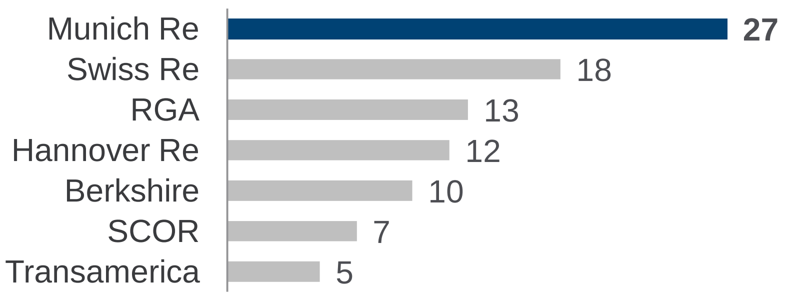
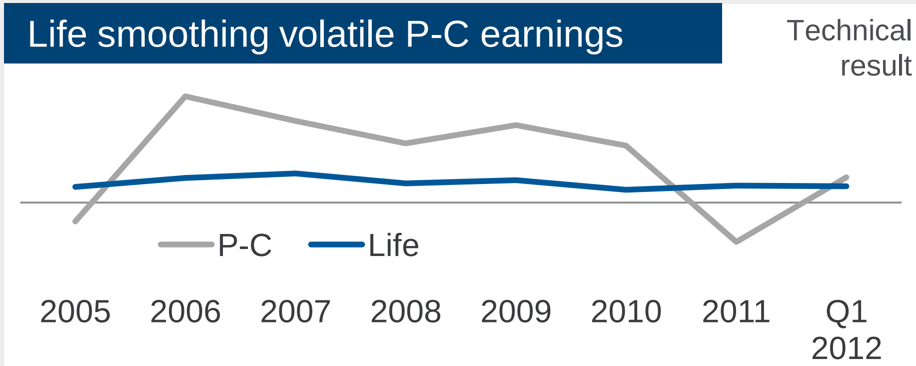
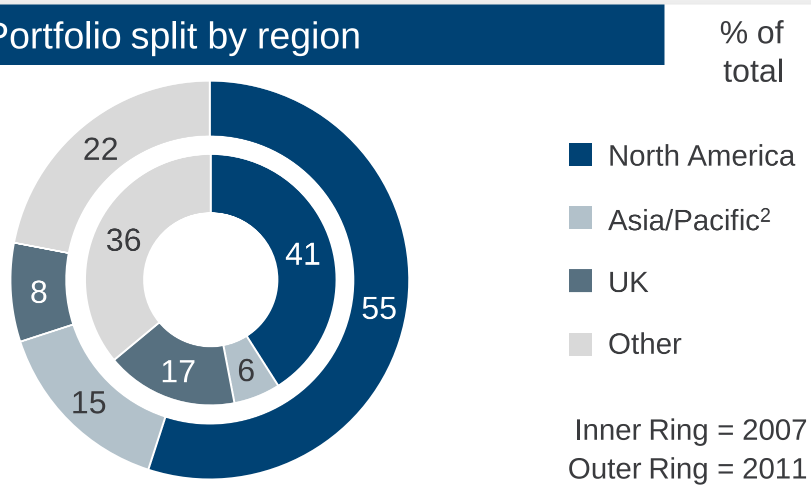
Global life and health market share[1]



Life smoothing volatile P-C earnings



Portfolio split by region



Strategic initiatives

Growth

- Financially motivated reinsurance
- Market development Asia

Experimental stage

- Longevity
- Asset protection

Life reinsurance well positioned for sustainable growth through consistent execution of business initiatives

[1] Estimates based on net earned premiums 2010 as reported in company reports.
Source: Munich Re Economic Research. [2] Asia, Australia, New Zealand.

In recent renewals significant price increases and improved portfolio quality achieved

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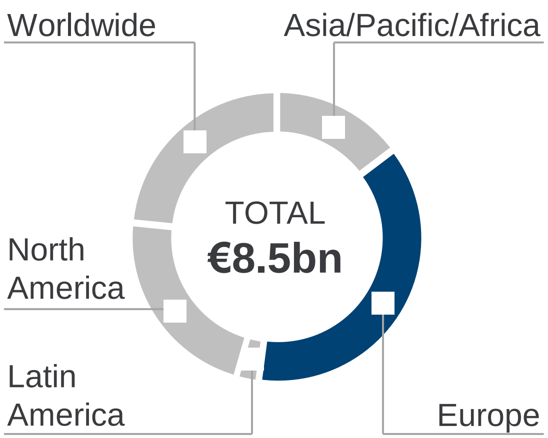
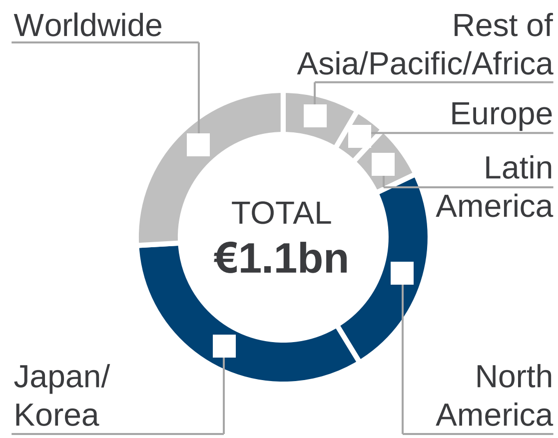
January



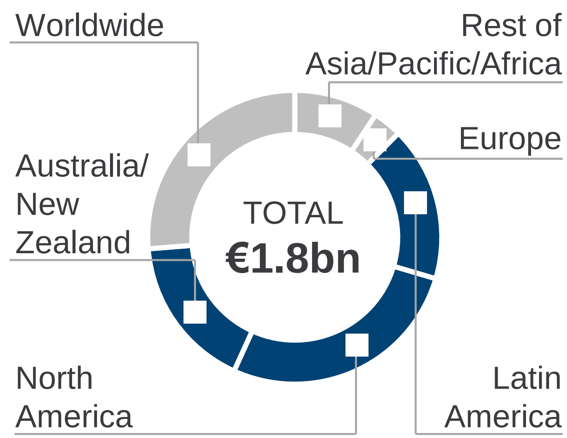
Nat cat portion	11%
Price change	**~2.0%**
Volume change	+2.6%

April



Nat cat portion	~36%
Price change[1]	**~5.0%**
Volume change	~-2.9%

July



Nat cat portion	~31%
Expected price change	↗

- No sacrifice of profitability for growth
- Increased portfolio quality by disciplined cycle management
- Strong focus on risk management prevails

Further improving portfolio quality by strict bottom-line-oriented portfolio management

Trend of ongoing nat cat price increases expected accompanied by further portfolio improvement

[1] Price increase including positive business mix effect (~3%) amounts to ~8%.

Comprehensive management of primary life back book and strengthening of new business initiatives

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Management of back book

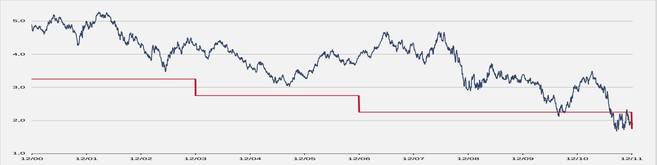
Active interest-rate management

- Hedging programme started in 2005
  - Protection against reinvestment risk via receiver swaptions
  - But also preserving flexibility for rising interest rates via CMS floaters with floor
  - Annual performance costs: ~10bps
- Continuous increase of asset duration to capture increasing liability duration

Target: Deliver guarantee promise to custom-ers without additional shareholders' equity

New product concept for Germany life

Adverse interest-rate environment



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Stakeholder expectations

Shareholder ▸	Hedgeable guarantees
Customer ▸	Considering different risk/return profiles
Sales force ▸	Highly flexible

- Passively managed mutual funds concept: Share price index and risk-free component
- Total volatility is in line with a preselected level
- At maturity, guarantee of premiums paid – No yearly guarantees
- Introduction to market envisaged for mid-2013

ERGO prepared for a "lower for longer" scenario

Good combined ratio in Germany – Improving international business

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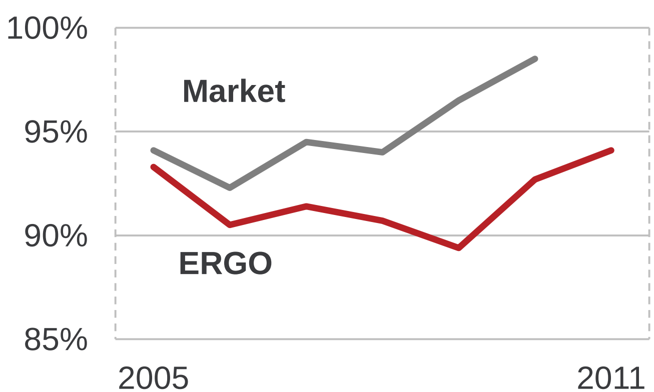
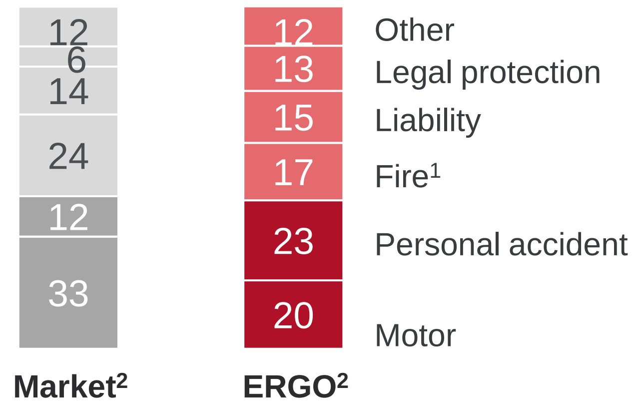
German business well-diversified and profitable due to attractive business mix

%

Combined ratio



Business mix



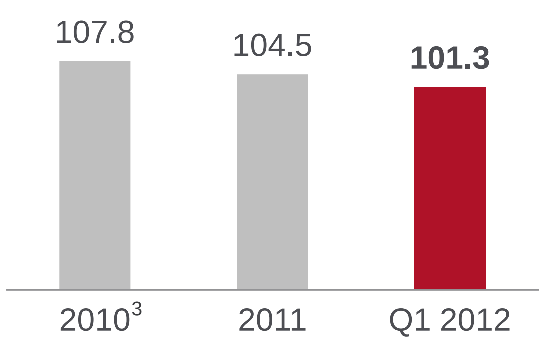
ERGO with continuing better combined ratios compared to German p-c market

Different business mix: Less motor, more personal accident

Further progress in international business – Management measures starting to bear fruit

%

Combined ratio



Improvement	Divestment	Expansion
Better combined ratios in almost all countries: Strong improvement in Poland, first signs of turnaround in Turkey	**South Korea** Sold in 2012 **Portugal** Sold in 2011	Focus on profitable business and expansion in fast-growing markets (Asia)

1 ERGO: Fire/property compared to German Market: Fire/casualty.
2 German market: 2010 GWP, ERGO p-c Germany: 2011 GWP.
3 Figures up to 2010 are shown on a partly consolidated basis.

Munich Health – From consolidation to preparing for further growth

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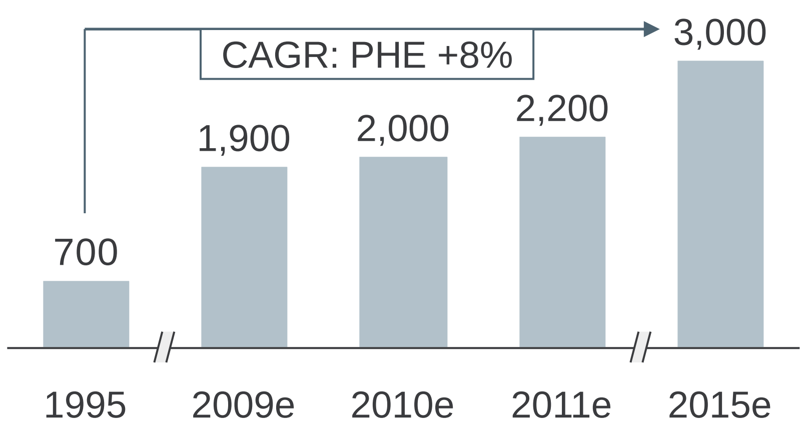
Growth of private health expenditure generates growth potential

€bn

Private health expenditure (PHE)



	1995	2009e	2010e	2011e	2015e
Munich Health GWP[1]		**4.0**	**5.1**	**6.1**	

Successful portfolio management allows MH to participate in future market growth

- Successful growth in Italian health market after strategic reorientation
- Adjustment of US business after integration of Windsor Health Group in line with healthcare reform
- After successful efficiency programmes DKV Seguros drives profitability despite weak Spanish economy via professional claims and network management
- Expansion of Daman cooperation in Qatar with go-live of operation expected 2012

Global health markets will continue to grow above GDP – Munich Health with a lot of options

[1] Before elimination of intra-Group transactions across segments; Minority shares, e.g. Daman, Apollo Munich Health Insurance. excluded from GWP figures; Source: WHO, Global Insight, Munich Health research. Figures based on GDP forecast.

Solvency II fuelling a global trend towards risk-based supervision

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Current status – Latest EC proposal

- Transposition of Solvency II into national law as of 30 June 2013
- Application of Solvency II from 1 January 2014 on

Key open issues

- Valuation of insurance liabilities
  - Triggers and level of the counter-cyclical premium
  - Scope and determination of the matching adjustment
- Overburdening reporting requirements (Pillar 3)
- Equivalence assessment of jurisdictions outside the EEA

Munich Re well prepared

- Certification of an internal model for subsidiary New Re in Switzerland under the Swiss Solvency Test
- Intense interaction with supervisors during pre-application phase
- Munich Re's capital model (MRCM) built on economic principles of Solvency II
- Use of internal model within core steering processes

Business opportunities

- Capital relief due to reinsurance measured on an economic basis
- Transformation of reinsurance from price- / capacity-driven purchase policy into a powerful capital management tool
- Good business potential mainly in major non-life lines (motor, nat cat, ...)

Implementation date of Solvency II seems to stabilise – Munich Re well prepared to ensure compliance and capitalise on business opportunities

Financial targets – Well on track

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Munich Re (Group)

Gross premiums written
€49–51bn

Reinsurance	€26–27bn
Primary insurance	€17–18bn
Munich Health	~€6.5bn

Return on investment
~3.5%

Ongoing low-interest-rate environment gradually reducing running yield to below 4%

Net result
~€2.5bn

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

Significantly improving technical result

Reinsurance

Combined ratio
~96% over the cycle

Net result
€1.9–2.1bn

Primary insurance

Combined ratio
<95%

Net result
~€450m

Munich Health

Combined ratio
~99%

Net result
~€50m

Munich Re geared to sustainable value generation

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Good track record of dealing with challenging economic conditions

We remain a strong partner for clients and reliable for shareholders in times of uncertainty

Integrated business model safeguarding sustainable value generation

Focus on insurance risks – Limited correlation to economic cycles and capital markets

Rigorous approach to risk management – High level of investment diversification

Able to cope with all kinds of scenarios – Actively managing the low-yield environment

Strong capital position providing flexibility

Allowing us to seize opportunities for profitable growth and facilitating dividend stability

Financial calendar

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Financial calendar	
13 June 2012	Goldman Sachs "Annual Financials Conference", Brussels
7 August 2012	Interim report as at 30 June 2012
9–11 September 2012	Les Rendez-Vous de Septembre, Monte Carlo
25–26 September 2012	Bank of America Merrill Lynch “17th Annual Banking & Insurance CEO Conference”, London
12 October 2012	Investor Briefing on Special and Financial Risks, London
7 November 2012	Interim report as at 30 September 2012

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