BUILDING FRANCHISE VALUE IN AN UNCERTAIN WORLD

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Munich Re delivering solid long-term shareholder returns during years of volatile macroeconomic environment

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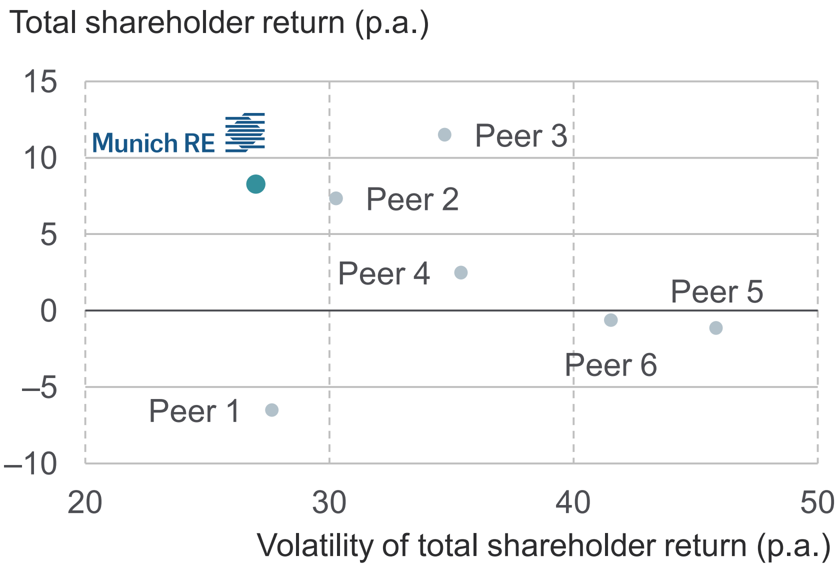
In years of volatile macroeconomic environment, Munich Re provides …

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

… an attractive risk/return profile[1]…

%



… and sustainable dividend growth

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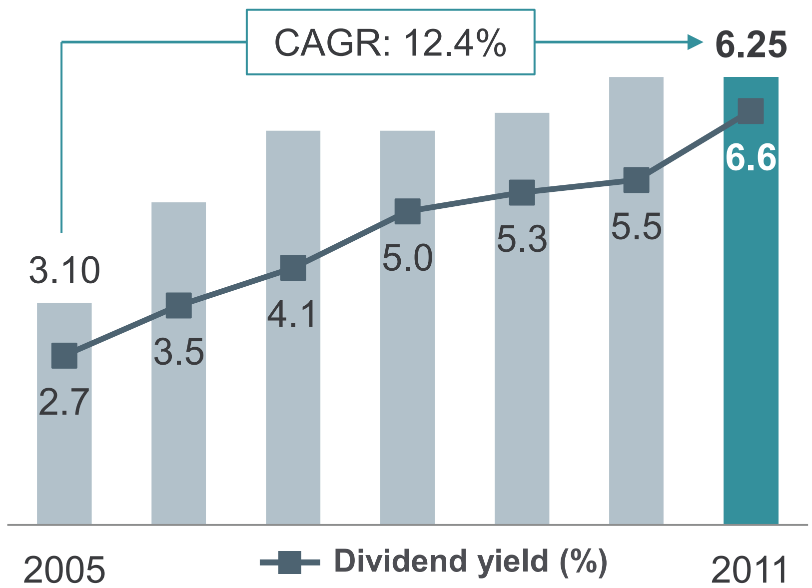

Building franchise value in an uncertain world through reliability – Sustaining a high level of diversification based on deeply embedded risk management

[1] Annualised total shareholder return defined as price performance plus dividend yield in local currency. Period: 1.1.2005 – 31.8.2012. Source: Datastream. Volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, Zurich Insurance Group.

Ongoing uncertainty – Eurozone crisis to continue, "safe haven" yields remain at historic low levels

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Eurozone crisis has intensified again …

- Global growth dynamics have been slowing further
  - Eurozone in recessionary mode, Germany continuing to do better
  - USA still lacking strong growth impulses
  - Emerging markets softening as well, yet significant differences in growth rates remain compared with industrialised countries
- Inflationary pressures moderate, despite temporary effects from commodity prices

… reflected in negative real interest rates[1]

Outlook for global growth likely to improve again – but substantial uncertainties remain

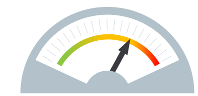
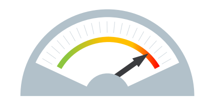
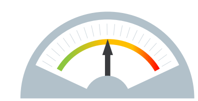
Eurozone crisis the most important risk factor on a global scale

In the context of ongoing uncertainty, negative real interest rates could persist for an extended period

Further political integration in the eurozone decisive for rebuilding trust in the capital markets and increasing stability

[1] Source: Bloomberg

Business models must cope with ongoing uncertainty – Proactively dealing with these risks is key for success

Capital market scenario	Impact on (re)insurance business	Risk level
Low interest rates combined with high inflation	▪ Lower investment income – only partially compensating for higher claims costs ▪ Primary life: challenge due to policyholder guarantees	
(Partial) break-up of the eurozone with default of single member states	▪ Distortion on capital markets – Higher FX risk, negative impact on P&L accounts and reduced capital base ▪ Higher claims burden, especially credit and financial lines	
Deflation	▪ Overcapacity in primary insurance market ▪ Consolidation following potential downgrades and defaults ▪ Pressure on some business lines	

Munich Re successfully managing ongoing uncertainty based on our strategic thrusts

1. **Disciplined risk and asset-liability management –** High level of diversification
2. **Sound capital base –** According to all measures
3. **Well-balanced business portfolio –** Largely uncorrelated to macroeconom. changes

Comprehensive risk management paramount to cope with extreme scenarios – Adjust underwriting strategy quickly to mitigate impact on core business

Prudent investment approach safeguarding earnings resilience

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Active interest rate management[1] …

	Assets	Liabilities	Net DV01 (€m)
Reinsurance	7.2	6.7	–19.9
Primary insurance	7.5	9.5	27.8
Munich Re (Group)	**7.4**	**8.7**	**7.9**

Disciplined ALM
Continuous increase of asset duration mitigating attrition of running yield and reducing interest rate sensitivity at Group level

… high quality of investments and broad diversification[2]

"Safe haven"[3]	**206%** (200%)
Bank bonds[4]	**26%** (29%)
"PIIGS" gov. bonds	**18%** (25%)
Net equities	**18%** (18%)
Spanish cedulas	**11%** (18%)

Portfolio diversification
Defensive investment portfolio safeguarding earnings stability by limiting downside risk of any kind of capital market scenario

Proactively de-risking investment portfolio at an early stage – No intention to significantly extend investment risk

[1] As at 30.6.2012. Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size. [2] Asset gearing: Gross exposure divided by shareholders' equity. As at 30.6.2012 (31.12.2011). [3] German and US government bonds and supranationals. [4] Senior, subordinated and loss-bearing.

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

Scenario	Capital market impact		Impact on 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[1]
Impact moderate in both scenarios
- Offsetting positions on various asset classes and across business divisions (primary and reinsurance)
- Proven in the past

ERC[2]
Exposures fall in case of relief and vice versa

ESR[3]
Impact on economic solvency manageable in case of further escalation

Munich Re well protected against extreme scenarios

[1] AFR = Available Financial Resources. [2] ERC = Economic Risk Capital. [3] Economic Solvency Ratio.

Solid capitalisation …

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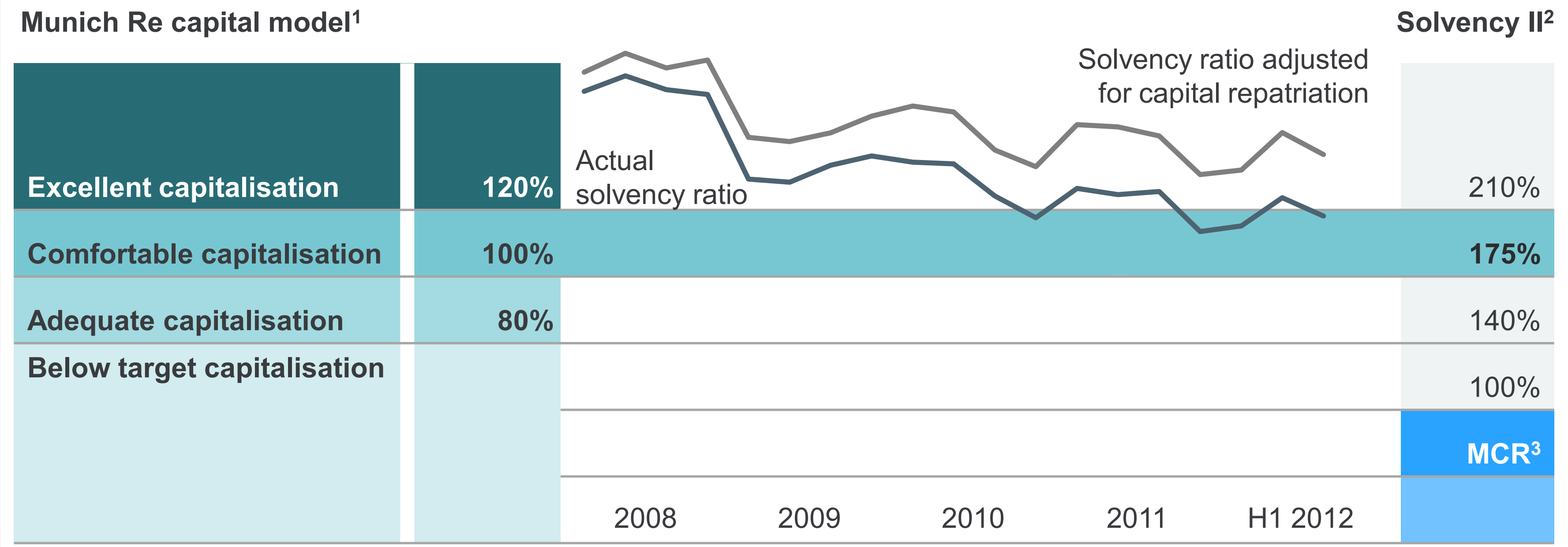
Munich Re economic solvency ratio

%



2008 – 2011

Significant capital repatriation via dividends and share buy-backs reducing excellent/excessive capitalisation to a comfortable level

Year-end 2011

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

Q2 2012

Slight increase of solvency ratio vs. year-end 2011 – Improved AFR[4] (net profit) over-compensating increase of ERC[5] due to lower interest rates

[1] Munich Re capital model (MRCM): 175% of VaR 99.5%. [2] Solvency II calibration: VaR 99.5%.
[3] MCR = Minimum Capital Requirement, [4] AFR = Available Financial Resources.
[5] ERC = Economic Risk Capital.

… according to all measures key in volatile times

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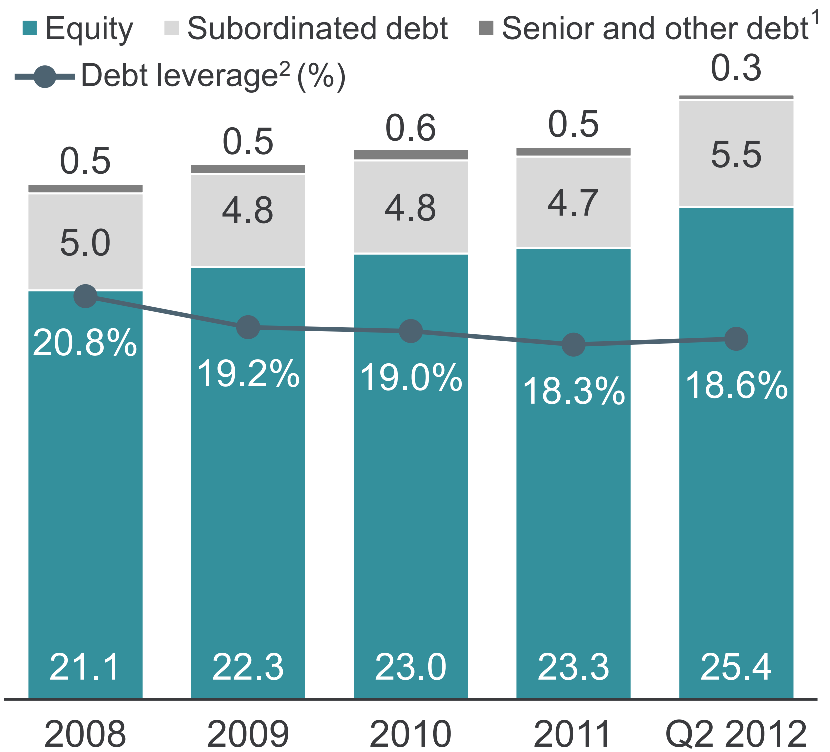
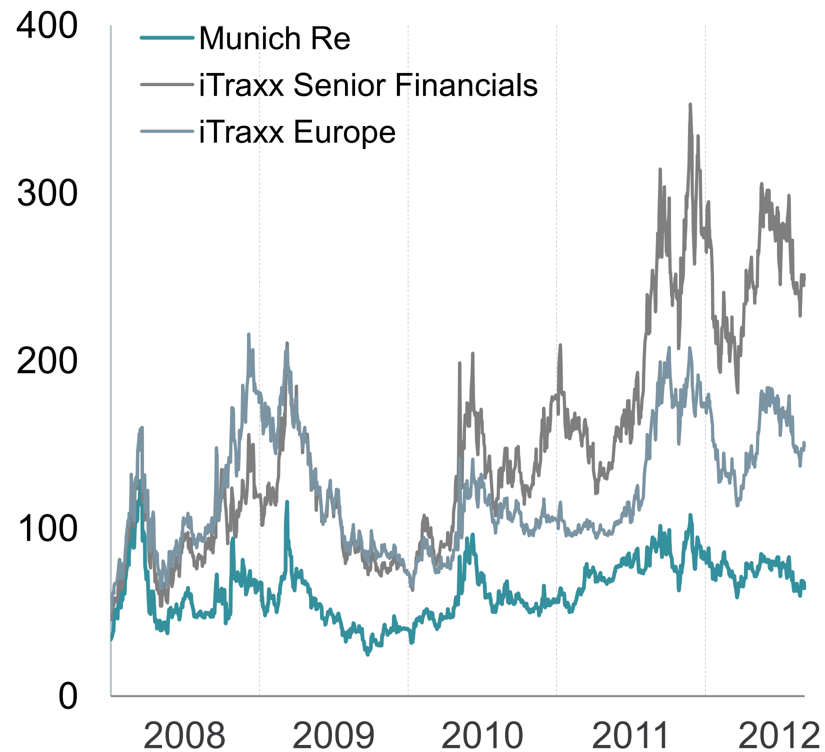
Low debt gearing …

€bn



… reflected in continuously low CDS spreads[3]

bps



Sound German GAAP capitalisation of parent company 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 (strategic debt + equity).
3 Source: Bloomberg. Data until 31.8.2012.

Business portfolio of complementary profiles performing in any market environment

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ILLUSTRATIVE

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 macroeconomically sensitive environment

Primary non-life
Quite resilient 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

Reinsurance – Global leadership with strategic focus on diversification and sustainable profit generation

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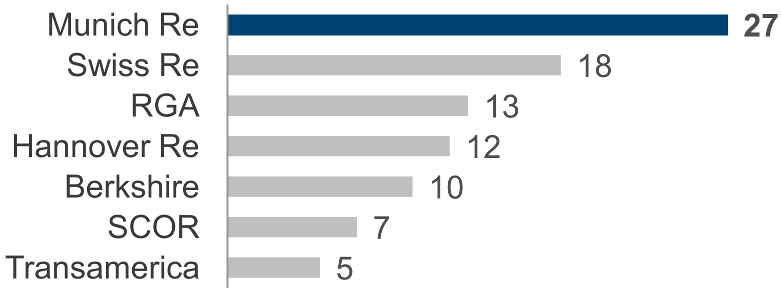
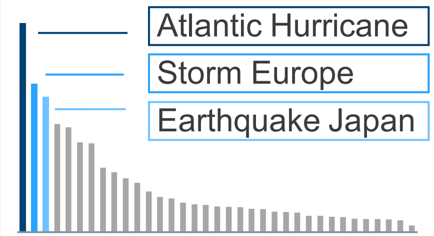
Global life and health market share[1]

%



Strict nat cat portfolio risk management

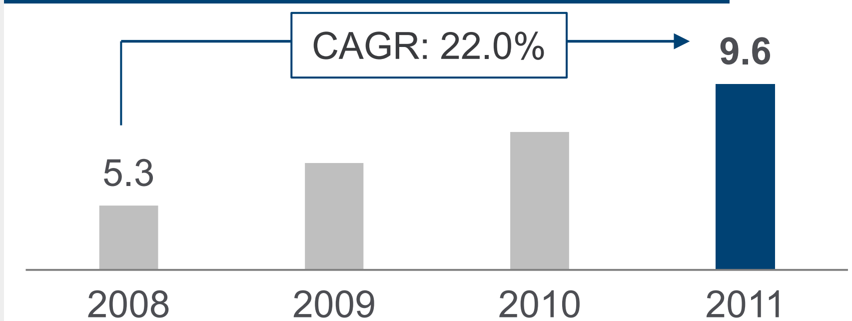
Top 35 nat cat exposures[3]



Munich Re's nat cat business has been profitable for more than 15 years – Balanced portfolio with diversification benefits

Life growth[2] driven by large-volume deals

€bn



More client demand for capital relief due to financial crises – ongoing expansion in Asia

Non-life renewal results full-year 2012

Price change **~2.4%**	Exposure change **~2.3%**
Largely driven by nat cat price increases	Cycle management induced reallocation

Consistently improving portfolio quality – Increase prices to reflect low investment yields and allocate capital according to the economic profitability of each business

Reinsurance life providing earnings growth while smoothing volatile non-life results

Active portfolio management and sophisticated models ensuring sustainable profitability

[1] Estimates based on net earned premiums 2010 as reported in company reports. Source: Munich Re Economic Research. [2] Gross written premiums.
[3] Aggregate VaR. Return period 200 years. Pre-tax, before retrocession. As at 31.12.2011.

Primary insurance – Continued earnings recovery with distinct challenges and opportunities in each business line

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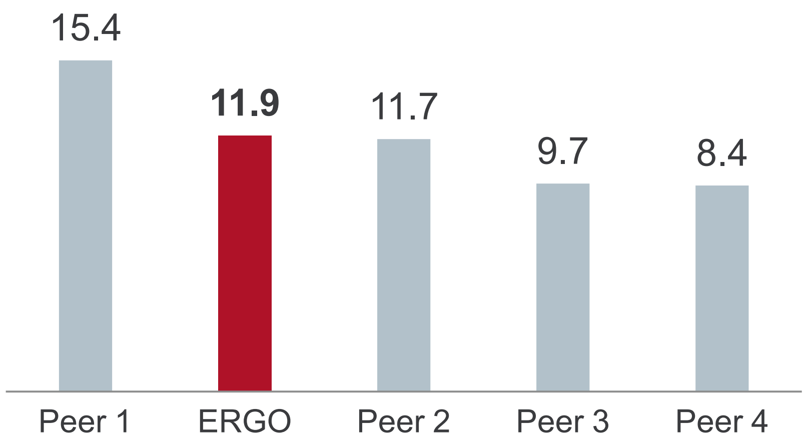
RoE[1]: Comparison with selected peers – Solid performance of ERGO 2005–2011

%



ERGO Germany – Sales quality and efficiency programme

Structural changes

Streamlining sales organisations of tied agents

Enhancing quality of advisory services

Harmonisation via holistic sales advice approach instead of product focus

Improving efficiency and costs

Reduction and merging of regional headquarters saving expenses

Property-casualty

German business contributing strongly to overall performance while international business improving – Portfolio with high degree of stability and low capital requirements

Life

Difficult market conditions due to ongoing low interest rate environment – Comprehensive management of back book while launching new products with attractive risk/return profile

Health

Possibility of yearly price adjustments to reflect medical inflation – Ongoing shift from comprehensive to supplementary products

[1] Average return on equity from 2005 to 2011. Source: Bloomberg, annual reports. Peers: Allianz, Axa, Generali, Zurich Insurance Group.

Munich Health – From consolidation to preparing for further growth

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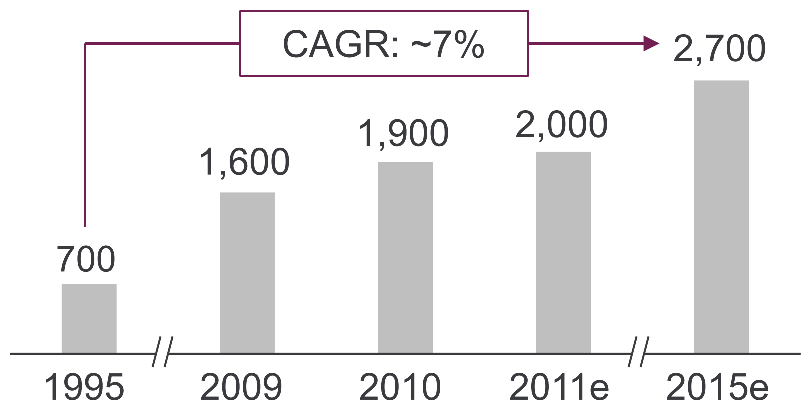
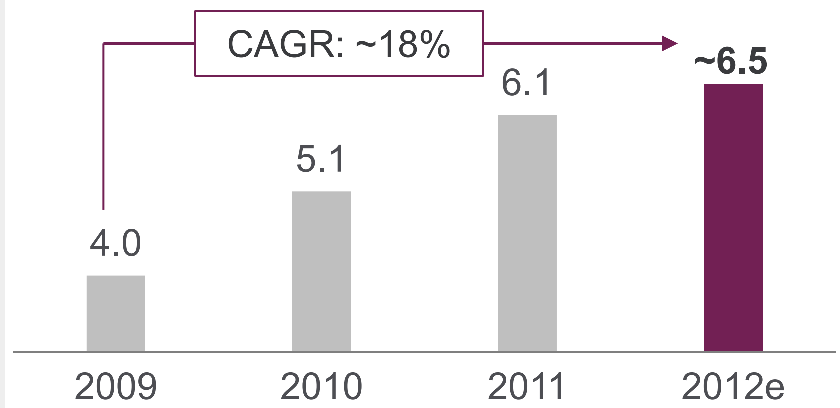
Growth of private health expenditure[1] … €bn



… driving premiums[2] of Munich Health €bn



Successful portfolio management allows Munich Health to further participate in future market growth

Italy
Growth after strategic reorientation

USA
Strategic reassessment of US primary business against the backdrop of healthcare reform

Spain
Increase of profitability after successful efficiency programmes via professional claims and network management – despite weak Spanish economy

Qatar
Expansion of Daman cooperation with operation expected to go live by the end of this year

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

[1] Source: WHO, Global Insight, Munich Health research. Figures based on GDP forecast.
[2] Gross written premiums.

Solvency II – Valuation of technical provisions still open

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Current challenges

- Long-term business model requires suitable long-term, low-risk investments – increasingly becoming scarce
- Premium rate increases necessary to compensate for lower risk-free interest rates

2013		2014	2015	...
Solvency I				
	Trans-position by member states	**Full application of Solvency II**[1] Potentially smoothed phase-in period using transitional provisions, review clauses, grandfathering, member states options		

Valuation of insurance liabilities in the focus of the trialogue discussions

- Extrapolation method
- Counter-cyclical premium
- Matching adjustment

Munich Re's positions

- Ensure a smooth transition from Solvency I to Solvency II
- Right incentives for risk-commensurate pricing
- Support for a level playing field

The balance must be found between fostering a smooth transition to Solvency II and adhering to the letter and spirit of the Solvency II Directive in the long run

[1] Further postponement cannot be excluded.

Well on track to meet financial targets

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Munich Re (Group)

Gross premiums written	
Q1–2 2012	€26bn
Target 2012	€50–52bn

Focus on profitable growth prevails – fluctuations in both sides possible

Return on investment	
Q1–2 2012	3.8%
Target 2012	~3.5%

Ongoing low interest rate environment gradually reducing running yield

Net result	
Q1–2 2012	€1.6bn
Target 2012	slightly >€2.5bn

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

Reinsurance

Combined ratio	
Q1–2 2012	95.7%
Target 2012	~96% over the cycle

Net result	
Q1–2 2012	€1.3bn
Target 2012	Above €2bn

Primary insurance

Combined ratio	
Q1–2 2012	95.2%
Target 2012	<95%

Net result	
Q1–2 2012	€295m
Target 2012	~€450m[1]

Munich Health

Combined ratio	
Q1–2 2012	100.5%
Target 2012	~100%

Net result	
Q1–2 2012	€6m
Target 2012	~50m

[1] Not including restructuring expenses.

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 – facilitating the expansion of our existing strong franchise value

Business portfolio of complementary profiles 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 almost 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 continuity

Financial calendar

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FINANCIAL CALENDAR

27 September 2012	UniCredit/Kepler "German Investment Conference 2012", Munich
27 September 2012	Baader Bank "Investment Conference 2012", Munich
11 October 2012	Investor Briefing on Special and Financial Risks, London
7 November 2012	Interim report as at 30 September 2012
14 November 2012	Citi "Global Financial Conference 2012", Hong Kong

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