INVESTOR BRIEFING ON ERGO INTERNATIONAL

10 July 2013

ERGO

Munich RE

Agenda

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ERGO International – Integral part of Munich Re Group …

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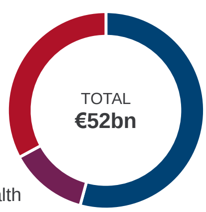
Munich Re Group – Premium split[1] €bn

Primary insurance
17.1 (33%)

Reinsurance
28.2 (54%)



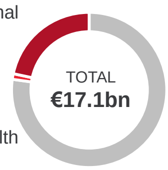
Munich Health
6.7 (13%)

ERGO International improving risk profile of Munich Re through geographical and product diversification in primary insurance business

Primary insurance – Premium split[1] €bn

ERGO International
3.7 (22%)

Germany
13.2 (77%)



International Health
0.2 (1%)

ERGO International – Premium split[1] €bn

Non-life
2.3 (61%)

Life
1.4 (39%)

International growth strategy concentrating on non-life business – focus area of this presentation

[1] As at 31.12.2012.

General overview – ERGO International

… with increasing importance in terms of top- and bottom-line growth

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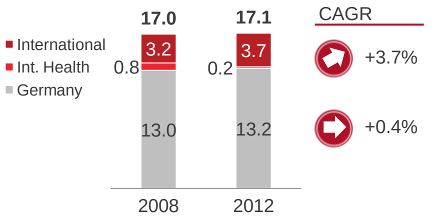
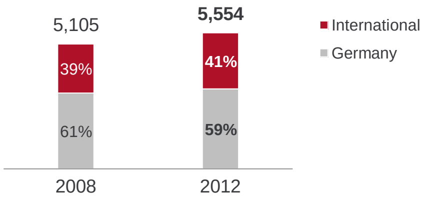
Gross written premiums[1,2] €bn

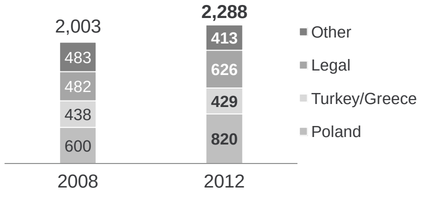


Gross written premiums non-life[1] €m



- Mature German market …
- … complemented by expansion of international business largely driven by organic growth, in particular in Poland …
- … partly offset by divestments in Portugal and South Korea as well as stringent bottom-line focus influencing growth
- In 2012 more than 50% of ERGO's non-life new business generated by international operations

International non-life €m



[1] As at 31.12.2012. [2] International health business 2008 including DKV business sold to Munich Health in 2011, 2012 including Europäische Reiseversicherung.

General overview – ERGO International

Benefitting from being part of Munich Re Group

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Synergies between Munich Re and ERGO International

Know-how exchange
- Exchange of market knowledge
- Product development (e.g. life product China)
- Support when entering new markets (e.g. India)

Reinsurance/fronting
- Reinsurance solutions for ERGO International
- Utilisation of ERGO International companies for fronting business

Joint organisation
- Integrated risk management
- Group human resources
- Joint asset management (MEAG)
- CFO organisation
- Centres of competence (e.g. M&A)

Examples of cooperation

China	Actuarial support, product development, support for reinsurance contracts
India Life	Support of market entry of ERGO India Life, including company set-up plans, product pricing, etc.
Italy	Optimisation of processes in managing large losses

Business portfolio – Further improving geographic diversification …

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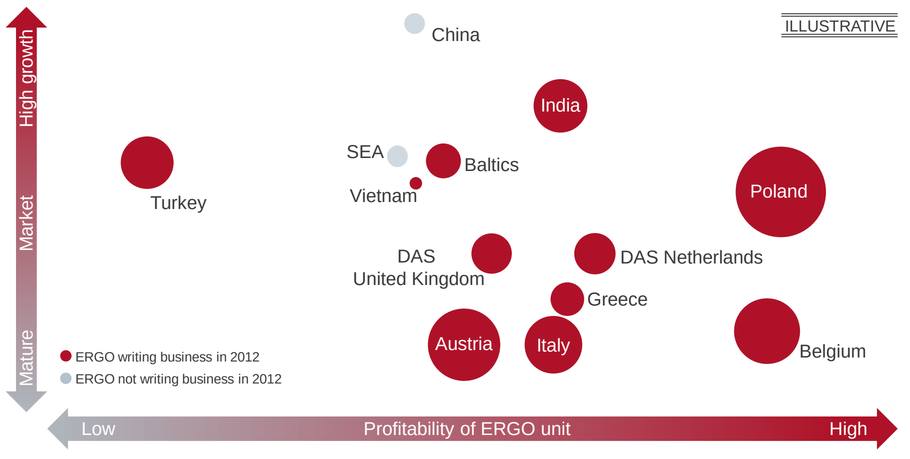

Striking the balance between well-established profitable units and business expansion in markets with above-average growth rates

Profitability referring to IFRS profit in 2012, market growth reflecting real growth rate (CAGR 2012-2020).
Bubble size reflecting gross written premiums as at 31.12.2012.

… with clear focus on organic growth

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Strategic building block 1 – Organic growth – Clear focus

- Expand large companies
  - Broadening sales approach
  - Transfer successful products/de-risking concepts and technical skills
- Develop smaller and medium-sized companies by expanding lines of business
- Expanding legal protection insurance to "Legal Powerhouse" by extending existing product range and services

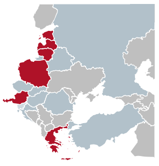
Strategic building block 2 – Greenfield and selective M&A

- Broadening India with set-up of life company
- Market entry in China via greenfield in life
- Increasing shares in existing joint ventures
- Screening well-performing medium-sized companies in South East Asia (SEA)
  - Clear focus on non-life
  - Hub approach to screening markets in SEA
  - Ultimate goal is to achieve a top 5 – 10 position within the markets of SEA
- Expanding legal protection with greenfield and M&A approach in selected markets

Geographic focus on CEE and Asia – Regions with the highest expected primary insurance premium growth

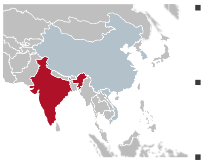
Strategic focus regions – Why CEE and Asia?

CEE



- Markets with high growth path and low insurance penetration
- Strong base with entities in Poland and Baltic States, footprints in SEE through hub in Austria

Asia



- Underdeveloped insurance markets and high growth expectations
- Hub in Singapore for further expansion in South East Asia
- General focus on non-life

■ Market position among top 5 in either life or non-life ■ Market presence

Non-life: Real CAGR 2013 – 2020[1] %

	%
Emerging Asia	10.2
CEE	6.3
Latin America	5.7
MENA	4.7
Mature Asia/Pacific	2.8
North America	2.6
Western Europe	1.3

Life: Real CAGR 2013 – 2020[1] %

	%
Emerging Asia	13.9
Latin America	11.9
CEE	8.6
MENA	7.5
Mature Asia/Pacific	2.2
North America	2.0
Western Europe	1.8

[1] Expectation. Source: Munich Re Economic Research.

Structured built up of the group's expertise as basis for profitable growth strategy

Examples

Property-casualty

- Expertise in pricing with full-fledged GLM tariffs[1] based on predictive modelling (rolled out e.g. Turkey, Greece)
- Advanced central actuarial reserving methodologies
- Exchange of best practice in claims management and roll out of special fraud tool

Legal protection

- Distinct profile as legal protection insurance (LPI) specialist
- Expert know-how offering legal services beyond LPI (e.g. debt collection in the Netherlands)
- Greenfield expertise (e.g. Austria, Canada) and joint venture experience (e.g. Italy)

Life

- Central profitability steering for new business
- Systematic knowledge exchange on life products through International Competence Centre Life
- Central development of new product types, taking account of special local requirements

Distribution

- High know-how in agency distribution
- Strong bancassurance player and experienced in building long-term partnerships

Strengthen skills (incl. integrated risk management) and support units – Central units support international entities while centres of competence bundling knowledge

[1] GLM: Generalised linear model. Statistical toolbox to design predictive models used for insurance tariffs. GLM-based pricing processes aim to improve risk selection, design more effective portfolio segmentation, optimise pricing against market benchmarks, and utilise predictive models for customer behaviour.

General overview – ERGO International life

International life – affected by low-yield environment but still solid economic financials

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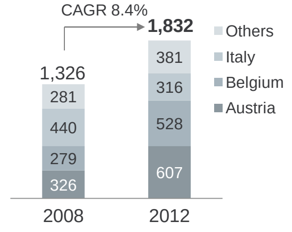
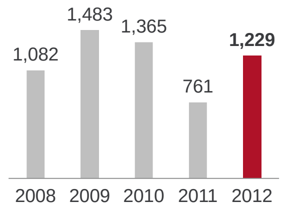
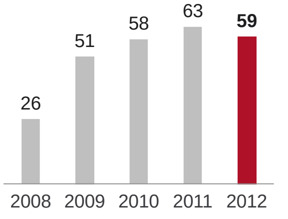
Total premiums €m



MCEV €m



VNB €m



- Acquisition of Bank Austria Insurance in 2009 fostering growth, currently tax benefit related challenges in Austria
- Belgium with strong growth as a niche player
- Life business in China and India in build-up phase

- Improved MCEV despite still difficult capital market situation
- 2012: Positive contribution from narrowing credit spreads
- Positive impact due to profit sharing mechanism

- VNB on a constantly high level and leading to high new business margin[1] of 4.5% in 2012
- Belgium and Austria are drivers of positive VNB
- Development of new products with focus on reduced capital market risk

[1] New business margin = VNB / present value of new business premiums.

General overview – ERGO International life

International life with significant differences to German life business

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Products

- High share of unit-linked, hybrid and risk products
- Flexibility in adjusting guarantee levels (e.g. Belgium)
- Technical profits remain with shareholder due to favourable profit sharing regulations
- High profit margins of new business

Profit sharing

- Belgium: No profit sharing regulations exist – profit sharing arrangements due to market forces
- Austria: 85% of profit to be distributed, but positive and negative sources of profit can be balanced out
- Italy: Profit sharing only relates to profit from investment income

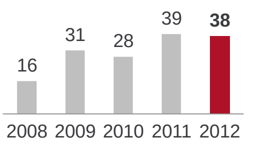
Distribution

- Strong bancassurance partnerships for life business with potential for further growth
- ERGO as preferred partner for bancassurance with successful cooperations
- Belgium growing faster than total life market due to niche approach in sales (brokers and structured networks)
- Agency approach in China and India

Example Belgium €m

- High share of hybrid products with significant unit-linked part (~40%) driving value of new business (VNB)
- Increasing share of very flexible "universal life" products offering eight-year guarantees and allowing monthly reviews of guarantee levels
- Current new business guarantees for universal life products between 1.4 – 2.25% (depending on sales channel)
- Universal life products with low risk capital consumption

VNB Belgium



General overview – ERGO International non-life

Technical improvements in recent years as a result of portfolio management measures

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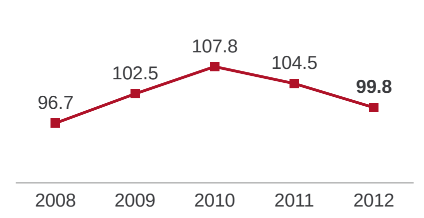
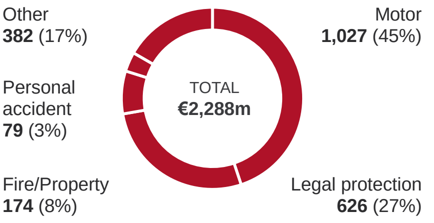
International non-life – Combined ratio[1] %



International non-life – GWP per line of business[2]



Portfolio management measures

Divestment
- **Portugal**: No core market, subcritical company size and unstable economic situation
- **South Korea**: Highly competitive motor market with strict regulation

Turnaround
- **Turkey**: Good progress after significant reduction of MTPL portfolio and improved pricing
- **United Kingdom**: Quick recovery of the legal protection business after increasing labour law claims caused by the financial crisis

Good performance
- **Poland:** Delivering sustainably good results – 2010 exceptionally high nat cat losses
- **Greece**: Technically sound despite economic crisis

[1] 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all Intra-Group business. [2] As at 31.12.2012.

General overview – ERGO International non-life

Lessons learned from mistakes made in the past

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	Shortcomings	Lessons learned
Leverage Group's skills/ technical issues	▪ Only limited leveraging of existing skills ▪ Limited exchange of international knowledge ▪ Insufficient use of actuarial expertise within Munich Re Group regarding tariff calculation and reserving	▪ Systematic use of existing skills in the Group (e.g. pricing, reserving, risk management) ▪ Institutionalised international knowledge exchange with centres of competence for crucial areas (e.g. claims, underwriting)
Post-merger integration (PMI)	▪ Insufficient PMI especially in Turkey and partly Austria	▪ Improved PMI process implementing group know-how/standards quickly (e.g. Vietnam) ▪ Improved processes for critical issues and close PMI monitoring
Support local operations	▪ Inadequate support of international entities in the development of a competitive position in their local markets	▪ Driving and supporting new product initiatives through central units ▪ Providing know-how for developing new and improving existing sales channels driven by ERGO's international centres of competence
Goodwill impairment and management talent	▪ Investments with from today's perspective, rather high purchase prices made before the financial crisis (mainly Turkey, Austria) – High goodwill depreciations as a result affected ERGO International's profits in the years 2006 to 2011 ▪ Lack of management talent had to be addressed and resolved in important markets	

General overview – ERGO International total – Capital management

Capital and asset-liability management at ERGO International ensuring efficient allocation of capital

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Capital management

- Central liquidity steering at Munich Re and ERGO to ensure efficient capital allocation while considering sufficient regulatory capitalisation (Solvency I and II)
- Measures always coordinated and discussed with local supervision to ensure compliance with local regulations
- Usage of trigger system to ensure and manage sufficient capital endowment of subsidiaries

Local solvency ratio[1]:

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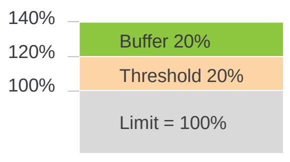
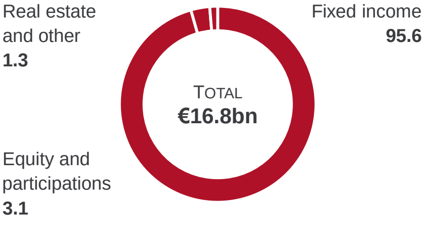


Asset-liability management

- Munich Re's Group-wide ALM guidelines require investments to be aligned to the liability structure …
- … with strictly limited risk budget with minimum deviations as regards currency and duration mismatch as well as market and credit risk

ERGO International investment portfolio[2] %



Investments by major currencies (€bn)

EUR: 14.8	PLN: 1.0	TRY: 0.3	GBP: 0.2

[1] Green = green trigger, yellow = yellow trigger.
[2] Fair values as at 31.3.2013. Split fixed income portfolio: Government bonds 53%, covered bonds 26%, corporate bonds 4%, bank bonds 7%, Cash/other 10%.

General overview – ERGO International

After challenging years financial results point in the right direction

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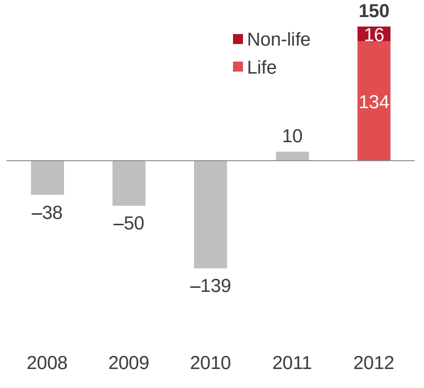
Net income ERGO International total[1] €m



- **2010**: In addition to an unfavourable underlying development, net result reflecting goodwill write-down on ERGO Turkey and flood claims in Poland
- **2011**: Improved operating performance, positive impact of swaptions in life business significantly overcompensated by goodwill write-down on ERGO Daum and depreciation of Greek government bonds
- **2012**: High net result affected by non-recurrent items distorting the normalised financial performance in both lines of business
  - **Life**: Earnings benefit from extraordinarily high investment income (swaption effect, disposal gains)
  - **Non-life**: Result mainly burdened by negative earnings of ERGO Turkey and deconsolidation of ERGO Daum

Turnaround of ERGO International gaining momentum

[1] 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all intra-Group business.

General overview – ERGO International

Outlook: Contributing reliable earnings to Munich Re Group's financial results

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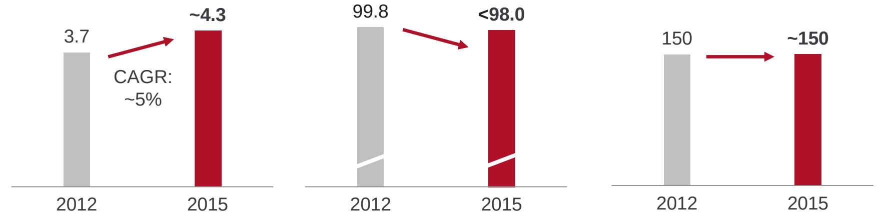
ERGO International financial targets

Gross written premiums €bn	Combined ratio %	Net result €m



Business expansion to be driven by organic growth of existing companies in Eastern Europe and Asia with focus on non-life business	Improving technical profitability to a large extent due to better underwriting results in Turkey	High share of investment result in 2012 to be compensated by significantly improved technical results as non-life earnings are expected to dominate net profit

Profitable growth to facilitate improved earnings quality

Agenda

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ERGO Poland – Property-casualty

Poland – Economically healthy country with a well-developed insurance market

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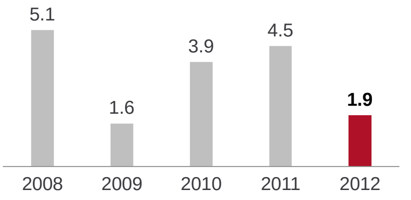
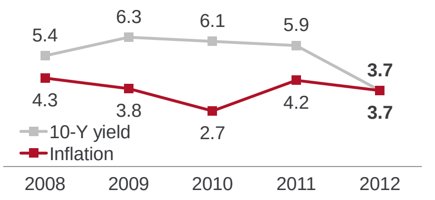
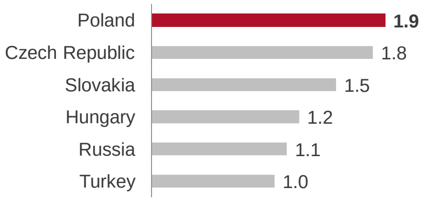
Real GDP growth[1] %



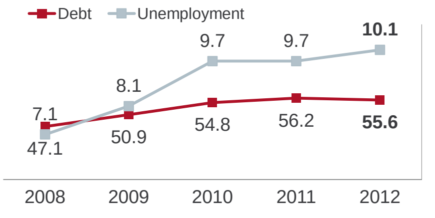
Inflation[1] vs. 10-year bond yield[2] %



Insurance penetration in p-c market (2012)[1,3] %



Gross government debt[1] and unemployment[4] %



[1] Source: Munich Re Economic Research, IHS Global Insight. [2] Bloomberg.
[3] Premiums in % of GDP. [4] Source: Eurostat.

ERGO Poland – Property-casualty

Property-casualty market – Highly concentrated and dominated by motor business

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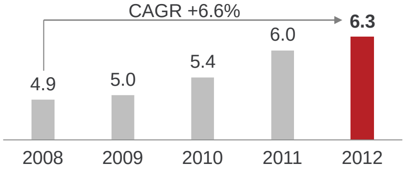
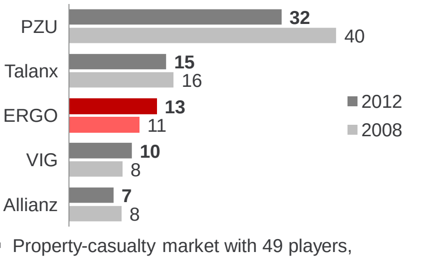
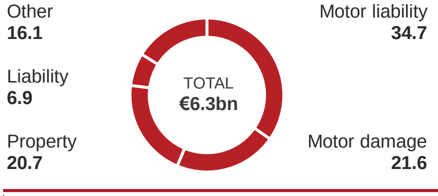
P-C insurance market – Premiums €bn



P-C insurance market – Market shares %



Split by line of business %



- Property-casualty market with 49 players, dominated by PZU which lost some market share in the recent years
- High market concentration – Market share of top 5 insurers: 76% (83% in 2008)
- M&A activity – Takeover of Warta and Europa by Talanx and PTU by Gothaer

Property-casualty market dominated by five key players

Source: Polish Financial Supervision Authority.
Local GAAP. Currency exchange ratio as at the end of 2012

ERGO Poland – Property-casualty

Property-casualty market – Short-term outlook rather cloudy while long-term prospects remain attractive

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Macro environment

Regulation	▪ High activity in terms of consumer protection
Economy	▪ Increasing unemployment rate, but optimistic GDP forecast ▪ Decreasing car registrations and lower demand for mortgages
Society	▪ Stronger need for customised products ▪ Smart shopping – price comparison is a "must have"
Technology	▪ Increasing "research online, purchase offline" trend (ROPO) ▪ Continued increase of mobile penetration
Environment	▪ 2012: Benign year as regards nat cat 2013: Flood, strong hailstorms and windstorms in June

Micro environment

Competition	61% of insurers disclosed negative technical results, despite a very good 2012 for the top 3 market players – Larger players focus on profitability while smaller players care for market share
Distribution	Increasing multi-agent market share – Dominant position of large national-agent structures
Customer	▪ Less developed insurance culture with high potential ▪ MTPL[1]: Personal claims share still very low compared to EU – Low penetration of insurance products apart from MTPL

Fierce competition

- Regular price wars and increasing cost of acquisition
- Weaker margins and as a result MTPL price increase
- Insurers with agile business models will succeed

Changing customer behaviour

- Transparency in products and processes
- Modular product offering
- Empowerment of the customer

[1] Motor third party liability.

ERGO Poland – Property-casualty

ERGO Poland – Historical overview

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1991	1994	1997	2000	2002	2009	2010
Licence for STU Hestia Insurance	Alte Leipziger-Shareholder of Hestia Insurance	Hestia Life Insurance foundation	Joined Munich Re	MTU foundation	Direct launch	Rebranding

ERGO Poland today

- 3,000 employees
- Headquarters in Sopot, 37 retail and 8 corporate regional offices nationwide
- 3 million customers
- In partnership with 4,000 agents, 500 dealers, almost 1,000 brokers and 20 banks
- MTU brand offering mainly motor third party liability covers for price-sensitive customers
- Direct brand (You Can Drive) focused on motor insurance for young people

ERGO Poland – Property-casualty

ERGO Poland – Key figures

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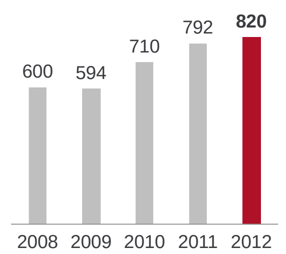
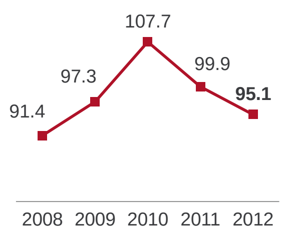
Gross written premium[1] €m



Growing faster than the market due to balanced portfolio and diversified distribution mix as well as investment in technology

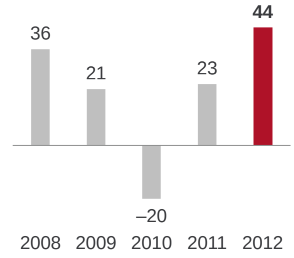
Combined ratio[1] %



2010: Exceptionally high large nat cat losses – Improvement in 2012 due to disciplined underwriting and benign claims development

Target combined ratio: <96%

Net result[1] €m



2012: The best financial results in the over 20-year history of ERGO Poland

Slight result deterioration expected in 2013 with combined ratio < 97% while long-term profitability remains attractive

[1] IFRS figures, without legal protection. 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all Intra-Group business.

ERGO Poland – Reserve Situation

ERGO Poland – Sound and stable reserve situation

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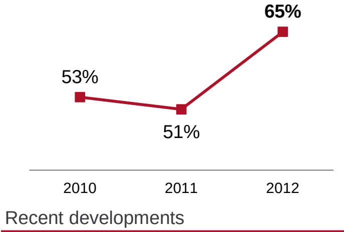
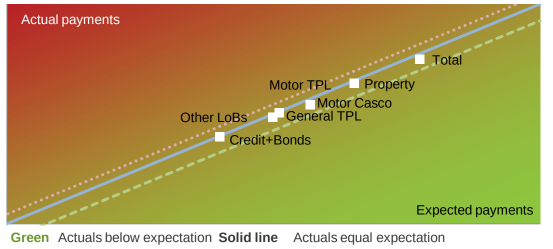
Reserve/premium development[1]



Actual vs. expected of last year



Green	Actuals below expectation	Solid line	Actuals equal expectation
Red	Actuals above expectation	Dotted line	Actuals are 50% above / below expectations

Recent developments

- Solid reserve situation reflected in actual payments of all lines of business being largely in line with the expectation embedded in our current reserving levels
- 2012: Reserve strengthening due to increase in indemnity payments for bodily injuries in Polish market
- Outlook: Risk of further increase might lead to further reserve movements in the market (e.g. average payments still below European average) – however, potential reserve increases most likely will not endanger ERGO Poland's profitability targets

[1] Held reserve divided by gross earned premium. All values shown are for ERGO Hestia (excluding MTU).

ERGO Poland – Property-casualty

ERGO Poland – Well-positioned to respond to short-term challenges and participate in attractive market long-term

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Business model – Main focus areas

Product simplicity	Sales effectiveness	Premium quality at low expense

1 Balanced product portfolio
- Multi-brand strategy
- Retail and corporate business units
- Modular product architecture and transparency
- Dynamic market-based pricing

2 Diversified distribution mix
- Cross-channel customer acquisition
- Strong agent and broker network
- Direct channel for young customer segment
- Own sales branch network across Poland

3 Operational excellence
- Organic growth
- Best in class claims operations
- Above-market cost efficiency
- High customer satisfaction
- Good market standing
- Strong, recognisable brand

Well-diversified business model

ERGO Poland – Property-casualty

1 Balanced product portfolio

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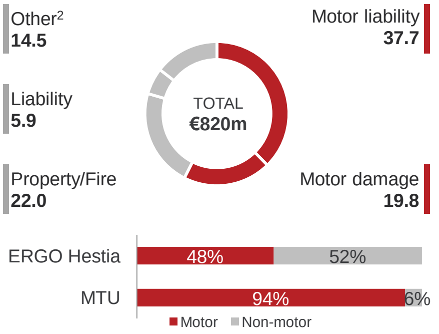
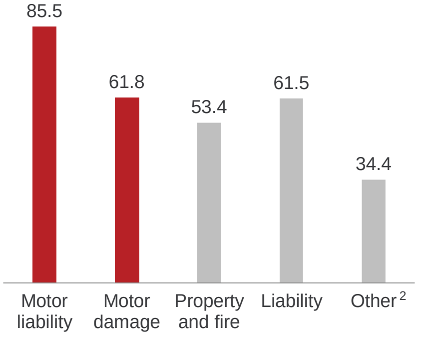
ERGO Poland – GWP per lines of business[1] %



- Highest proportion of non-motor in ERGO Hestia compared to key players, with high share of motor damage within motor insurance
- MTU is niche, low-cost insurance company, specialising in motor insurance for retail clients

ERGO Poland – Loss ratio[1] %



- Reserve strengthening for personal injury in motor third party liability
- Lower total loss ratio in ERGO than the average market

[1] As at 31.12.2012 without legal protection. [2] Assistance, accident and health, financial, legal protection and damage (railway, aircraft, property, etc.).

ERGO Poland – Property-casualty

2 Distribution mix

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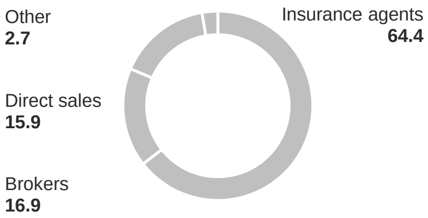
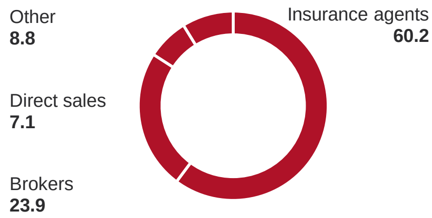
Market – Distribution channels FY 2012[1] %



ERGO Poland – Distribution channels FY 2012[1] %



- Dynamic growth of multi-agent share of the market – more than half of insurance agents in Poland work with Ergo Poland
- Growth slowdown in bancassurance sector
- Decreasing car sales impact significance of car dealers channel

- Distribution channels in ERGO Poland dominated by multi-agents and brokers
- Currently less significant but already rapidly growing direct sales distribution channel
- Strong, loyal agent and broker network built up over 20 years

Diversified distribution channels with leading multi-agent structures

[1] Based on gross written premiums.

ERGO Poland – Property-casualty

3 Operational excellence facilitating participation in growing insurance market

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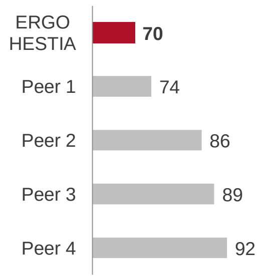
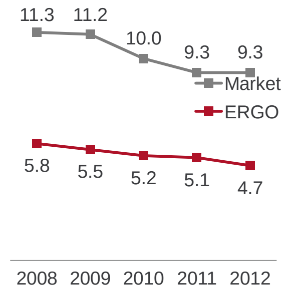
ERGO Poland well-positioned

High customer satisfaction[1]



Best in class claims handling – Lowest complaint ratio in Poland[1]

Above-market cost efficiency %



Low administration expense ratio – driven by advanced technologies

Innovation

Ongoing product and technology innovations

Example:
Ergo 7

- Promotes customers with higher premium – by buying more insurance cover customers enjoy price benefits
- Seamless cross-selling platform – Ergo 7 has doubled average premium for retail products

Achieved level of cost effectiveness and excellence in claims handling allowing ERGO to focus on profitable growth

[1] Source: Quarterly Message of the Polish Chamber of Insurance and Financial Middlemen (after 2012). Complaint ratio: complaints related to the market share. Peers: Allianz, Compensa (VIG), Inter Risk, PZU.

ERGO Poland – Property-casualty

Key takeaways and outlook

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Market	Expectation of two difficult years to come – a market challenge. However, in the long run, attractive market due to demographic and economic prospects
ERGO Poland	Well-positioned to benefit from attractive market prospects – Balanced business portfolio and distribution mix in addition to promising product and technology innovations
Strategy	Maintaining leadership in operational excellence – High customer satisfaction and above-market cost efficiency
Ambition	Continue organic growth path at a combined ratio < 96%

Agenda

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ERGO Turkey – Economy

Turkish economy heading for a soft landing despite euro crisis – Low insurance penetration promises high growth

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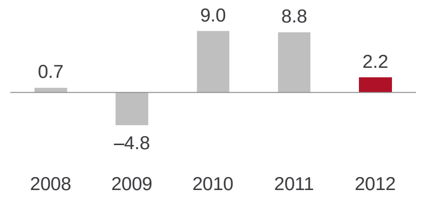
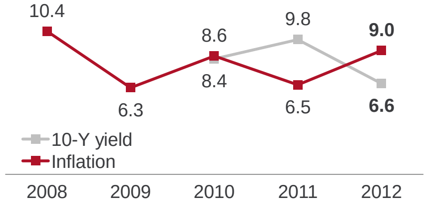
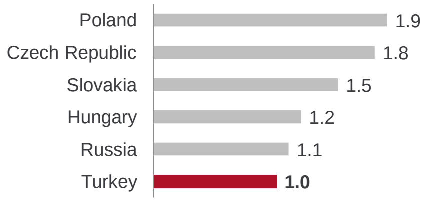
Real GDP growth[1] %



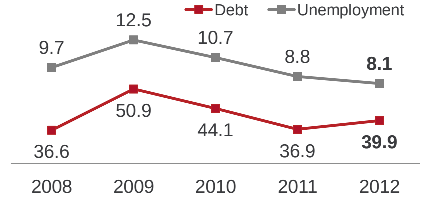
Inflation[1] vs. 10-year bond yield[2] %



Insurance penetration p-c market (2012)[1,3] %



Gross government debt[1] and unemployment[4] %



[1] Source: Munich Re Economic Research. [2] Source: Bloomberg. [3] Premiums in % of GDP. [4] Source: Eurostat.

ERGO Turkey – History

ERGO Turkey – Historic overview

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1988	1995	2006	2008	2010	2011–2012	2013
Foundation Isvicre Sigorta A.Ş.	Foundation İsviçre Life A.Ş. to serve in health & life lines of businesses	Acquisition of majority of shares by ERGO	▪ Acquisition of remaining shares by ERGO ▪ Pension licence granted	Commencement of structured turnaround p-c programme	Change of executive management and Group structure	Restructuring and change in life & pension strategy

ERGO Turkey today

- Operates both non-life and life and pension with focus on non-life
- Head office in Istanbul
- More than 500 employees
- Demographics: 56.5% female, 43.5% male, average seniority 5.5 years
- Over 1,500 agents and brokers
- 8 regions and 3 sales offices
- 93% of geographical coverage by cities in Turkey
- Operates in 7 main business lines in non-life: fire, motor, non-motor, engineering, marine, agriculture and health

ERGO Turkey – Insurance market

Non-life market – Growth

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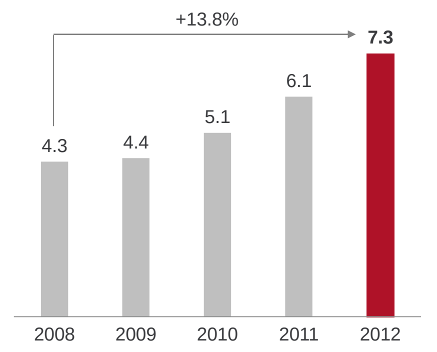
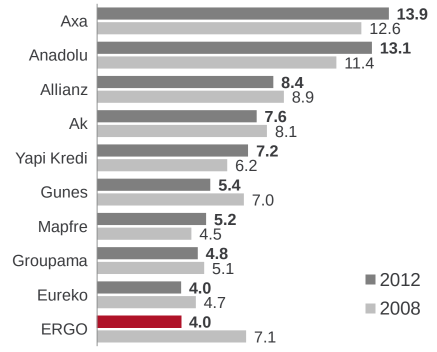
Market development (GWP)[1] €bn



- High growth rate: The non-life insurance market in Turkey grew at low double digits over the last five years
- Turkey is one of the fastest growing non-life markets globally

Market share[1] %



- Market is still fairly concentrated with five players comprising 50% of the market
- ERGO deliberately gave up market share as a result of giving priority to restoring profitability over growth

[1] GWP = Gross written premium. Source: Association of Insurance Companies of Turkey, Turkish GAAP.

ERGO Turkey – Insurance market

Product mix

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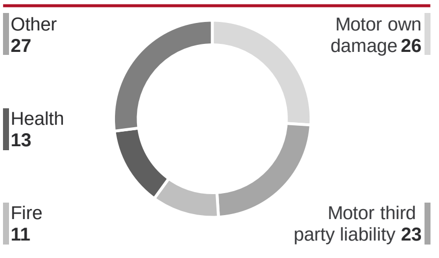
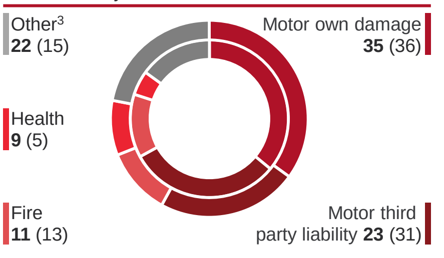
Product mix %

Market – FY 2012[1,2]



ERGO Turkey – FY 2012[2]



Outer ring = 2012 (inner ring = 2007)

- ERGO has consciously reduced its motor third party liability exposure due to the long-tail character and adverse loss development of this line of business
- Focus on short-tail motor own damage business with improving profitability

Motor third party liability exposure in-line with market average

[1] Source: Association of Insurance Companies of Turkey, [2] Based on gross written premiums.
[3] Other including accident, sea and air vehicles, marine, engineering, compulsory earthquake, financial losses, legal protection, fidelity guarantee.

ERGO Turkey – Insurance market

Distribution channels

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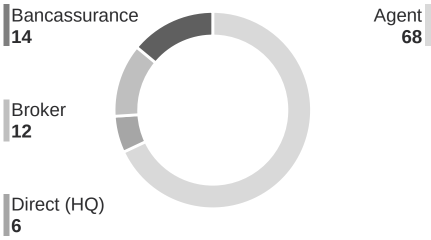
Distribution channels %

Market – FY 2012[1,2]



ERGO Turkey – FY 2012[2]

Outer ring = 2012 (inner ring = 2007)

ERGO has no exclusive bankassurance partnership since all large and medium-sized banks in Turkey already either own insurance companies or have exclusive bancassurance agreements

Agent dominated multi-channel market, ERGO with a strong footprint among agents

[1] Source: Association of Insurance Companies of Turkey.
[2] Based on gross written premiums.

ERGO Turkey – Insurance market

Non-life market – Profitability

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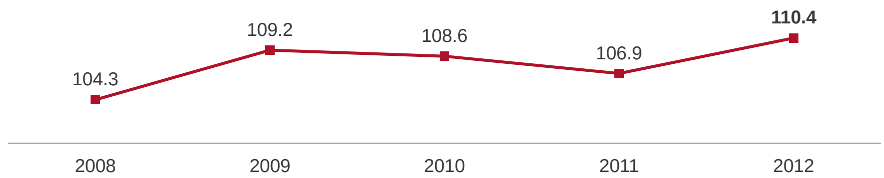
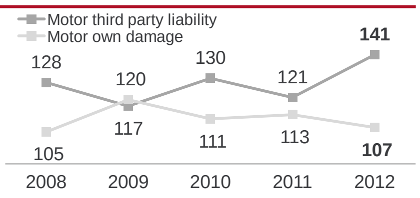
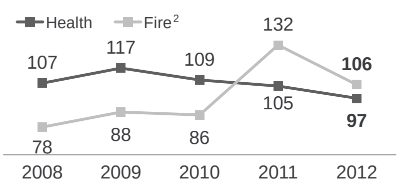
Market combined ratio – Aggregate and by line of business[1] %



Motor



Non-motor



Profitability is still a problem – Mainly burdened by motor business

[1] Source: Association of Insurance Companies of Turkey, Turkish GAAP
[2] Excluding compulsory earthquake

ERGO Turkey – Insurance market

Non-life market – Highly competitive and subject to dynamic changes

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Macro environment

Regulation	High activity in health, motor and reserving
Economy	Making a soft landing despite euro crisis – Increasing trend in private consumption
Society	Low level of insurance awareness
Technology	No indication of increase in online purchasing, increasing focus on CRM and very high level of mobile penetration
Environment	No significant nat cat events in 2012

Micro environment

Competition	Fragmented market and two market leaders disclosed negative technical results – Some of the larger players focus on market share while smaller players focus on profitability
Distribution	Dominant position of multi-agents – Increasing market share of bancassurance
Customer	Low penetration of insurance products apart from compulsory insurance products (i.e. motor third party liability) – Low degree of cross-selling

Fierce competition

- Regular price wars and increasing cost of acquisition
- Expected transition from cash-flow underwriting to risk-adequate pricing to take place in following years

Changing customer behaviour

- Increasing demand for better service
- Growing clients' need for pricing transparency

ERGO Turkey – Lessons learned

After difficult years in a challenging market key performance driver being identified…

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Lessons learned

Check data quality

- Avoid over relying on quality of existing data to assess the state of or steer the business
- Consider the limited predictability of highly dynamic regulatory environments on long-tail business

Have realistic expectations

- Transformation of ex-family owned businesses is a more challenging and longer-lasting process; need to invest early-on in changing the culture

Consider market dynamics

- Markets' resilience to shift from cash-flow underwriting to risk-adequate pricing can distort competition practices
- War for talent is fierce in high growth markets; proactiveness makes a difference

Lessons learned were incorporated by the new management team into a new strategy aiming at profitable growth to become a leading player in the Turkish insurance market

Transformation strategy – Focus on people, skills and effective processes

Superior service level | **Sophisticated risk selection** | **Efficiency and effectiveness**

ERGO Turkey – Strategy

… while new management team defined strategic action plan

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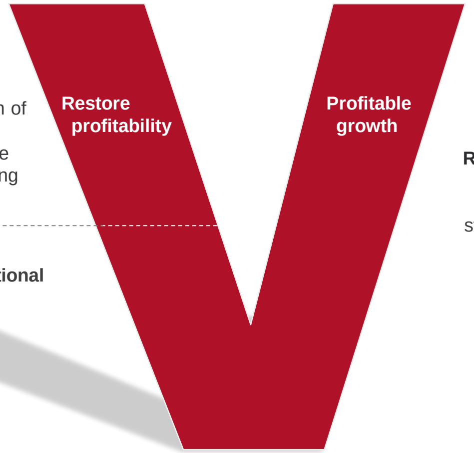
A Phase 1
Stop the remaining "bleeding"

Consistent continuation of 2010 turnaround programme - immediate actions to stop remaining under performance

B Phase 2
Rebuild the organisational processes and infrastructure

Revisit and modify key processes



Phase 3 C
Reclaim market share

Kick-start growth strategy by focusing on sales and marketing based on clear competitive differentiators

2010 | 2011 | 2012 | 2013 | 2014 | 2015 | onwards …

Current status

ERGO Turkey – Strategy – Phase 1

A Take immediate action – Stringent implementation of risk adequate pricing in motor business

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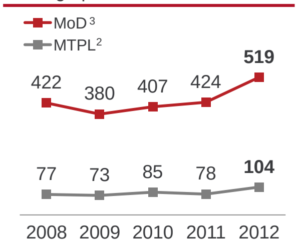
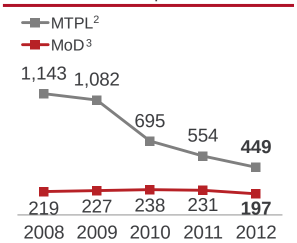
Average premium €



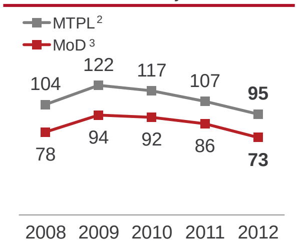
Increase of average premium per customer in motor business by risk-adequate pricing (based on full-fledged predictive modelling/ GLM tariffs) and selective underwriting ...

Number of motor policies ths



... as a consequence the number of policies decreased reducing the exposure ...

Ultimate loss ratio by AY[1] %



... ultimately improving the accident-year loss ratios

Despite improving new business, adverse impact of long-tail legacy MTPL portfolio still obvious – ~TL 200m reserve strengthening from 2010 to 2012 due to negative prior-year run-off

[1] AY: Accident year, gross IFRS. [2] MTPL: Motor third party liability. [3] MoD: Motor own damage.

ERGO Turkey – Reserve situation

A Take immediate action – Improving reserve situation

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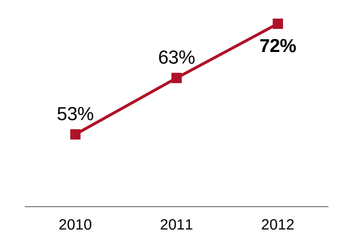
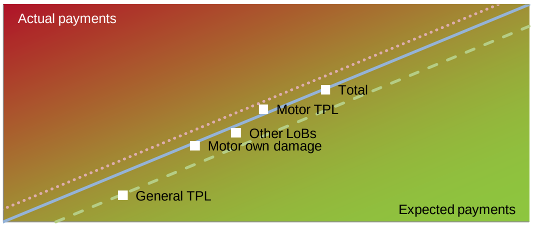
Reserve/premium development[1]



Actual vs. expected of last year



Green Actuals below expectation **Solid line** Actuals equal expectation
Red Actuals above expectation **Dotted line** Actuals are 50% above / below expectations

Recent developments

- After reserve strengthening in the past the reserve situation has improved, reflected in total actual payments being largely in line with the expectation embedded in our current reserving levels
- 2012: Reserve strengthening due to high uncertainty of future costs for court cases in motor and general TPL lines of business
- Reserves are closely monitored by local and central actuarial team with updated calculations every quarter in order to react to any (e.g. regulatory) changes immediately
- Reserve/Premium ratio of ERGO Turkey is higher compared to market (only local GAAP figures available for other market players)

[1] Held reserve divided by gross earned premium. [2] MTPL: Motor third party liability.

ERGO Turkey – Strategy – Phase 2

B Rebuild organisation – General restructuring measures

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General restructuring measure	Description
Management organisation	Reducing the complexity of the company's organisation structure
Regional structure	Merging non-life and life as well as pension regions – Regional offices to fully focus on sales only
Creation of a service centre	Centralisation of all underwriting and policy administration activities – Professionalisation of service to sales partners
Staff	Achieve sizing efficiency
Implementation of life and pension business case	Implementation of restructuring activities in line with the new life and pension strategy

Impact: Reduced cost for employees and infrastructure since May 2013

B Rebuild organisation – Revision of life and pension strategy

New pension regulation

- Direct government subsidies and incentives are expected to lead to significant growth
- Adjusted caps to chargeable fees reduce the profitability of the pension business

Market environment

- Top 10 players are either subsidiaries of banks or have exclusive bancassurance deals
- Agent sales models with high current commission schemes (more than 20%)

ERGO life and pension operations

- No exclusive bancassurance channel – Agent-dominated channel structure
- Costly direct sales force

Outcome

Main success drivers in this environment

- Building a critical mass
- Reasonable acquisition costs, e.g. in bancassurance channel
- Retention (protection) of the in-force portfolio

ERGO's new strategy

Defer growth aspirations of the portfolio (hibernation) …

Dissolving direct sales force and limiting sales and operations only to support the current customers and agents

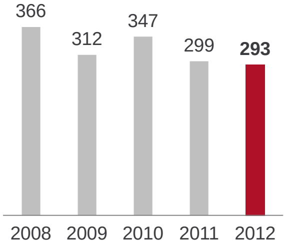
… while maintaining a keen watch on the pension market

Remaining interested in its development and opportunities that may arise

Changes in Turkish pension regulations – a paradigm shift for the entire pension savings market necessitating a revision of ERGO's life and pension strategy

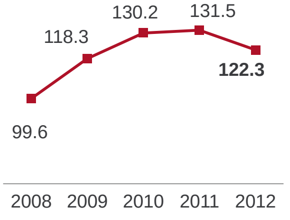
B Key figures – First signs of improvement, turnaround programme starting to bear fruit

Gross written premium[1] €m



Implementing turnaround measures since 2010 by increasing selectivity of underwriting risks at the expense of decreasing premium income over time ...

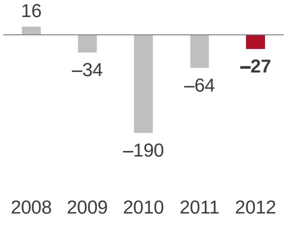
Combined ratio[1] %



… while profitability has improved – Trend of lower combined ratio expected to continue

Target combined ratio: <100% until 2015/16

Net result[1] €m



Good progress in 2012 – Results are expected to steadily improve going forward

Progress in improving financial results – Disciplined selective underwriting and better claims management

[1] IFRS figures without legal protection. 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all Intra-Group business.

ERGO Turkey – Strategy – Phase 3

C Next steps – Further pursuing turnaround programme to reclaim market share

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Already done

- ✓ Reorganisation of group structure
  - Changing the management team
  - Reduction of labour and administration cost
- ✓ Re-underwriting of the portfolio after the introduction of new underwriting guidelines and methods
- ✓ Introduction of sophisticated GLM[1] pricing tools and methods instead of competition-based pricing
- ✓ Redesign of health strategy
- ✓ Implementation of urgent IT improvements
- ✓ Enhancing reserving and claims handling processes
- ✓ Redefinition of life and pension strategy

Upcoming actions

- Redesigning sales network management and upgrading effectiveness of sales operations
- Rollout of pricing methods improvements to other business lines
- Further organisational restructuring
  - Centralisation and service-excellence orientation
  - Streamlining
  - Process improvements
- Rollout of further IT improvements on critical functions as well as user interfaces

Achieving customer centricity, technical excellence and increasing effectiveness and efficiency

[1] GLM: Generalised linear model.

ERGO Turkey

Key takeaways and outlook

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Profitability	Top priority: Restoring sustainable profitability by way of reduced loss ratios and improved cost base through stringent focus on technical underwriting and enhancing all operational processes – Target combined ratio <100% by 2015/16
Growth	Resume growth only once profitability is restored – based on clear competitive differentiators: Superior pricing, product and underwriting capabilities as well as customer- and sales-partners-orientated service offer
Distribution	Agents and brokers are and will continue to be the main sales channel of ERGO Turkey, serviced by enhanced sales operations
Outlook	Focus on organic growth while developing customer centricity as unique selling proposition – Becoming one of the leading insurance companies in the long run by improving operational excellence, rebuilding sales operations and sophisticated know-how

Agenda

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ERGO International	Jochen Messemer
ERGO Poland	Piotr Sliwicki
ERGO Turkey	Theodoros Kokkalas
Legal protection – DAS UK	Paul Gibson
ERGO in Asia	Andreas Kleiner
ERGO India	Ritesh Kumar

Legal protection – DAS UK

Legal protection – DAS the worldwide market leader operating in 18 countries

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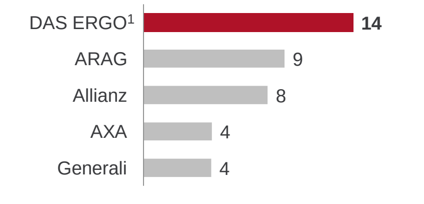
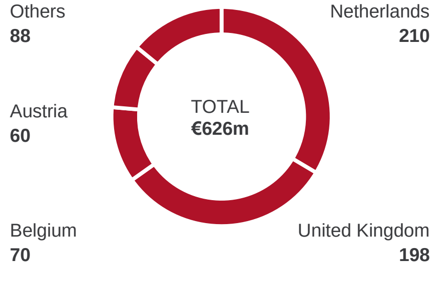
Global legal protection market €bn

Market shares 2011 %



Premium split DAS International 2012 €m



- DAS has growing expertise in legal services, generating non-premium income
- Good track record in building up greenfields
- Reliable partner for other p-c insurers (e.g. Generali, Zurich)

Source: CEA, GDV, Annual Reports, DI research
Data: GWP 2011, no comprehensive data for 2012 available
[1] Gross written premium DAS Germany €421m, DAS International €587m.

Legal protection – DAS UK

Legal protection – Organic growth delivering sustainable profits

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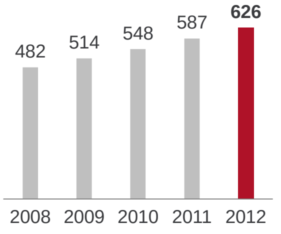
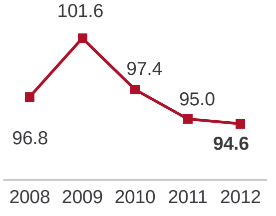
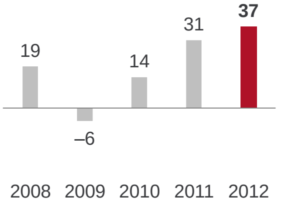
Gross written premium[1] €m	Combined ratio[1] %	Underwriting result[1,2] €m







- Organic growth and greenfields
- Business model changes from pure insurer to legal service provider, especially in Netherlands and UK

- 2009: Negative impact from significant increase in work-related claims
- Since 2009: Steadily decreasing combined ratio due to low loss ratio

- Legal protection delivering relatively stable results
- 2009: Underwriting result burdened by economic crisis
- Sustained improvement in results in recent years

[1] IFRS figures without legal protection. 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all Intra-Group business. [2] Technical result without technical interest.

Legal protection – DAS UK

Proven skills in expansion of legal services as basis for an international legal powerhouse strategy

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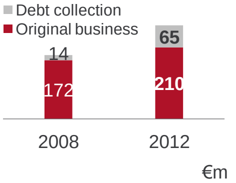
Legal powerhouse

Pillar 1: Extending product range into legal services	**Pillar 2:** Developing new business lines	**Pillar 3:** Cooperation and partnering	**Pillar 4:** Expansion in new markets

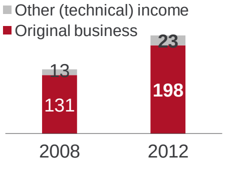
DAS Netherlands – Debt collection[1] €m

- Successful change from "pure" insurer to legal service provider with debt collection now a highly profitable business field
- Debt collection offers growth potential in a mature market environment
- Debt collection now produces almost 25% of DAS Netherland's total revenues



DAS UK – Legal services[1] €m

- Constant product and legal service innovations e.g. high value after-the-event loss recovery insurance
- Legal website offers legal advice and access to legal services
- Own law firm allows DAS UK to participate in the whole value chain
- Synergies between legal insurance and legal services creating positive profit development



[1] Gross written premiums.

Legal protection – DAS UK

UK economy – Large and well-developed insurance market, but facing significant economic headwinds

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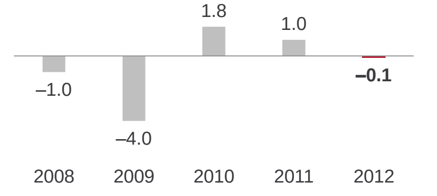
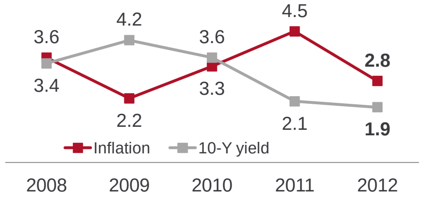
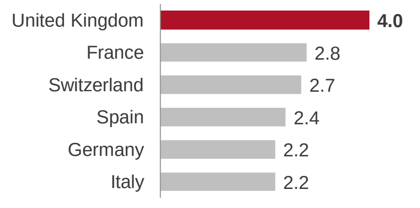
Real GDP growth[1] %



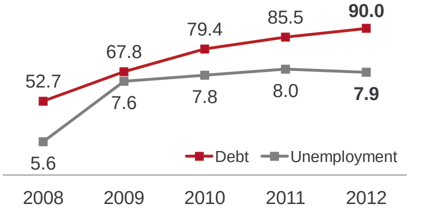
Inflation[1] vs. 10-year bond yield[2] %



Insurance penetration p-c market (2011)[1,3]



Gross government debt[1] and unemployment[4] %



[1] Source: Munich Re Economic Research, Eurostat, Bank of England.
[2] Bloomberg. [3] Premiums in % of GDP. [4] Source: Eurostat.

Legal protection – DAS UK

Development of DAS UK

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1975	2000	2011	2012	2013
DAS UK established – Initial focus on BTE insurance	Start to write ATE insurance	Acquire Law on the Web	Apply for licence to own law firm	ATE market changes

- Before-the-event ("BTE") legal protection insurance provides cover against potential legal costs arising from a future event
- BTE is generally sold as part of a home, motor or commercial insurance package ("add-on basis")

- After-the-event ("ATE") legal protection insurance is taken out by a claimant who has a "no win, no fee" agreement with their lawyer in respect of a legal claim
- It protects the claimant against costs not covered by the agreement if the case is lost

- www.lawontheweb.co.uk provides online legal information and access to legal services
- Acquisition of a law firm by non-lawyers permitted since 2012 – DAS UK acquired CW Law Solicitors (received licence in March 2013); now DAS Law
- Legal Aid, Sentencing and Punishment of Offenders Act 2012 ("LASPO") and related changes implemented in April 2013 – major impact on the ATE market

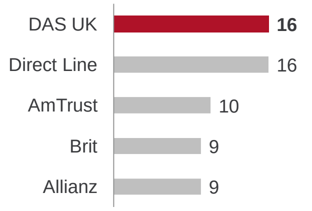
Changes in the rules and operating methods of the legal system may threaten existing business models but create new opportunities

Legal protection – DAS UK

DAS UK – Market position and business profile

Munich RE

UK legal protection insurance – Market shares 2011 %



- DAS is market leader – expertise and reputation as a specialist legal protection insurer
- DAS portfolio includes substantial proportion of wholesale business
- Different competitors in each market segment – few competitors operate in both BTE and ATE markets
- Many market participants operate as MGAs or claims management companies

DAS UK – Business Profile

- 700 employees
- Headquarters in Bristol, claims centre in Caerphilly, four sales offices in UK and ROI
- 11.7 million policyholders
- 2,500 business partners and agents, including banks, insurance companies, intermediaries and lawyers

DAS UK market leader taking opportunities created by changes in the legal regime

Legal protection – DAS UK

DAS UK – Product portfolio

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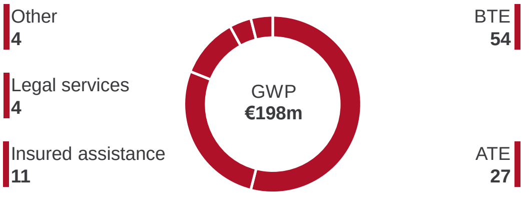
DAS UK – Product portfolio %



BTE

- Leading market position, working with major business partners including Lloyds Banking Group, Aviva, Zurich, esure, NFU Mutual, Nationwide, Marsh, Towergate

ATE

- Business developed over last decade – now a substantial part of the portfolio
- ATE market being reshaped post-LASPO – expected to become smaller, but still significant

Legal services (and DAS Law)

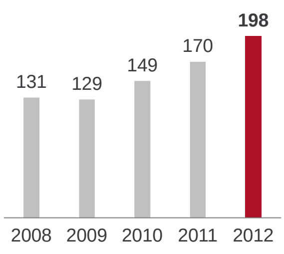
- Business currently small but growing rapidly – extensive growth opportunities
- Margins much higher than insurance margins

DAS UK operating in both BTE and ATE markets, with growing legal services business

Legal protection – DAS UK

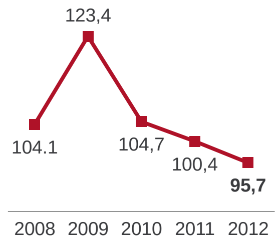
DAS UK – Key figures

Gross written premium[1] €m



Excellent premium growth, reflecting both volume and premium rate increases

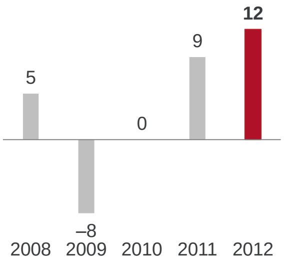
Combined ratio[1] %



Strong recovery from technical losses in 2008 and 2009, caused by recession

Target combined ratio: 95%

Net result[1] €m



Net result largely driven by technical performance – limited investment risk

Substantial increase in claims volumes during the deep recession in 2008/2009 – decisive action taken to restore underwriting margins

[1] IFRS figures without legal protection. 2008-2010 before elimination of business with Munich Re, 2011-2012 consolidated, after elimination of all Intra-Group business.

Legal protection – DAS UK

DAS UK – Strategic direction

Key elements of the strategy	Objectives and benefits
BTE market Maintain leading position	▪ Core portfolio of profitable business ▪ Strong relationships with key market participants ▪ Foundation for development of new products and markets
Business model Adjust for changes in the legal framework	▪ Secure profits from ATE business written ▪ Identify and exploit ATE and BTE market opportunities in the new legal environment
Legal services Develop legal services to become a significant part of the business	▪ Expand DAS Law as efficient provider of a growing volume and range of commoditised legal services ▪ Develop legal services marketing through Law On The Web and from existing portfolio, building on legal services procurement skills
New products Introduce new products that complement legal protection insurance	▪ Examples of new products: high-value ATE, loss recovery insurance, pre-paid legal fees, consumer claims handling
M&A Opportunistic acquisition strategy	▪ Consider acquisition opportunities that would expand or complement the Group's business

Legal protection – DAS UK

Key takeaways and outlook

Munich RE

Growth	Long-term growth building on the core business of BTE – including a growing legal services business, innovative insurance products and expansion in new markets
Profit	After return to profitability in 2011, further growth and sustainable profits based on good operating ratios; growth in higher margin legal services – Target combined ratio: 95%
Processes	Steady improvement of processes to secure operational efficiency, highest customer service quality embedded in a comprehensive risk management environment
Outlook	Further development of DAS UK's position as market leader in legal protection insurance and expanding to a "Legal Powerhouse" provider in various legal-protection-related business fields

Agenda

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ERGO India	Ritesh Kumar

Focus on Asia

Strategic rationale – Increasing share of global GDP coming from Asia …

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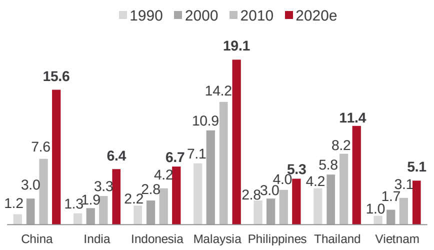
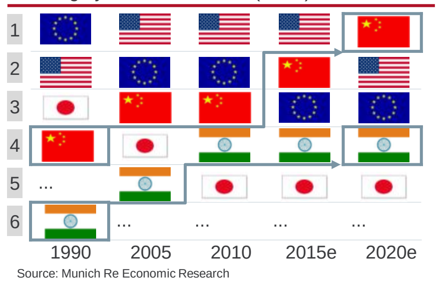
Gross national income per capita (`000 PPP[1])



Source: Munch Re Economic Research

- History of fast income-per-capita growth in Asia
- China is expected to more than double its per capita income between 2010 and 2020
- Increasingly affluent middle-class populations with favourable demographics

Ranking by total size of GDP (PPP[1])



Source: Munich Re Economic Research

- Economic forecast of "Emerging Asia" shows continued strong mid- to long-term economic growth despite worldwide financial crises …
- … leading to a significant increase in the economic importance of Asia in the world

"The Asian Century" has already begun providing also strong opportunities for insurance business

[1] Purchasing Power Parity (PPP) - A rate of exchange that accounts for price differences across countries allowing for international comparisons of income and prosperity levels. PPP US$ 1 has the same purchasing power in the domestic economy as US$ 1 has in the United States.

Focus on Asia

… and Asian insurance markets have highest growth prospects but typical emerging market (regulatory) risks

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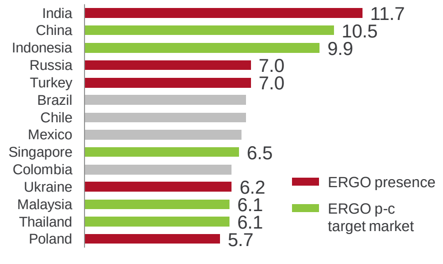
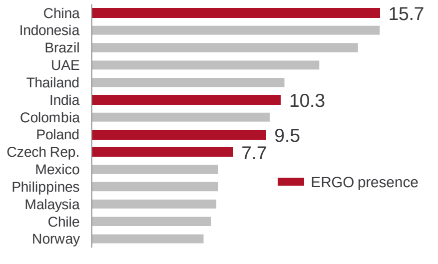
P-C: Real GWP growth 2012 to 2020 %



Life: Real GWP growth 2012 to 2020 %



- P-C: Globally more than €680bn additional premiums expected by 2020
- Of which more than 35% will come from Asia – then contributing 25% of global p-c insurance premiums (2012: 22%)

- Life: Globally more than €1.4tn additional premiums expected by 2020
- Of which more than 50% will come from Asia – then contributing 46% of global life insurance premiums (2012: 39%)

ERGO strives to participate in the "Asian Century" and intends to build a sizeable footprint in defined Asian target markets over the next 10 years

Source: Munich Re Economic Research – Growth rates for the 40 largest markets globally.

Focus on Asia

ERGO's Asia strategy – Value creation in attractive target markets through rollout of global best practice

Munich RE

Pillar 1 – P-C: Regional insurer

- Technical hub Singapore
- India
- Philippines
- Vietnam
- Indonesia
- Singapore
- Malaysia
- Thailand

Strategic rationale

- Growth markets with **superior profitability**
- **Very selective M&A** – High price expectations (often brownfields and exclusive transactions via Munich Re network)
- **Hub concept** to create economic and competitive advantage

Pillar 2 – Life: Greenfield joint ventures

- China
- India

Strategic rationale

- **No M&A** – Poor alignment of many Asian life portfolios with Group risk management framework
- **Greenfields only** – In young growth markets with low financial options and guarantees exposure – build business models in line with Group risk appetite

ERGO value proposition

- Actuarial (pricing/modeling, reserving), p-c underwriting, product development – compulsory "plug and play" rollout of Group standards and expertise
- ERGO ICCs[1] (bancassurance, agency, direct sales, life, p-c claims)
- Risk management
- Superior market knowledge through Munich Re presence

Value-creating portfolio of ~€2.0–2.5bn premium volume[2] by 2020

[1] ICC = International Centre of Competence.
[2] GWP (non-life) and total premium (life) at 100% shareholding basis.

Focus on Asia

Executing strategy: Succeeding via life greenfields and selective non-life M&As

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ERGO presence in Asia – Operations at a glance

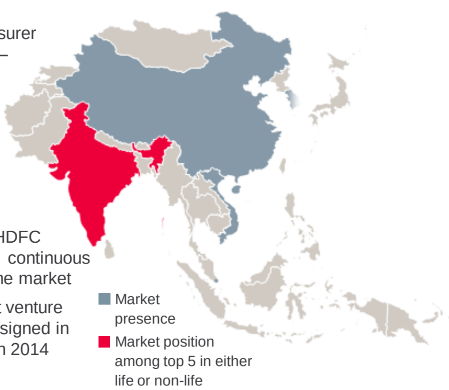
South Korea

P–C: Direct motor insurer ERGO Daum Direct – sold in 2012

India

P–C: Joint Venture HDFC ERGO since 2008 – continuous outperformance of the market

Life: Greenfield joint venture with Avantha Group signed in 2012 – operational in 2014



China

Life: Greenfield joint venture with SSAIH – operating licence obtained in June 2013

Vietnam

P–C: Acquisition of 25% stake in GIC in 2011 – profitable insurer

Singapore

Service company since 2008 – steering of existing entities and preparing entries into defined South East Asian target markets

ERGO has set the foundations to become a notable insurance company in the defined target markets

Focus on Asia

South Korea: Sale of ERGO Daum Direct a reaction to adverse market developments

Munich RE

Dec. 2007	Sep. 2008	Sep. 2009	2008 – 2010	Nov. 2010	May 2012
ERGO acquires Daum Direct – Regulatory closing in March 2008	Global financial crisis affects Korea heavily – Motor growth collapsed from 13% in 2007 to almost 0% in 2008/2009	ERGO Daum Direct is granted six non-motor licences to enable diversification beyond motor business	Deterioration of market motor loss ratio >10% – Increasing regulatory interference by FSS[1] in motor pricing	Decision to exit ERGO Daum Direct – Initiation of sales process	Disposal of ERGO Daum Direct – Regulatory closing in September 2012

Business model

- Development of direct motor market share within five years from nil to 13% (2007) on the back of inefficient traditional sales channels
- Investment in promising, young business field – implementing best-practice direct-sales concepts from ERGO Direkt (Germany)

Rationale for exit

- Increasing motor pricing restrictions – competitive advantage in CRM[2] and GLM[3] pricing curtailed
- Expansion beyond motor with direct-sales model negligible
- Poor performance, lacking critical mass and negative market outlook

Lessons learned

- Regulatory intervention – here: "on paper" liberalised market became increasingly restrictive
- Sustainability assessment of business model
- Feasibility of best practice and group standards rollout
- Scarce local management talent with multi-national company working experience

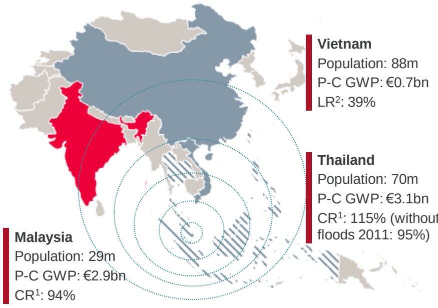
1 FSS: Financial Supervisory Service – Korean insurance regulator.
2 CRM: Customer relationship management.
3 GLM: Generalised linear models.

Focus on Asia

Seeking profitable growth through property-casualty hub approach in Singapore

Munich RE

ERGO's South East Asian target markets



Vietnam
Population: 88m
P-C GWP: €0.7bn
LR[2]: 39%

Thailand
Population: 70m
P-C GWP: €3.1bn
CR[1]: 115% (without floods 2011: 95%)

Malaysia
Population: 29m
P-C GWP: €2.9bn
CR[1]: 94%

Singapore
Population: 5m
P-C GWP: €3.4bn
CR1: 92%

Indonesia
Population: 242m
P-C GWP: €2.8bn
CR[1]: 94%

Philippines
Population: 95m
P-C GWP: €0.6bn
CR[1]: 103%

Singapore hub

Market characteristics: Individual South East Asian p-c markets are small, highly profitable and have a limited insurance management talent pool

Concept: Manage these markets through regional hub in Singapore – centralised key functions with regional mandate (e.g. regional CFO)

Advantage Singapore

- Skilled workforce – access to world-class insurance talent
- Central geographical location with excellent infrastructure

Opportunity "ASEAN 2015"

- Single market with free movement of goods, services, labour and easier flow of capital
- Long-term vision: once regulation permits local entities to become branches of a hub risk carrier

Create economic and competitive advantage through central steering via a regional hub and consequent introduction of group standards and global best practice

1 CR: Combined ratio (average over last available 4-5 years)
2 LR: Loss ratio 2008-2012. Reliable market-wide combined ratio figures are not available. Source: Vietnamese Insurance Association

Focus on Asia

Proof points in property-casualty: HDFC ERGO in India (separate section) and GIC in Vietnam

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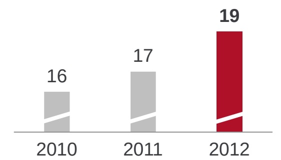
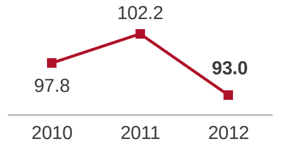
Highlights – GIC Vietnam

- Established in 2006 – Market position since entry of ERGO improved to #8 (in 2012) from #12
- Step-up option to majority position once market liberalises – according to WTO expected during next 5 yrs.
- Comprehensive technical support programme
  - Development of bancassurance channel (strategic shareholder DongA Bank)
  - Leveraging EVN[1] agency network (~7,000 agents) and EVN captive business
  - Introduction of GLM[2]-based motor tariffs
  - IT, product development, claims management, underwriting, risk management ,etc.
  - Target mid-term combined ratio 92%

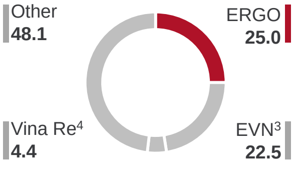
Gross premiums written €m



Combined ratio %



Shareholding structure %



Step-up to 35% shareholding currently under preparation – Pleasing growth and profitability development in line with business plan, successful PMI

[1] EVN: Electricity Corporation of Vietnam. [2] GLM: Generalised linear modelling.
[3] State-owned electricity company. [4] State reinsurer.

Focus on Asia

Proof points in life: New greenfield joint ventures in China and India

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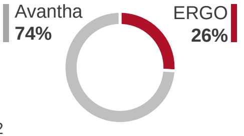
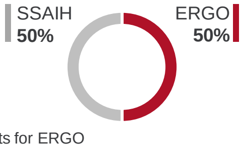
	Shareholding structure	Status quo	10-year ambition
India Life – Avantha ERGO JV agreement signed in November 2012	 Step-up rights for ERGO in case of market liberalisation	▪ **Avantha Group**: Major Indian business house with mixed activities, strong governance and good cultural fit with ERGO ▪ Managed based on "equal partnership principles" ▪ First policy to be sold in 2014	▪ 150 branches ▪ 34,000 agents ▪ Premium volume: ~ €800m
China Life – SSAIH Operating licence obtained in June 2013	 Step-up rights for ERGO in case of market liberalisation	▪ **SSAIH**: Investment vehicle of the Shandong Provincial Government with strong access to captive-like business ▪ Key management recruitment completed – Management control by ERGO ▪ First policy to be sold in 2H2013	▪ 10 provinces ▪ 12,000 agents ▪ Premium volume: ~€600m

Execution of Asia Life Strategy in the two prioritised core growth markets on track

Focus on Asia

Key takeaways and outlook

Munich RE

Why Asia?	World region with highest growth potential and excellent profitability – Strong network and good access through Munich Re but increased regulatory risks
Strategy	Disciplined rollout of group best practice and standards – Non-life: selective M&As via regional South East Asia hub, life: market entry via greenfield joint ventures in China and India
Proof points	Successful non-life company HDFC ERGO in India, GIC Vietnam as a blueprint for further selective acquisitions, promising life joint ventures in China and India
Outlook	Go live in China and India with life joint ventures in 2013 and 2014, pursuing property-casualty hub approach with further market entries – Value-creating portfolio of ~€2–2.5bn premium volume[1] by 2020

[1] GWP (non-life) and total premium (life) at 100% shareholding basis.

Agenda

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India – Young population (~50% younger than 25 years old) to drive insurance penetration and GDP growth

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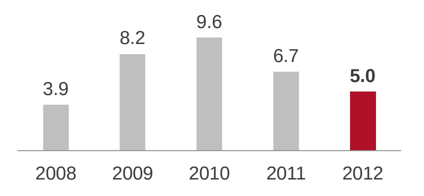
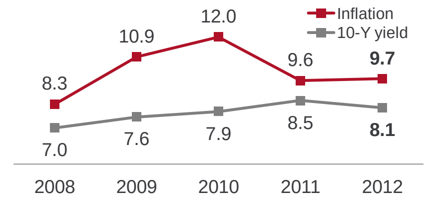
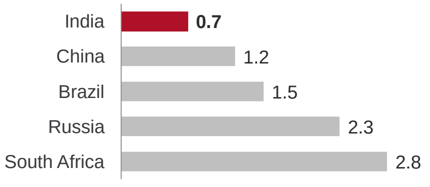
Real GDP growth[1] %



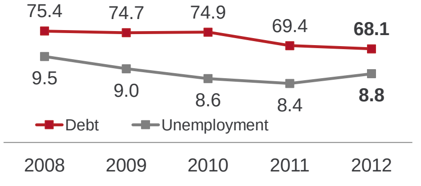
Inflation[2] vs. 10-year bond yield[3] %



Insurance penetration p-c market (2011)[1,4] %



Gross government debt[1] and unemployment[5] %



[1] Source: RBI (Reserve Bank of India), Indian financial year (1.4. previous year to 31.3 reported year).
[2] Source: IHS Global Insight. [3] Source: Bloomberg. [4] Premiums in % of GDP. [5] Source: Eurostat.

Property-casualty market – Historic overview

Munich RE

- **1973**: Nationalisation of property-casualty – 107 companies merged into four state companies
- **2000**: Opening up of industry to private players
- **2001**: First licences granted
- **2007**: Phased de-tariffing initiated and formation of motor third party pool for commercial vehicles
- **2012**: Motor third party pool dismantled – Total industry losses of €2bn – ERGO HDFC share at 2% as a younger company
- **2013**: 27 property-casualty players, one reinsurer, ~350 brokers

Industry today

- Current size of €9.2bn – CAGR of ~17% INR[1] since 2001
- Private players share at 46% with major global primary insurers present
- Issued ~115 million policies at an average ticket size of ~€80
- Employing ~100,000 workforce and ~450,000 agents across ~7,000 branches

[1] Indian Rupee.

HDFC ERGO – India

Property-casualty market – Strong competition in a highly fragmented market

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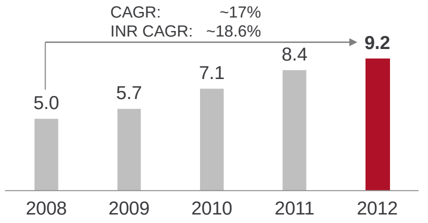
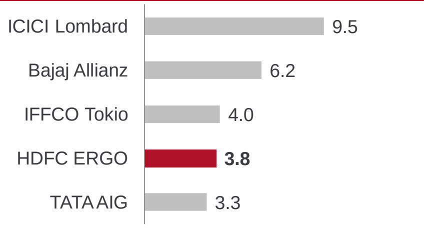
P-C primary insurance premiums €bn



- Opened to private sector in 2001
- Separate licence for life and P/C companies
- Minimum capital approx. €15m
- Foreign capital limited to 26%
- Capital requirements as per Solvency I regime

Market shares – Top 5 private companies[1] %



- 21 private and 6 state-owned companies
- 54% market share still with state-owned insurers putting pressure on pricing
- HDFC increased market share by 3% points in the last five years while large competitors lost ~3% points on average in this time
- Almost all global players present in market

HDFC ERGO has built up a leading market position within the last five years – number 4 in property-casualty, number 2 in the non-motor market in private sector

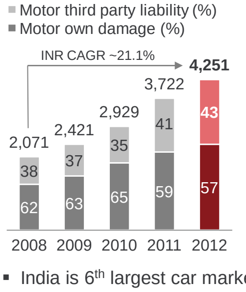
[1] As at 31.12.2012. Source: Munich Re Economic Research, IRDA.

HDFC ERGO – India

Significant growth in health and motor business

Munich RE

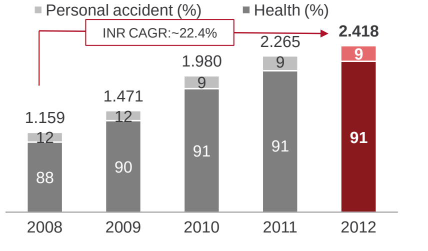
Motor business – Gross written premium €m



Motor type	Penetration level (%)
Private cars	~60–65
Two – wheelers	~30–35
Others	~80–90
Total	**~50%**

- India is 6th largest car market in the world
- More than 110 million vehicles on road
- Significant number of uninsured vehicles on road (two-wheelers, tractors and cars)
  - To be addressed through multi-year policies and better enforcement

Health business – Gross written premium €m



- Health expenditures ~2.5% of GDP (~€35bn) – Insurance penetration only ~6–7%
- ~80% of population not covered by any health insurance or social security
- In absence of social security, health insurance to play pivotal role

Increased vehicle ownership and medical inflation to drive insurance demand

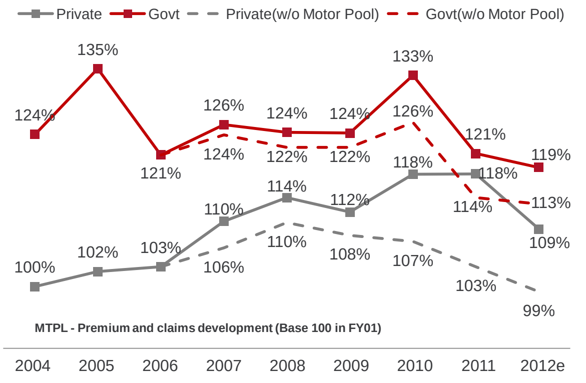
Source: IRDA, GI Council.

HDFC ERGO – India

De-tariffing of market and motor third party liability burdening market for some years

Munich RE

Combined ratio development of private and state-owned companies %



Motor third party liability – Issues

- **Pricing Inadequacy**
  Premium increased only twice between 2001 and 2011 – Annual inflation adjustment missing. Price correction with yearly inflation link implemented in April 2012
- **Pool structure**
  Motor pool allocated losses on basis of overall market share – causing higher losses to companies with lower motor share

Pricing correction, along with dismantling of motor pool, to gradually reduce losses from motor third party liability business

Source: IRDA GI Council

HDFC ERGO – India – Property-casualty

Property-casualty market – Long-term prospects outweigh short-term challenges

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Macro environment

Regulation	High activity in terms of consumer protection, distribution
Economy	Slower growth rate than potential in the short term but long-term story intact – Decreasing car registration and lower demand for mortgages
Society	Demographic dividend yet to play out completely – Stronger need for customised products
Technology	Market characterised by low ticket size which need tech-led solutions – Increasing "research online, purchase offline" trend
Environment	Benign year as regards nat cat

Micro environment

Competition	All insurers disclosed negative technical results, however, trend changing with better profitability in 2013
Distribution	Bancassurance a successful distribution model – More agents to increase market share
Customer	Low penetration of insurance products apart from compulsory insurance covers (i.e. motor third party liability) – Low degree of cross-selling

Fierce competition

- Pressure on prices in corporate lines and increasing cost of acquisition in retail lines
- Margins hit by inadequate motor third party liability pricing

Changing customer behaviour

- Transparency in products and processes
- Increasing demand for better services

[1] Motor third party liability.

HDFC ERGO – India

HDFC ERGO – Historic overview

Munich RE

- **2002**: Incorporated as HDFC Chubb
- **2007**: Chubb exits the JV
- **2008**: JV with ERGO approved
- **2009**: Banc-Assurance tie-up with HDFC Ltd
- **2010**: Banc-Assurance tie-up with HDFC Bank
- **2011**: Breakeven at combined ratio level before pool
- **2013**: Net result: €26m, combined ratio: 91.6% (before pool)

Status
#8 in private sector with GWP of €35m and market share of 0.8% (263 employees across 15 branches)

HDFC ERGO today

- Pan India operations with 81 branches,1,400 employees and 3,500 agents/direct sales force
- Issued 3.4 million policies
- #4 in private sector total: 3.8% market share
- #2 in private sector non-motor: 4.7% market share
- #1 in industry personal accident: 16% market share
- Built the largest bancassurance business in property-casualty with ~15% market share

HDFC ERGO – India

HDFC ERGO – Key figures

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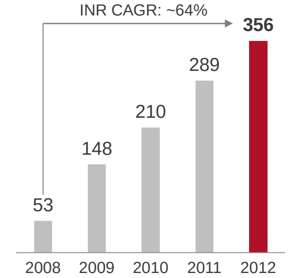
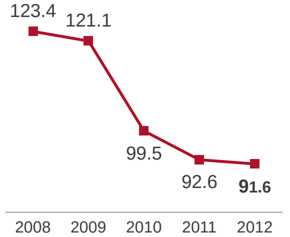
Gross written premium[1] €m



Substantial above-average market growth driven by innovative products and successful distribution via bancassurance

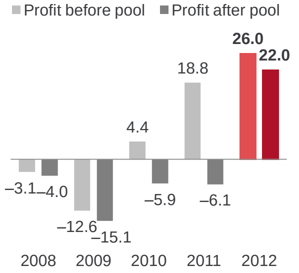
Combined ratio[1,2] %



Successful steering – among the best combined ratios in the market

Target combined ratio: ≤ 95%

Net result[1] €m



HDFC ERGO is accounted for at equity with 26% share

Solid foundation established for sustainable further growth and risk-commensurate returns going forward

[1] Non-calendar FY from April to March.
[2] Excluding Indian commercial vehicle third party motor pool.

HDFC ERGO – India

HDFC ERGO – Largely meeting strategic targets for the first five years

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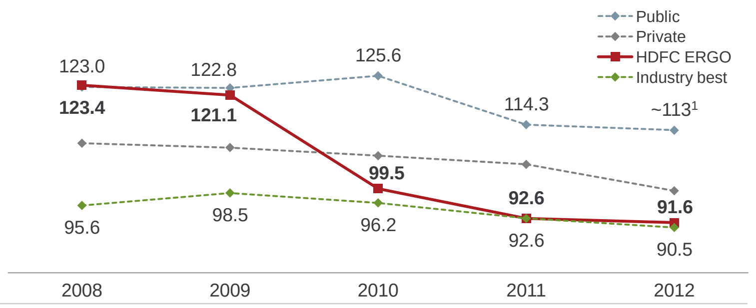
Combined ratio excluding pool



	2008	2009	2010	2011	2012
ERGO HDFC ambition		**Reach overall industry averages**	**Reach overall private sector averages**	**Benchmark with industry best**	
Private sector ranking top-line	#8	#5	#5	#4	#4

Ranking of HDFC ERGO in the private sector in 2012: #3 in bottom-line and #2 in combined ratio

[1] Estimate.

HDFC ERGO – India

HDFC ERGO – Product mix

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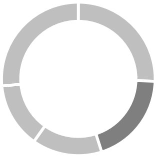
Product mix[1] %

Market[2] – 2012 (2008)



- Market dominated by motor and accident/health
- Free pricing except for motor third party
- Wording de-tariffed but for property and motor
- Property share decreased due to de-tariffing
- Retail:corporate mix at 55:45

HDFC ERGO – 2012 (2008)

- Significant change of product mix in last four years – retail portfolio shifted away from being a motor mono-liner to the most balanced portfolio in market
- Ongoing task to move portfolio towards "high margin/high control" business

Product innovation increasing insurance penetration – Health and motor business will lead the growth for next decade

[1] Based on gross written premiums. [2] Source : IRDA.

HDFC ERGO product innovation – Example: microinsurance business

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Adapting product strategy to market characteristics – high level of population in rural areas

- Low insurance penetration the result of vast geographical spread – a challenge for selling and claims handling
- Significant efforts by company to offer microinsurance products through technology-led processes/ servicing options

Weather insurance

- HDFC ERGO number 3 in the market – GWP: €40m, market share: 12%
- Product developed and actuarially priced by World Bank
- Operating in 60 districts across 14 states in the country
- Pilot projects in Pakistan guided by HDFC ERGO
- Predefined triggers and daily data on weather parameters making claims servicing transparent and fast – Ranked best by Indian Government on speed of settlements

Cattle and livestock insurance

- Protection against loss of life of cattle
- RFID (Radio Frequency ID) tags used to track insured and speed up claims settlement
- Pilot phase

Innovative products meeting client demand – Efficient processes, state-of-the-art technology and fast claims handling providing competitive advantage

HDFC ERGO – Distribution channels

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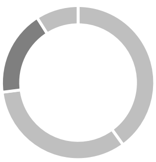
Distribution mix[1] %

Market – 2012

Bancassurance **9%**

Agency **40%**



Brokers **18%**

Direct **33%**

Source : IRDA

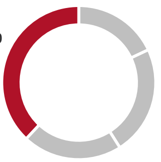
%	Agency	Banc.	Brokers	Direct
Corporate	30	0	30	40
Retail	50	15	10	25

- Agency: tied agents – multi-level marketing not allowed
- Brokers: Growing importance in corporate
- Bancassurance: Growing importance in retail

HDFC ERGO – 2012 (2008)

Bancassurance via HDFC Group **38%** (4%)

Agency **18%** (13%)



Brokers **21%** (22%)

Direct **23%** (61%)

%	Agency	Banc.	Brokers	Direct
Corporate	8	3	42	47
Retail	25	64	6	5

- HDFC ERGO has built the largest partnership in non-life bancassurance
- Brokers/large agents account for ~50% of corporate portfolio

Multi-channel approach – realising bancassurance potential of HDFC Group

[1] Based on gross written premiums.

HDFC ERGO – India

HDFC ERGO – Business strategy

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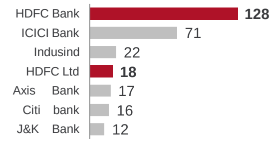
Current business strategy

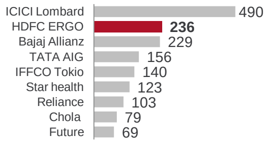
- Strong brand name associated with strong fundamentals and leverage on
  - Distribution, relationships, market understanding and brand of HDFC Group, which is among the largest financial services conglomerates in India
  - Munich Re Group's standing, reinsurance and technical capabilities
- Diversified portfolio across geographies, product classes and distribution channels
- "Knowledge"-based approach rather than "transaction" approach
- Stable stream of annuity business from retail
- Prudent underwriting and risk mitigation through quality reinsurance
- Invest in people, reach and products
- IT as business enabler

Main value drivers €m

Largest bancassurance tie-up in non life (GWP)



2nd largest non-motor company in private sector (GWP)



- Largest personal accident provider in the industry with 16% market share
- 20% of premiums are multi-year policies: significant embedded value as expenses are provided upfront as per Indian GAAP
- 87% of policies use automated mode

HDFC ERGO – India

HDFC ERGO – Quality and customer focus

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Quality and customer focus

Product innovation

- Increasing focus on motor add-ons
- Developing package products for small and medium-sized enterprises
- Developing liability products for small business
- Multi-year offerings in personal accident and package products

Pricing

- Review pricing structure in motor
- Motor: Improve pricing basis analytical tools (Emblem)
- Continuous tracking of claim trends to segment risks for intelligent pricing

Initiatives

- Implementation of ResQ (reserving tool)
- Implementation of automated fraud detection and management tool
- Further enhancement of investigative capacity for third party claim management

Customer experience management (CEM) function to manage all post-sales interactions with customer – constant flow of information on policies and claims through SMS, email and website

Lowest share of grievances in the private sector – HDFC ERGO 2.4% vs. 8.3% private sector market share (2012)

HDFC ERGO – India

Key takeaways and outlook

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Focus on profitable growth	Maintain growth higher than the market striving, for market share of 5% by 2018 – be in the top 3 in private sector (top and bottom-line)
Joint venture structure	Reliable partnership, leveraging on distribution and brand strength of HDFC Group and technical expertise of Munich Re Group – Entrepreneurial freedom to the management team
Product strategy	Alignment of product mix in line with the market – Significant opportunity to increase motor and health market share, increase spread in rural and agriculture business
Ambition	Maintain combined ratio ≤ 95% – Cost efficiencies through automation and high per-employee productivity, improved claims practices by leveraging IT and in-house claims adjustment

Backup: Shareholder information

Financial calendar

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FINANCIAL CALENDAR

6 August 2013	Interim report as at 30 June 2013
8–10 September 2013	Les Rendez-Vous de Septembre, Monte Carlo
18 September 2013	KBW "Financials Conference", London (without presentation)
23 September 2013	Berenberg Bank/Goldman Sachs “2nd Annual German Corporate Conference 2013”, Munich/Unterschleißheim (no presentation)
25 September 2013	Bank of America Merrill Lynch "18th Annual Banking & Insurance CEO Conference", London
26 September 2013	Baader Bank “Investment Conference 2013”, Munich (no presentation)
15 October 2013	SRI Day on “Corporate Responsibility in (re-)insurance business”, Munich
7 November 2013	Interim report as at 30 September 2013
5 December 2013	Société Générale “Premium Review Conference”, Paris (no presentation)

Backup: Shareholder information

For information, please contact

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Figures up to 2010 are shown on a partly consolidated basis.
"Partly consolidated" means before elimination of intra-Group transactions across segments.