



planpicture/Stop/Ralf Helmisch

Delivering strong capital returns

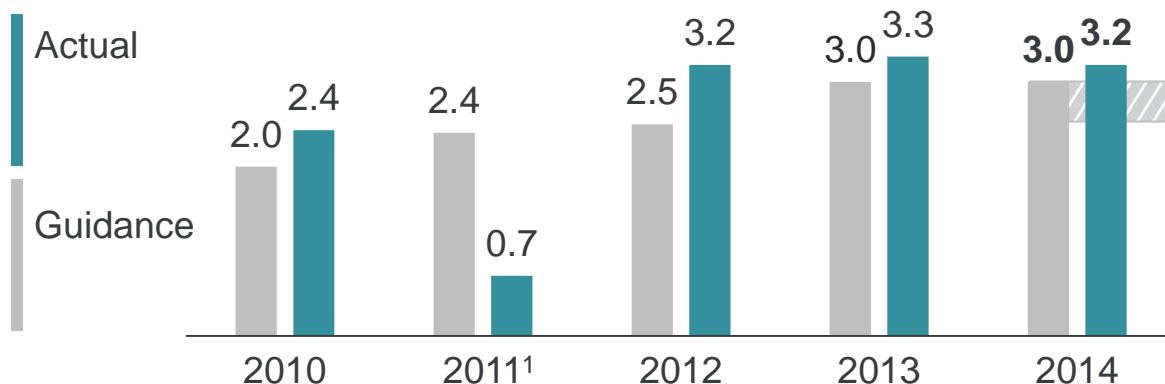
Morgan Stanley 11th Annual European Financials Conference 2015

London, 25 March 2015

Munich RE 

Munich Re remains an under-promise/ over-deliver investment case

Delivering on promised net result




€bn

Earnings outlook 2015

Strong balance sheet 

2.5–3.0

Direct and indirect impact
of low interest rates 

Sensitivities

As at 31/12/14

Interest rates +100bps

Interest rates –100bps

Economic solvency ratio²

%

138

155

117

Shareholders' equity

€bn

30.3

26.8

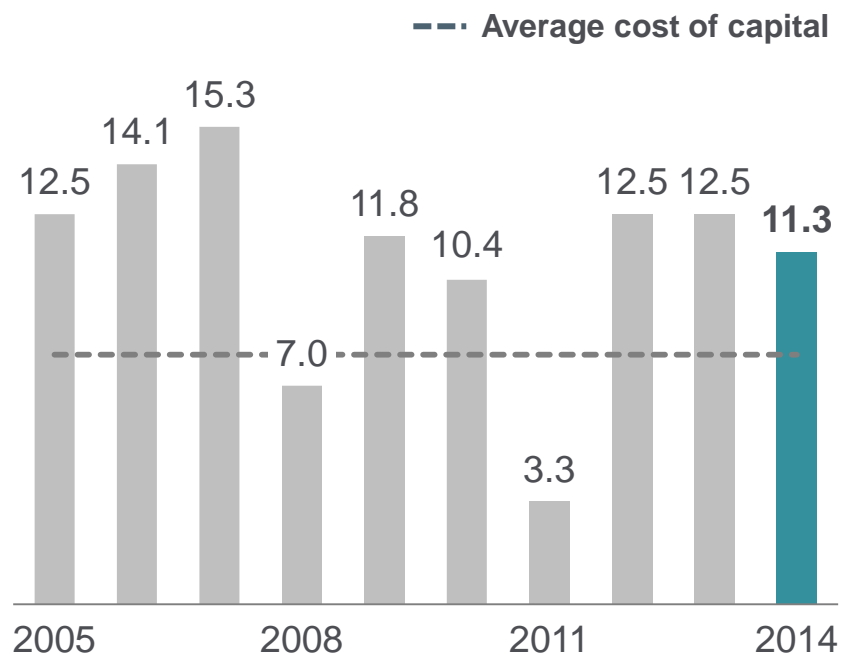
Strong balance sheet mitigates earnings pressure from low interest rates and declining reinsurance margins

¹ Assuming normal nat cat claims based on 8.5% budget, net result would have exceeded guidance.

² Solvency II capital based on VaR 99.5%, Munich Re internal risk model based on 175% of Solvency II capital.

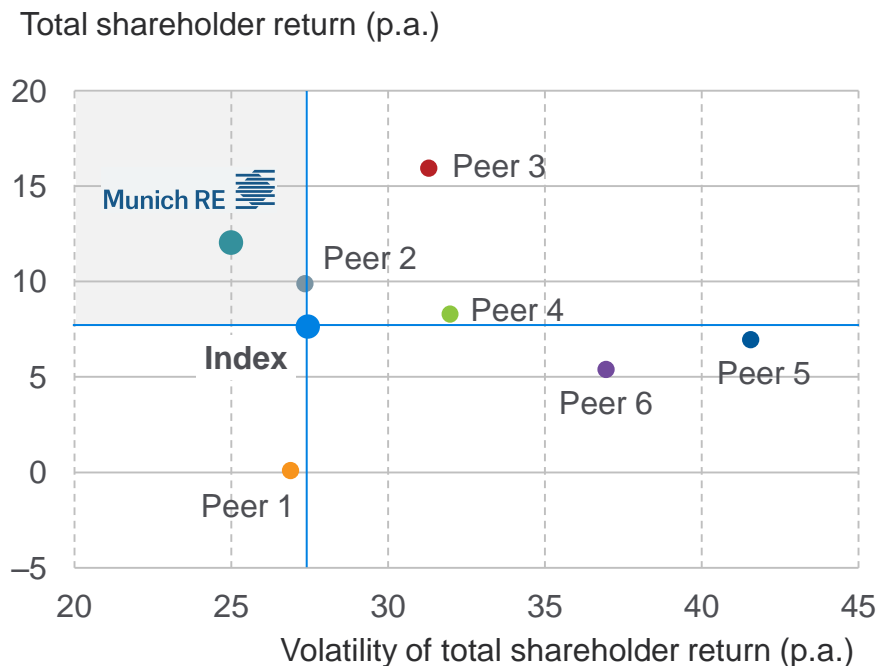
Strong track record in value generation

Return on equity %



10-year average ROE: ~11.1% –
Clearly exceeds cost of capital: ~8%

Risk/return profile¹ %



Annualised TSR: ~12.0% –
Outperforming major peers and insurance index

Balanced business portfolio paves the way for sustainable profitability

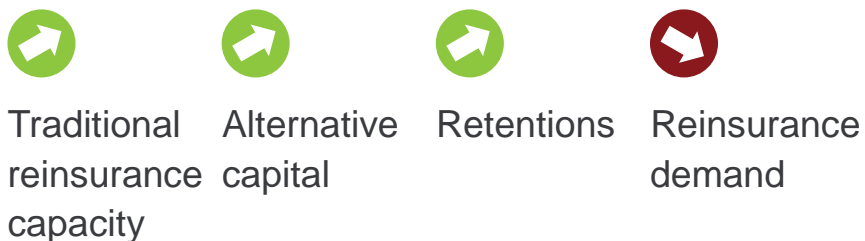
¹ Annualised total shareholder return defined as price performance plus dividend yield over the period from 1/1/2005 until 28/2/2015; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, ZIG, Stoxx 600 Insurance (“index”).

Well positioned to successfully master industry challenges

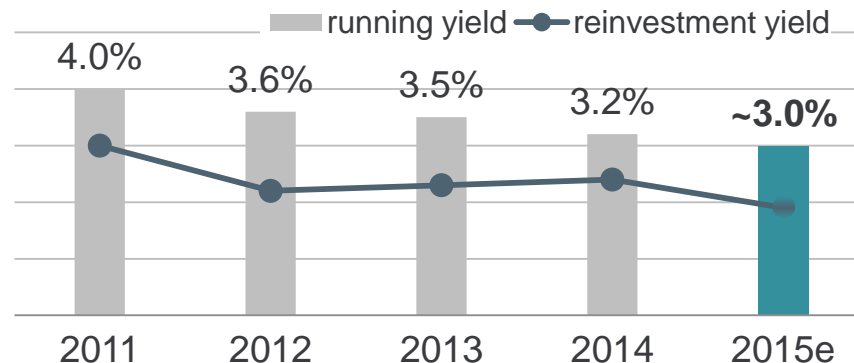
Ongoing decline in interest rates is ...



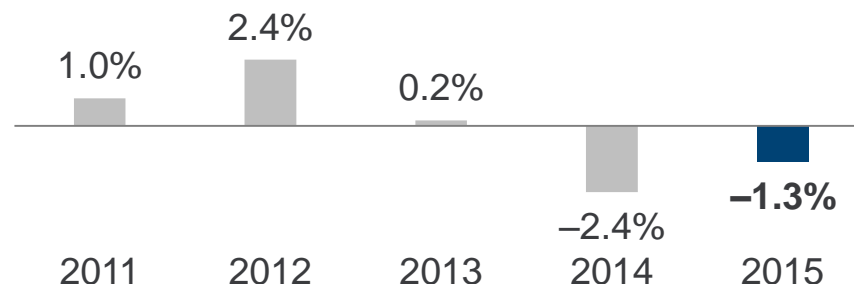
... also leading to imbalance of supply and demand



... weighing on the investment result



... and putting pressure on underwriting margins¹



Prudent investment strategy and underwriting discipline are the order of the day

¹ Year-to-date price change of renewals. 2015 only includes January renewals.

Strong economic solvency – the basis of our sound capitalisation...

Munich Re actions¹

>120% Excellent capitalisation

- Capital repatriation
- Increased risk-taking
- Holding excess capital to meet external constraints

100%–120% Comfortable capitalisation

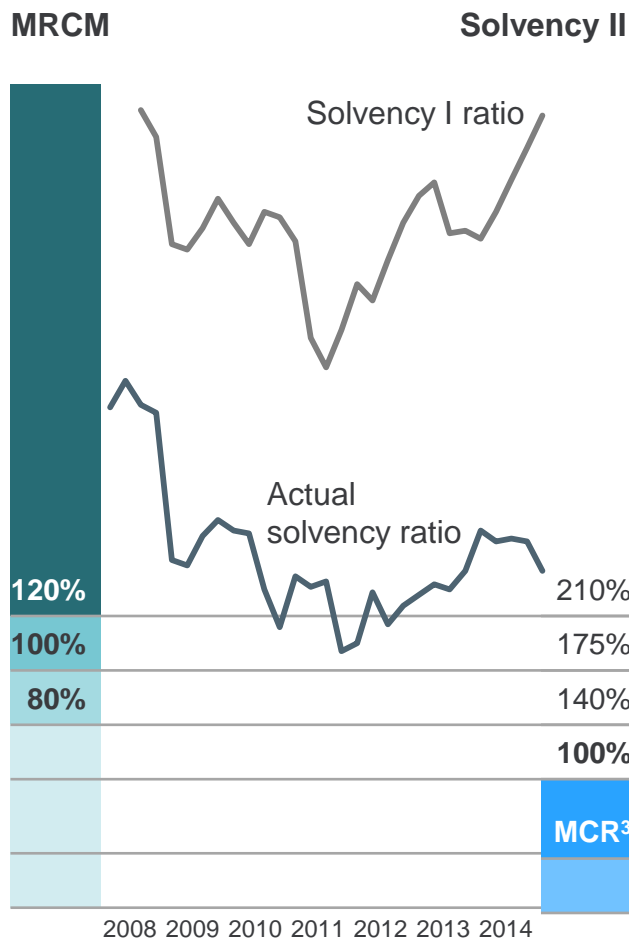
80%–100% Adequate capitalisation

- Tolerate and monitor
- (Partial) suspension of capital repatriation

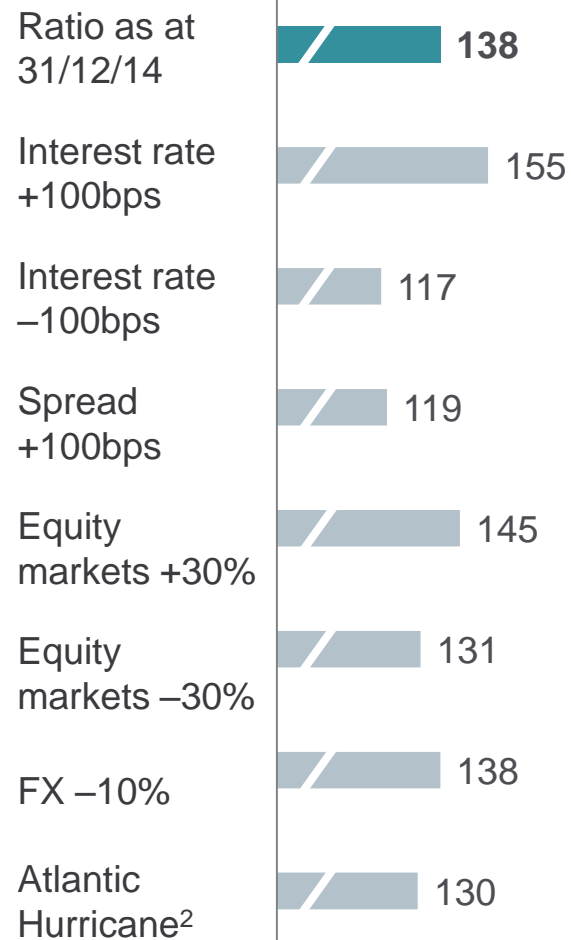
<80% Below target capitalisation

- Risk transfer
- Scaling down of activities
- Raising of (hybrid) capital

Munich Re solvency ratio (ESR)



ESR¹ – sensitivity %



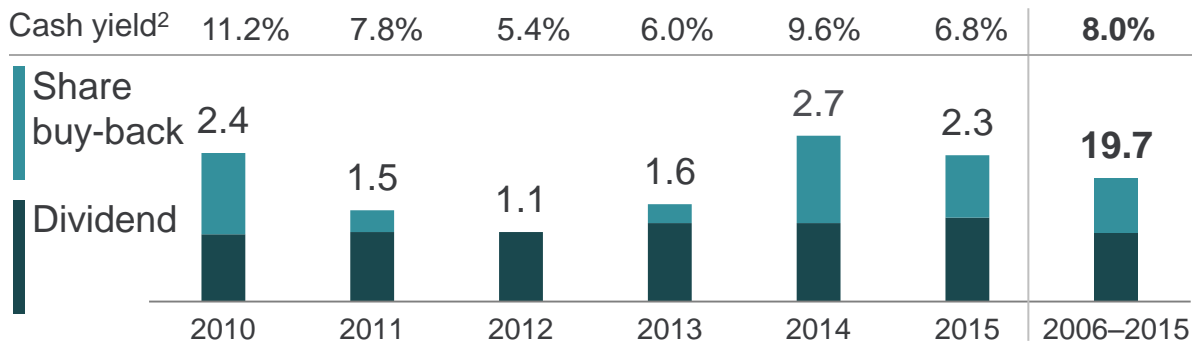
¹ Based on Munich Re capital model (MRCM): 175% of VaR 99.5%.

² Based on 200-year event.

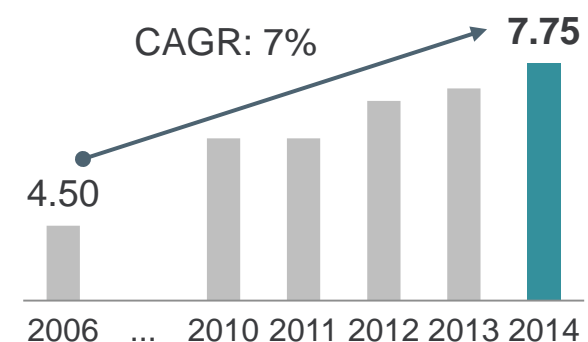
³ MCR = minimum capital requirement, typically between 25% and 45%; for groups, called "Group SCR floor".

... driving high shareholder payout

Attractive shareholder participation¹



Dividend per share



Excellent economic solvency ratio



Substantial rating capital buffer



Solid German statutory accounts



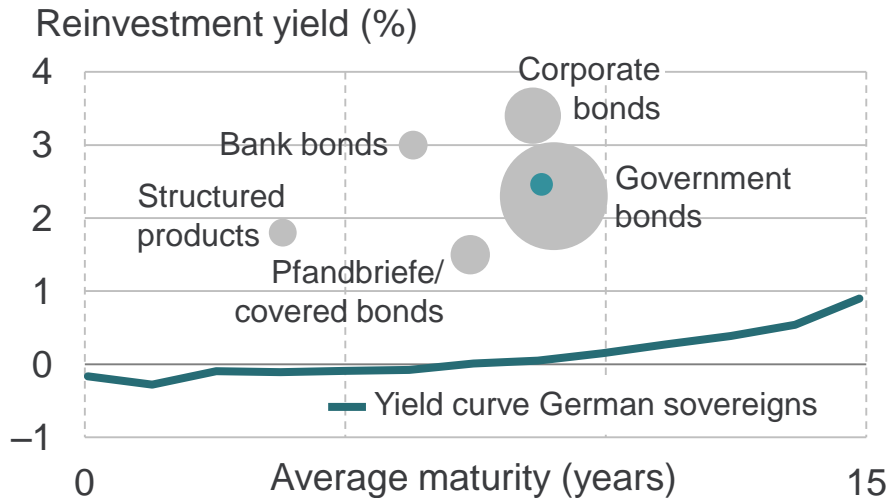
Temporarily lower earnings are not jeopardising our capital return story

¹ Cash-flow view. ² Total payout (dividend and buy-back) divided by average market capitalisation.

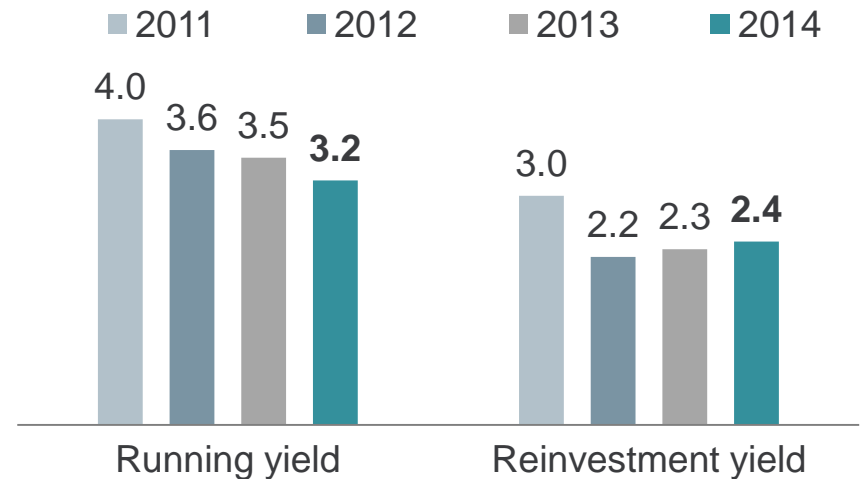
³ German statutory accounting standards.

Investment management in low-interest-rate environment

Composition of reinvestment yield 2014¹



Running and reinvestment yield %



- Solid reinvestment yields without taking high risks
- In addition to long duration, ongoing geographic diversification and cautious expansion of credit exposure mitigating attrition of running yield

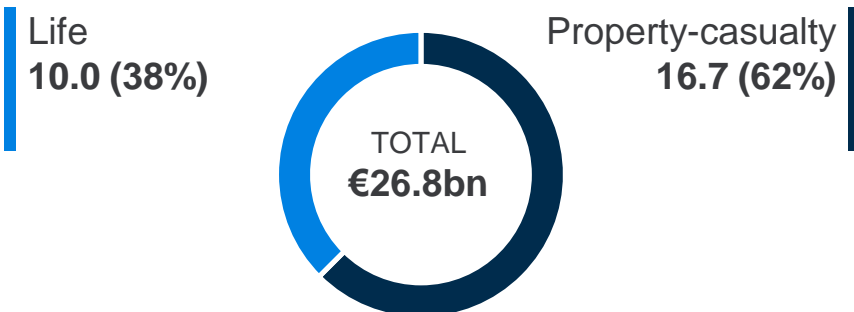
- Long duration has been stabilising investment returns in recent years
- At current interest-rate levels, expected annual attrition of running yield by at least ~20bps in 2015

Well-balanced portfolio provides resilience against adverse capital market scenarios

¹ Bubble size reflects reinvestment volume. Yield curve as at 31/12/2014.

Reinsurance – Leveraging on leading market position

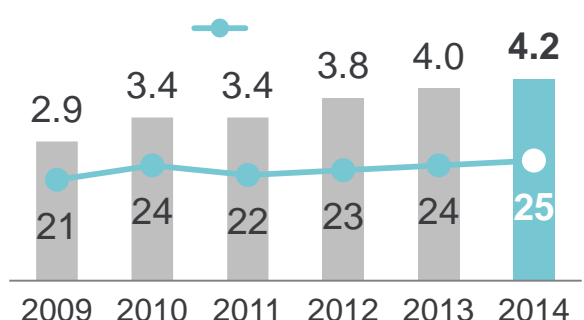
Segmental breakdown – GWP €bn



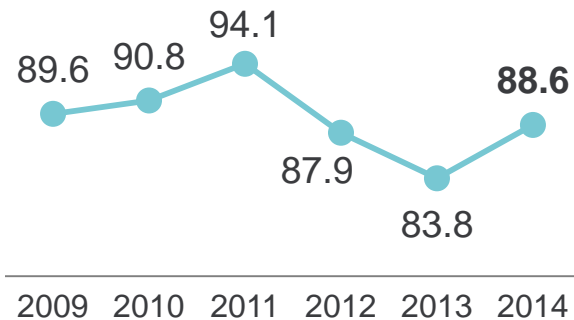
P-C – Diversified business portfolio¹ %



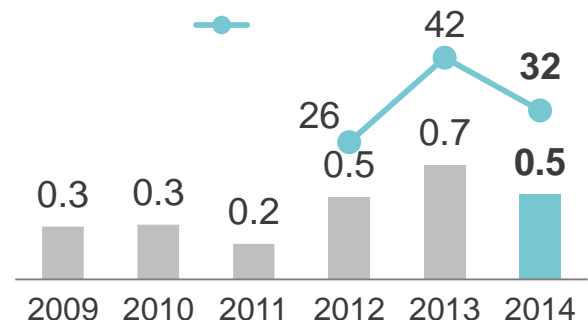
Risk Solutions – GWP² €bn



Combined ratio² %



Underwriting result² €bn

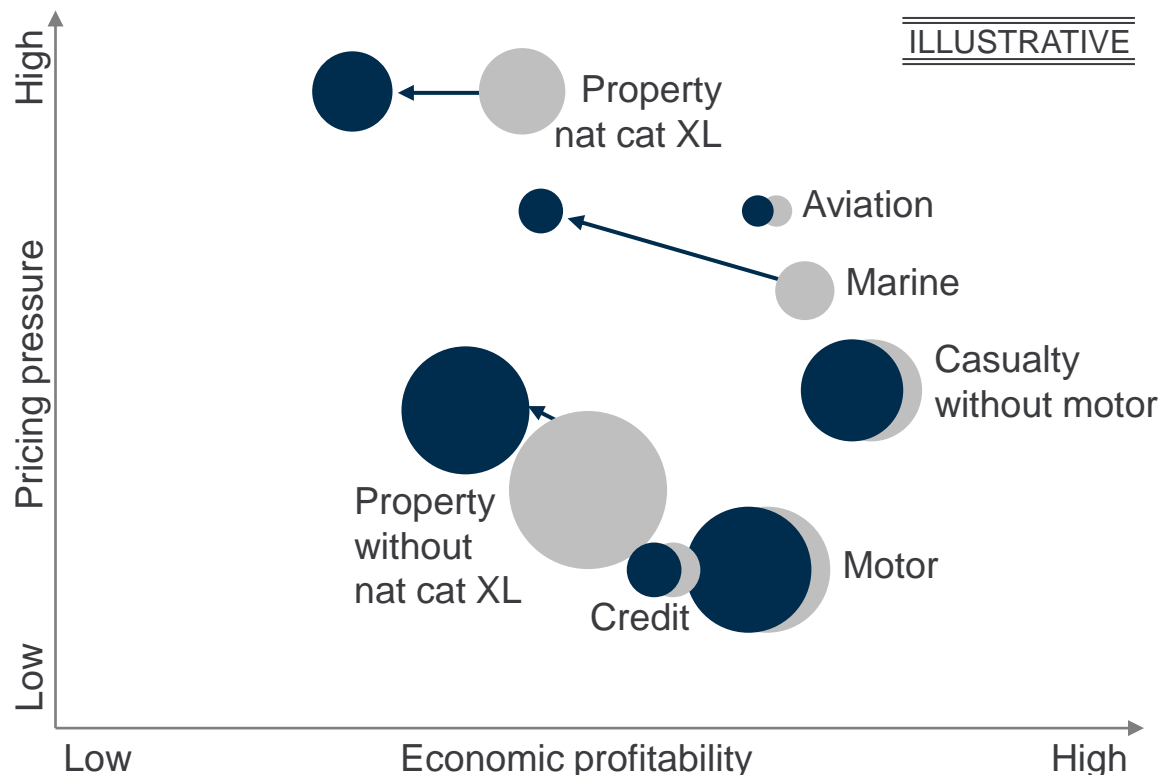


Risk solutions – increasingly valuable business segment with strong premium growth and bottom-line contribution

¹ GWP = Gross premiums written property-casualty reinsurance for 2014 (2013).
² Management view, not comparable with IFRS reporting.

Property-casualty traditional reinsurance – active cycle management in challenging markets

Traditional p-c portfolio – Outlook 2015¹



- Presence in all markets, with offices in 36 countries²
- Portfolio of risks originating in more than 160 countries
- ~50% of business³ with differential terms/private placements
- ~30% of business³ with complex tailor-made solutions
- Well-balanced, highly diversified reinsurance portfolio

Profitability of traditional portfolio is still meeting hurdle rate and comfortably exceeding cost of capital

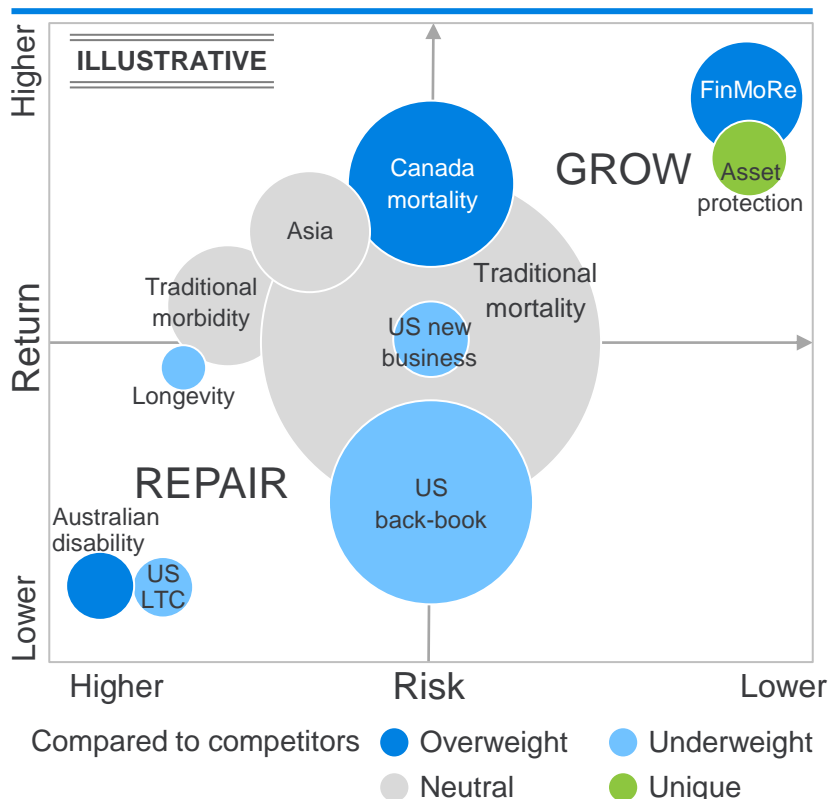
¹ Bubble size reflecting gross premiums written as at 31/12/2014 (grey) – Outlook 2015 (blue). Traditional reinsurance only.

² Subsidiaries and branches; including Munich Health's reinsurance activities in the health market as at 31 December 2014.

³ In January 2015 renewals.

Life reinsurance - Strategic focus and areas of attention

Risk-return profile of selected sub-portfolios relative to core business



Initiatives portfolio

FinMoRe

Business performing well – strong demand prevails

Asia

Pleasing contribution to VNB underpins business potential

Longevity

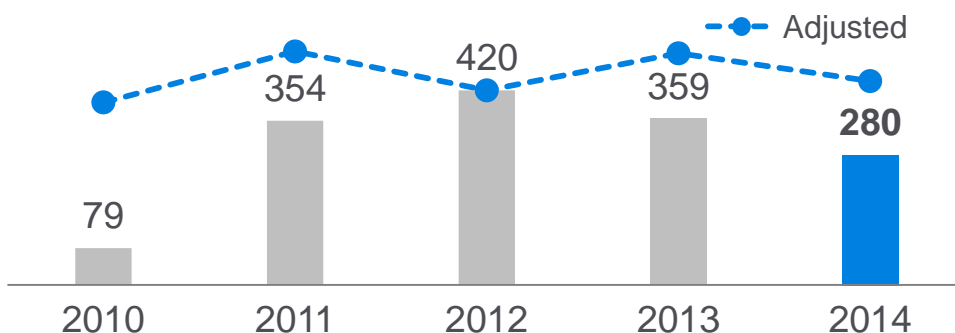
Book developed carefully in line with risk appetite

Asset protection

Opportunities

Life – Technical result

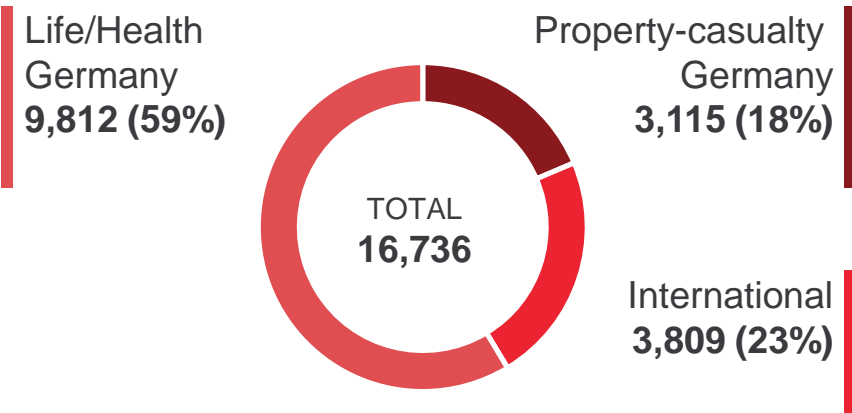
€m



Well positioned in established markets and dynamic growth segments

Primary insurance – well-balanced business portfolio supports earnings contribution

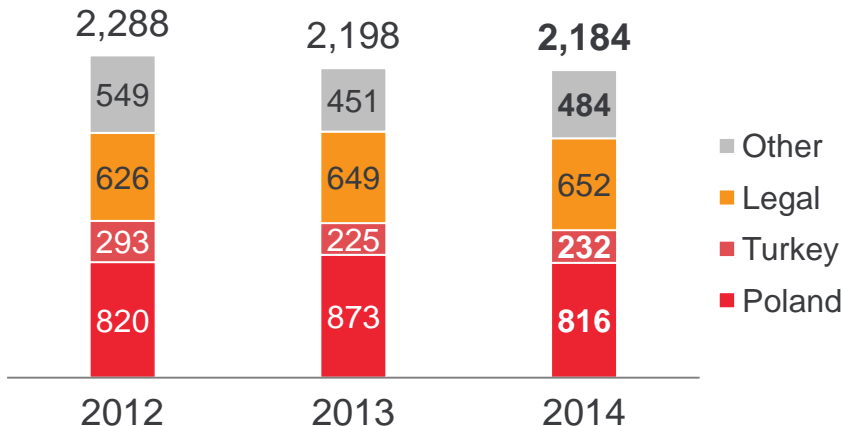
Segmental breakdown – GWP¹ €m



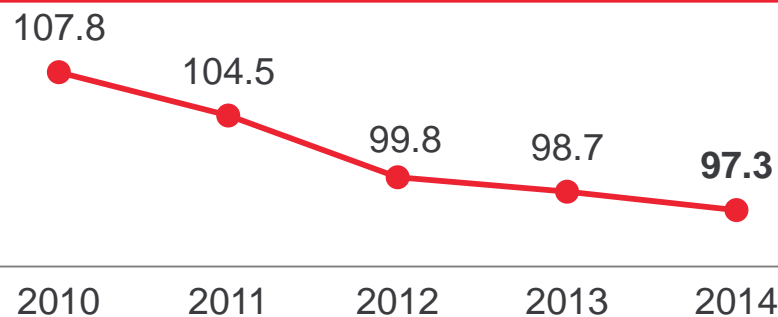
P-C Germany – Combined ratio %



P-C International – GWP €m



P-C International – Combined ratio %

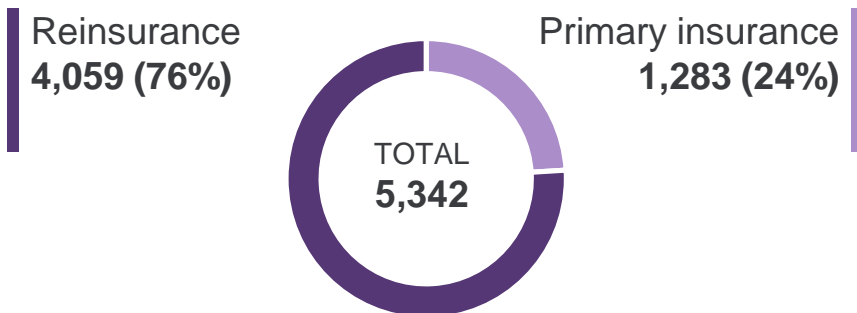


ERGO running profitable p-c business in Germany and abroad

¹ GWP = Gross premiums written property-casualty reinsurance for 2014.

Munich Health – Health insurance providing portfolio diversification, focus on stabilising business

Segmental breakdown – GWP¹ €m



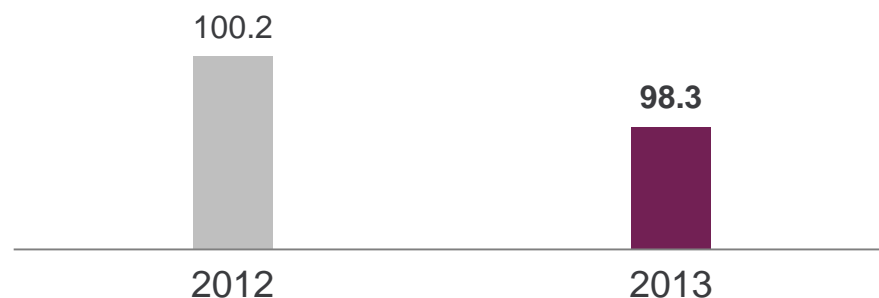
Munich Health...

- ... including health reinsurance and primary insurance (except for ERGO DKV Germany)
- Global presence and leveraging the health know-how of over 3,000 health experts

Regional breakdown %



Combined ratio %



Private health insurance growing worldwide above GDP – Munich Health paving the way for sustainable growth

¹ GWP = Gross premiums written property-casualty reinsurance for 2014.

Munich Re (Group)

GROSS PREMIUMS WRITTEN¹

€47–49bn

Focus on bottom-line growth prevails

RETURN ON INVESTMENT

at least 3%

Solid return given ongoing low interest-rate environment

NET RESULT

€2.5–3bn

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

Reinsurance

COMBINED RATIO

~98%

NET RESULT

at least €2bn

ERGO

COMBINED RATIO

Germany: **~93%**
International: **~97%**

NET RESULT

~€500m

Munich Health

COMBINED RATIO

~99%

NET RESULT

€50–100m

¹ By segment: Reinsurance €26–27bn, ERGO €16–16.5bn, Munich Health slightly above €5bn.

Munich Re well positioned for the introduction of Solvency II

Impact on insurance industry

New standards in risk-based supervision

Enhancing comparability

Munich RE

Risk management already effective and integrated in decision-making process



Changing capital requirements

Depending on company size, level of diversification and product specifics

Capitalisation remains very strong – No major changes expected



Market dynamics

Driver for consolidation, reinsurance demand and product innovation

Market-leader position in structuring complex, tailor-made solutions



Ready for regulatory requirements while providing clients with capital management solutions

Looking ahead – World of opportunities for innovative business solutions

Creating solutions for new and emerging risks

Rising demand for innovative business solutions

Technology

- Cyber risks
- Energy risks
- Supply chain risks
- Non-damage business interruption

Environment

- Climate change
- Weather events
- Water crisis

Society

- Contentious diseases
- Rising cost of medical treatment
- Reputational risks

Politics

- Regulatory changes
- Global governance failure
- Political and social instability/conflicts

Munich Re well positioned

Dedicated specialised business units

- Special Enterprise Risk
- Financial & Enterprise Risk
- HSB Strategic products
- Munich Re Weather & Commodity Risk Holding

Innovation initiatives across all business units

Continuous product innovation – Examples

- Solutions for broad range of cyber risks
- Space – launch + life cover for satellites
- Reputational risk cover
- Project cost insurance for construction risks

Tapping new profit pools by expanding existing market boundaries

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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.

ERGO new segmentation: 2009–2010 before elimination of business with Munich Re, 2011–2014 consolidated, after elimination of all intra-Group business, 2013–2014 new segmentation, earnings include share of holding costs.