Strong balance sheet – Strong returns

Morgan Stanley 10th Annual European Financials Conference 2014

London, 27 March 2014

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Munich RE

Agenda

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Delivering on our promise, reliable for shareholders …

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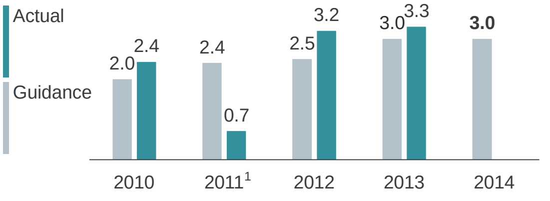
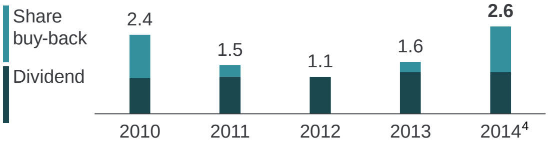
Delivering on promised net result … €bn



… facilitating attractive shareholder participation[2] €bn

Cash yield[3] 11.2% 7.8% 5.4% 6.0% **10.0%**



Outlook 2014

- Expected net result: €3bn
- Technical profitability becoming even more relevant …
- … in an environment of low interest rates and competitive reinsurance markets

- Strong capital position according to all metrics
- Dividend increase: from €7.00 to €7.25 per share
- Continuation of share buy-back: €1bn between AGM 2014 and AGM 2015

High level of diversification and disciplined bottom-line focus facilitating reliable earnings generation

[1] Assuming normal nat cat claims based on 8.5% budget net result would have exceeded guidance.
[2] Cash-flow view. [3] Total payout (dividend and buy-back) divided by average market capitalisation.
[4] Share buy-back and dividend are subject to AGM approval; cash yield estimated on 2013 average market cap.

1 Building on a good track record

… resulting in stable long-term shareholder returns throughout different market phases

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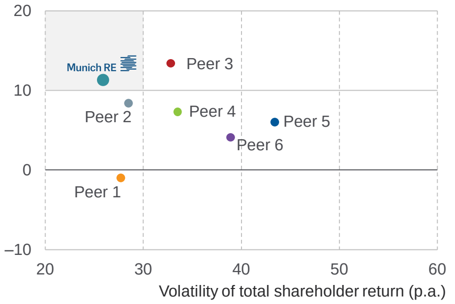
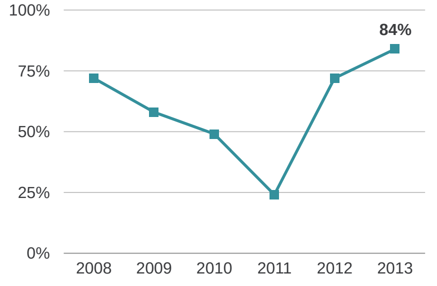
Attractive risk/return profile[1] %

Total shareholder return (p.a.)



Increasing earnings contribution from underwriting

Contribution of technical result as a percentage of operating result.



Below-average volatility leading to lower cost of capital

Becoming less dependent on investment income – creating value in core underwriting business

Munich Re shareholders enjoy attractive returns with comparatively low volatility

[1] Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 31.12.2013; 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. [2] Same calculation as left chart with different starting points until 31.12.2013.

1 Building on a good track record

All segments contributing to strong 2013 result

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Munich Re (Group) – FY 2013

NET RESULT	SHAREHOLDERS' EQUITY	INVESTMENT RESULT
€3,342m (€1,198m in Q4)	**€26.2bn** (+1.4% vs. 30.9.)	**RoI of 3.5%** (3.7% in Q4)
Delivering good net result supported by sound core business and low tax rate	Strong capital position according to all metrics allowing for dividend increase and share buy-back	Solid result given low interest rates and moderate risk profile

Reinsurance

NET RESULT

€2,797m (€1,089m in Q4)

2,384 | 413

P-C	LIFE
Combined ratio 92.1% (89.3% in Q4) – Better than target of 94%	Technical result close to target – mix of positive and adverse developments

Primary insurance

NET RESULT

€433m (€73m in Q4)

169 | 134 | 130

P-C

Combined ratio 97.2% (97.5% in Q4) – Nat cats in Germany

LIFE	HEALTH
Result in line with expectations	Solid, stable performance

Munich Health

NET RESULT

€150m (€56m in Q4)

150

PRIMARY INSURANCE

Combined ratio 93.5% (93.7% in Q4) – Good result largely driven by improved US Medicare business

1 Building on a good track record

Investment result – Disposal gains partly compensating for higher write-downs and declining regular income

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Investment result €m

	2013	Return[1]	2012	Return[1]	Q4 2013	Return[1]
Regular income	**7,498**	**3.4%**	7,761	3.6%	**1,812**	3.3%
Write-ups/write-downs	**–670**	**–0.3%**	8	0.0%	**–129**	–0.2%
Disposal gains/losses	**1,059**	**0.5%**	652	0.3%	**330**	0.6%
Other income/expenses[2]	**–230**	**–0.1%**	21	0.0%	**–18**	0.0%
Investment result	**7,657**	**3.5%**	**8,442**	**3.9%**	**1,995**	**3.7%**

Pleasing investment result given low interest rates and moderate risk profile

[1] Return on quarterly weighted investments (market values) in % p.a.
[2] Including impact from unit-linked business. 2013: €400m (0.2%-points). 2012: €603m. Q4 2013: €159m (0.3%-points).

1 Building on a good track record

…as we continue with our well-balanced investment approach

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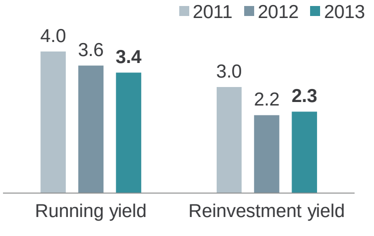
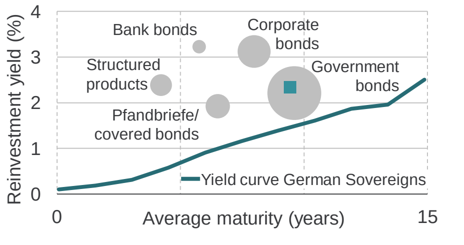
Running and reinvestment yield %



- Assets serving insurance liabilities – duration matching proving beneficial
- Solid results and reinvestment yields with limited economic exposures

Composition of reinvestment yield 2013[1]



Expansion

- Corporate and emerging market bonds
- Renewable energies and new technologies
- Real estate

Reduction

- Select developed market bonds
- Inflation-linked bonds

No need for yield hunting or re-risking in times of inflated asset prices

[1] Bubble size reflecting reinvestment volume. Yield curve as at 31.12.2013.

2 Sound capitalisation providing flexibility

Stability reflected in solid financial position

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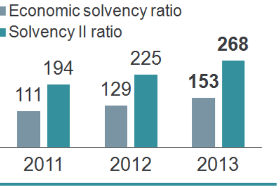
Strong IFRS capital position	
Equity 31.12.2012	27.4bn
Consolidated result	3.3bn
Changes	
Dividend	–1.3bn
Unrealised gains/losses	–2.6bn
Exchange rates	–0.7bn
Share buy-backs	–0.2bn
Other	+0.2bn
Equity 31.12.2013	**26.2bn**

Substantial capital buffer supporting AA-rating

Agency	Rating
A.M. Best	A+ (Superior)
Fitch	AA– (Very strong)
Moody's	Aa3 (Excellent)
S&P	AA– (Very strong)

Excellent economic solvency ratio further improved



Financial flexibility according to all metrics

2 Sound capitalisation providing flexibility

Substantial increase in economic capital in the challenging environment of the last 7 years

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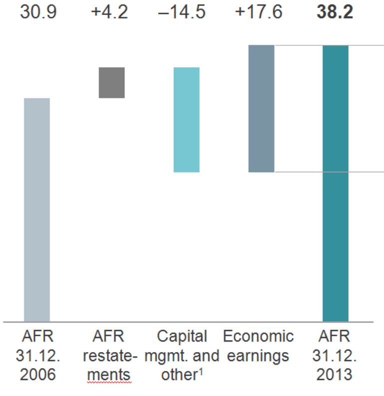
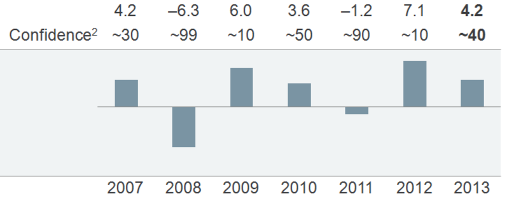
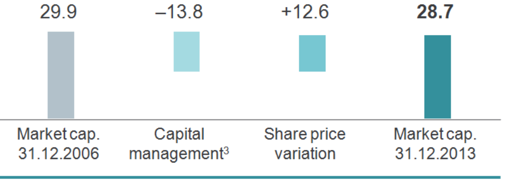
Available Financial Resources (AFR) €bn



Economic earnings €bn



Munich Re market capitalisation €bn



Strong economic earnings not yet matched by share performance

[1] Dividends, share buy-back, hybrid capital replacement and other.
[2] Probability of achieving at least the corresponding economic earnings. [3] Dividends, share buy-back.

3 Business segments well on course

Reinsurance – Competitive environment in property-casualty following increasing supply of capacity

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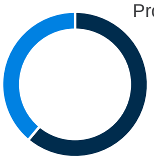
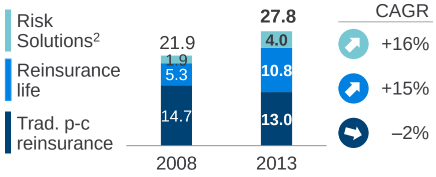
Segmental breakdown €m

Life
10,829 (39%)
(▲ –2.7%)



Property-casualty
17,013 (61%)
(▲ –0.2%)

Structural increase of business diversification[1] €bn



Gross premiums written

Life
Organic growth of €242m especially in USA and Australia – negative FX effects of –€543m

Property-casualty
Organic growth of €626m negative FX effects of –€665m

Property-casualty – Diversified business portfolio[1]

Increasing share of business largely decoupled from reinsurance cycle and competition in traditional reinsurance

[1] Gross written premiums.
[2] Risk Solutions = Specialty primary business

3 Business segments well on course

Bifurcation of reinsurance market – Munich Re well positioned to seize opportunities

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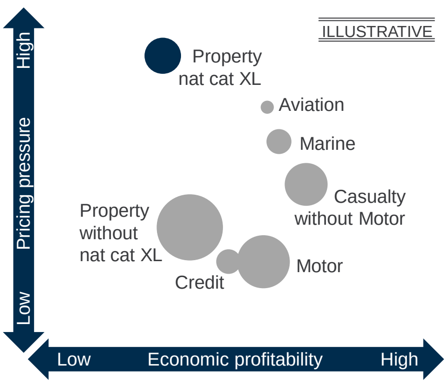
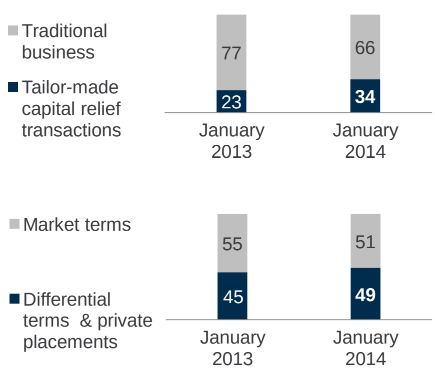
Traditional p-c reinsurance business – Outlook 2014[1]



January renewals – strategic partnerships %



Traditional business to continue to comfortably surpass profitability threshold – tailored solutions generating business less bound to market terms

[1] Bubble size reflecting gross written premiums as at 31.12.2013. Traditional reinsurance only.

3 Business segments well on course

Primary insurance – Based on well balanced business composition proactively tackling challenges

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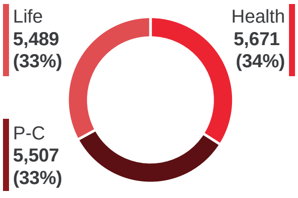
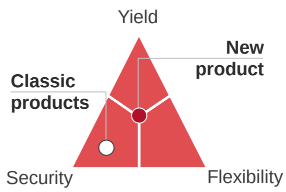
Segmental breakdown €m



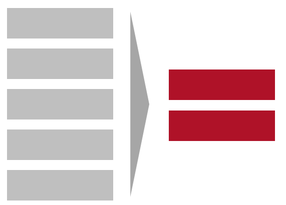
- **Life:** Premium income decreasing in both German –5.1% and international business –6.0%
- **Health:** Growth in supplementary partially offset-ting decline in comprehensive / travel business
- **P-C:** Growth in German business +1.3% offset by decline abroad

German life – New product



- Successful introduction of new life product – Already making up ~50% of new business in private pensions[1]
- Continuously improving risk/return-profile

Reorganisation



- Streamlining of sales completed
- Organisational changes aiming for leaner structures and stronger customer orientation
- Improving cost efficiency over the next years

Well on track to continuously increase earnings contribution

[1] Annual premium equivalent (APE), only 3rd layer private provision and tied agent organisations.

3 Business segments well on course

ERGO gaining momentum in international p-c business

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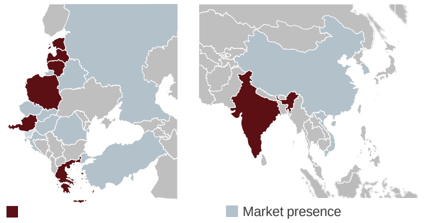
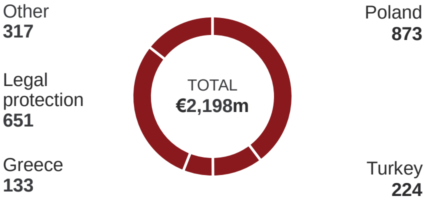
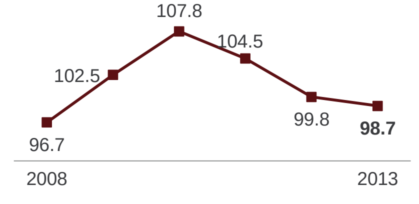
Strategic focus regions – CEE and Asia



International: Gross premiums written €m



International – Combined ratio %



- Getting back to normal – Management measures bearing fruit reflected in further improving profitability
- Combined ratio close to mid-term target of ~98%

3 Business segments well on course

Munich Health – Health insurance providing portfolio diversification and growth potential

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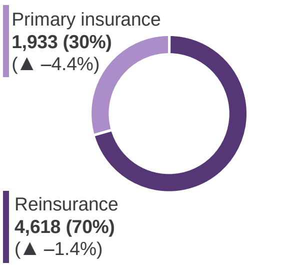
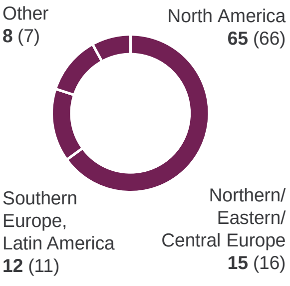
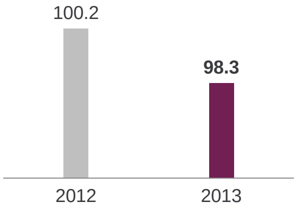
Segmental breakdown €m



Regional premium breakdown[1] %



Combined ratio %



Gross premiums written

Reinsurance
Negative FX effects (–€242m); new business in Middle East and increased large-volume deals

Primary insurance
Organic growth in Spain and Benelux, decline in USA due to exit from PFFS business

[1] Gross premiums written as at 31.12.2013 (31.12.2012).

3 Business segments well on course

Munich Health – Moving ahead after fixing problems in the US primary market

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	Recent key findings	Management measures
Excellence	Reinsurance ▪ Underwriting results too volatile ▪ Portfolio highly concentrated	▪ Strengthen underwriting and client management in Europe and the US ▪ Foster international know-how exchange and intensify use of primary insurance capabilities for reinsurance
Execution	▪ Missing scale in US primary insurance ▪ High steering complexity	▪ Sale of Windsor Health Group and revised US strategy focused on reinsurance ▪ Streamline organisational structure
Expansion	▪ Reinsurance: Limited growth ▪ Primary insurance: Limited attention on growth due to turnaround challenges	▪ Reinsurance: Focus on capital relief transactions ▪ Primary insurance: Expansion through leveraging existing platforms in emerging markets

Strengthen profitability and participate in growth of selected health markets

4 Outlook 2014: Strong results

Balance-sheet strength strictly adhered to for many years, supporting resilience of future profits

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Immediate response to early signs of adverse development, e. g. for

- Tax assets
- Goodwill
- Claims reserves
  - Provisions to absorb adverse impact even from those scenarios that are difficult to analyse and measure
  - Reserve releases are not booked to earnings until manifestation confirmed

In hindsight: Performance was better than originally anticipated – higher base level for the future

No intention to embellish current earnings but …

… strong balance sheet providing further resilience against event risk and bad surprises

Future profitability dependent on market performance – but in any case solidly supported by strong balance sheet

4 Outlook 2014: Strong results

Ambitions financial outlook 2014

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Munich Re (Group)

GROSS PREMIUMS WRITTEN		RETURN ON INVESTMENT		NET RESULT	
2013	€51bn	2013	3.5%	2013	€3.3bn
Target 2014[1]	**~€50bn**	Target 2014	**~3.3%**	Target 2014	**€3bn**

Focus on bottom-line growth prevails

Solid return given ongoing low interest-rate environment

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

	Reinsurance		Primary insurance		Munich Health	
COMBINED RATIO	2013	92.1%	2013	97.2%	2013	98.3%
	Target 2014	**~94%**	Target 2014	**~95%**	Target 2014	**~99%**
NET RESULT	2013	€2.8bn	2013	€433m	2013	€150m
	Target 2014	**€2.3–2.5bn**	Target 2014	**€400–500m**	Target 2014	**~€100m**

1 By segment: Reinsurance ~€28bn, primary insurance slightly above €16.5bn, Munich Health slightly above €5.5bn.

4 Outlook 2014: Strong results

Munich Re well-positioned for the introduction of Solvency II

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Main implications of Solvency II

- Catalyst for the introduction of risk-/value-based steering and product innovation
- Improved comparability within European financial services industry

Impact on the insurance industry

- Fostering a paradigm change towards economic steering
- Development of products balancing capital needs and client demand
- Higher capital requirements and transparency may drive consolidation and reinsurance demand

Impact on Munich Re

Reinsurance

- Capital requirements based on Internal economic model adequately reflecting portfolio diversification
- Providing know-how and structuring expertise
- Business potential as strong partner for holistic capital management solutions

Primary insurance

- Level competitive playing field
- Expansion of less capital-intensive new life products

Ready for regulatory requirements while providing clients with capital management solutions

Backup: Shareholder information

Financial calendar

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FINANCIAL CALENDAR

30 April 2014	Annual General Meeting, ICM – International Congress Center Munich, Trade Fair Center, Munich
8 May 2014	Interim report as at 31 March 2014
27 May 2014	Deutsche Bank "Global Financial Services Investor Conference", New York
21 July 2014	Analysts' / Investor Briefing
7 August 2014	Interim report as at 30 June 2014, half-year press conference
6 November 2014	Interim report as at 30 September 2014

Backup: Shareholder information

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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.