



Munich Re Group

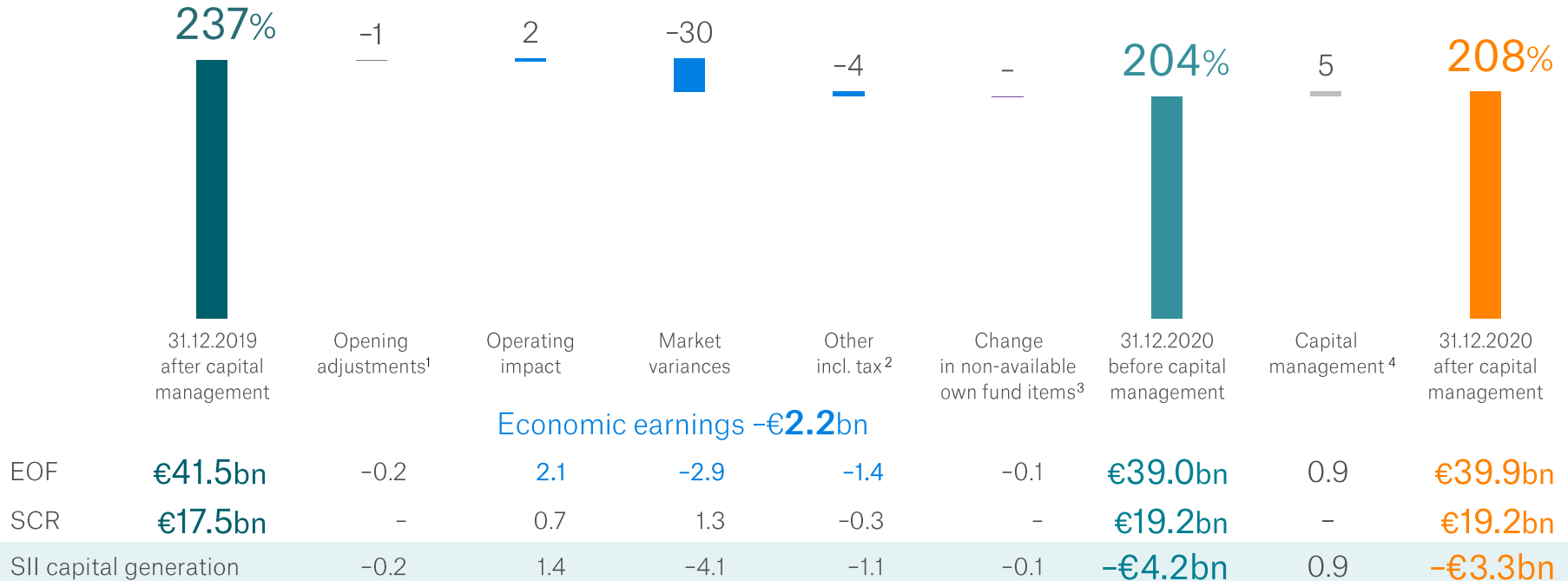
Solvency II disclosure 2020

17 March 2021



SII ratio influenced by EOF decrease and SCR increase

Adverse impact of COVID-19 and capital markets



¹ Opening adjustments mainly from M&A activity and model changes at ERGO. ² Operating impact and market variances pre-tax. ³ Change in eligibility restrictions and other items. ⁴ Foreseeable dividend for 2020 (–€1.4bn), redemption of foreseeable share buy-back programme 2020/21 (€1.0bn), issuance of subordinated bond (€1.25bn).

Comments on EOF and SCR roll-forward

Munich Re Group 2020

EOF €39.9bn –
Decrease of €1.6bn;
thereof economic
earnings –€2.2bn,
capital management
€0.9bn positive

- **Opening adjustments (–€0.2bn)** mainly from M&A activity and model changes at ERGO.
- **Operating impact (€2.1bn)** includes €2.5bn of expected in-force contribution, and positive new business contribution of €0.8bn despite COVID-19. Operating variances from in-force business are mainly driven by Covid-19 losses, negative impact from model and assumption changes at RI L/H, partly compensated by reserve releases at RI P-C and overall positive variances at ERGO.
- **Market variances (–€2.9bn)** reflect negative economic earnings contribution versus expected real-world return on in-force business (€1.9bn, included in operating impact). Negative impacts from devaluation of foreign currencies against the euro as well as equity, credit and inflation.
- **Other, including tax (–€1.4bn)** consists of various minor negative non-operating items in all segments and tax expenses on operating impact and market variances which are presented pre-tax.
- **Change in eligibility restrictions (–€0.1bn)** resulting from changes of fungibility and transferability of own funds.
- **Capital management (€0.9bn)** includes foreseeable dividend for 2020 to be paid out in 2021 (–€1.4bn), withdrawal of share buy-back programme 2020/21 (€1.0bn) in Q2 and issuance of subordinated bond (€1.25bn) in Q3 2020.

SCR €19.2bn –
Increase of €1.6bn

- **Operating impact (€0.7bn):** Mainly business growth, partially offset by de-risking of investments.
- **Market variances (€1.3bn):** Declining interest rates and higher risk charges for financial risk partly offset by foreign currency effects.
- **Other incl. taxes (–€0.3bn):** Mainly risk mitigating effect of taxes.

Outlook 2021
higher than IFRS
result outlook

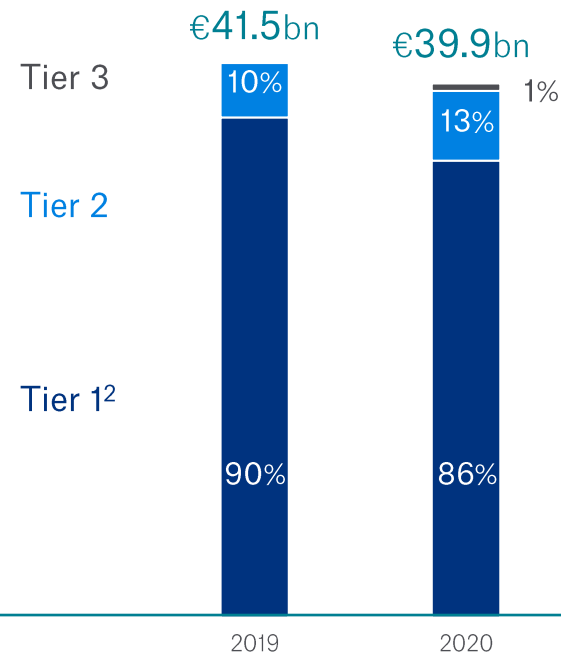
- **Economic earnings >€2.8bn** based on the assumption of stable environment and capital markets, normal major losses – except for additional COVID-19 losses of €0.5bn in 2021 – and unchanged modelling parameters.

Breakdown of SCR and EOF

SCR by risk category

	Group			RI	ERGO	Div.
€bn	2019	2020	Delta	2020	2020	2020
Property-casualty	8.8	9.4	+0.6	9.3	0.6	-0.5
Life and Health	6.4	7.0	+0.6	6.1	1.3	-0.4
Market	10.1	10.7	+0.7	5.6	6.6	-1.5
Credit	4.2	5.2	+1.0	2.8	2.6	-0.2
Operational risk	1.1	1.2	+0.1	0.8	0.6	-0.3
Other ¹	0.7	0.8	+0.1	0.5	0.3	–
Simple sum	31.2	34.3	+3.1	25.0	12.1	-2.8
Diversification	-10.7	-11.7	-1.1	-9.3	-1.2	–
Tax	-3.0	-3.4	-0.4	-3.0	-0.9	–
Total SCR	17.5	19.2	+1.6	12.8	10.0	-3.5

EOF by tier



¹ Capital requirements for associated insurance undertakings and other financial sectors, e.g., institutions for occupational retirement provisions.
2 99.96% unrestricted, 0.04% hybrid capital.

Positive operating impact across all business units

Profit and loss attribution

2020 €bn	Reinsurance L/H	Reinsurance P-C	ERGO L/H Germany	ERGO P-C Germany	ERGO International	Munich Re Group
Operating impact	0.6	0.1	0.4	0.3	0.8	2.1
New business contribution	1.5	-1.6	0.3	0.3	0.3	0.8
Expected in-force contribution	0.6	1.4	0.4	0.1	0.1	2.5
Operating variances in-force business	-1.4	0.4	-0.1	0.0	0.5	-0.6
Debt costs	-0.1	-0.1	-0.1	0.0	0.0	-0.2
Other, including holding costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Market variances	-0.5	-1.4	-0.5	-0.1	-0.4	-2.9
Other, including tax	-0.3	-0.2	-0.4	-0.2	-0.2	-1.4
Other, non-operating and non-market changes	-0.3	-0.3	-0.1	-0.2	-0.1	-1.1
Tax	0.0	0.1	-0.3	0.0	-0.2	-0.3
Economic earnings	-0.2	-1.5	-0.6	-0.1	0.2	-2.2

Munich Re Group

Economic earnings

€bn

	2020	2019
Operating impact	2.1	5.9
New business contribution	0.8	0.8
Expected in-force contribution	2.5	2.4
Operating variances in-force business	-0.6	3.5
Debt costs	-0.2	-0.2
Other, including holding costs	-0.5	-0.5
Market variances	-2.9	2.8
Other, including tax	-1.4	-1.3
Other, non-operating and non-market changes	-1.1	0.2
Tax	-0.3	-1.5
Economic earnings	-2.2	7.4

Operating impact

- New business contribution at previous year's level
- Due to COVID-19, operating variances in in-force business negative overall

New business contribution

- Strong new business in L/H reinsurance, even exceeding high previous-year amount
- P-C reinsurance impacted by COVID-19 losses and structurally by prudency margin; improved underlying performance vs. prior year
- Positive new business contribution at ERGO, higher than 2019

Operating variances in-force business

- Contribution from L/H reinsurance negative due to COVID-19 as well as negative impact from further assumption and model changes
- Main drivers for P-C reinsurance variances are reserve releases and outlier impact including further COVID-19 burden
- ERGO with solid portfolio performance in L/H and P-C Germany as well as improved assumptions for International health business

Life and health reinsurance

Economic earnings

€bn

	2020	2019
Operating impact	0.6	1.9
New business contribution	1.5	1.3
Expected in-force contribution	0.6	0.6
Operating variances in-force business	-1.4	0.1
Debt costs	-0.1	-0.1
Other, including holding costs	-0.1	-0.1
Market variances	-0.5	1.2
Other, including tax	-0.3	-0.4
Other, non-operating and non-market changes	-0.3	0.2
Tax	0.0	-0.6
Economic earnings	-0.2	2.7

Operating impact

- Exceptionally strong new business contribution
- Expected in-force contribution at previous year's level
- Very negative operating variances in in-force business

New business contribution

- Beyond expectations; even higher than very strong previous year
- Very successful year in terms of financially motivated reinsurance
- High contribution from two in-force transactions
- Regional concentration on North America and Asia

Operating variances in-force business

- Negative variance from COVID-19, reflecting current year experience and projected claims beyond 2020
- Positive experience excl. directly/indirectly attributable COVID-19 claims
- Adjustments to old-age mortality contributed in particular to negative aggregate assumption changes
- Negative model changes driven by risk margin and diversification updates

Property-casualty reinsurance

Economic earnings

€bn

	2020	2019
Operating impact	0.1	1.5
New business contribution	-1.6	-1.2
Expected in-force contribution	1.4	1.2
Operating variances in-force business	0.4	1.7
Debt costs	-0.1	-0.1
Other, including holding costs	-0.1	-0.1
Market variances	-1.4	2.3
Other, including tax	-0.2	0.0
Other, non-operating and non-market changes	-0.3	0.3
Tax	0.1	-0.3
Economic earnings	-1.5	3.8

Operating impact

- High outlier losses due to the coronavirus pandemic burden the overall result

New business contribution

- Considerable outliers, including the majority of COVID-19-related claims, affecting new business beyond expectations and above the level of previous year
- Prudency margin (~ -€0.9bn; 4% of NEP) similar to 2019 due to continued reserving discipline along with top-line growth
- Both drivers mentioned above overlap the strong growth driven by rate increases and improved terms and conditions

Operating variances in-force business

- Reserve releases for basic losses and outlier run-off profits reflect Munich Re's prudent reserving approach
- COVID-19 outliers partly impacting in-force business

ERGO

Economic earnings

€bn

	2020	2019
Operating impact	1.4	2.5
New business contribution	0.9	0.7
Expected in-force contribution	0.5	0.5
Operating variances in-force business	0.4	1.7
Debt costs	-0.1	-0.1
Other, including holding costs	-0.3	-0.4
Market variances	-1.0	-0.7
Other, including tax	-0.9	-0.9
Other, non-operating and non-market changes	-0.4	-0.3
Tax	-0.5	-0.6
Economic earnings	-0.5	1.0

Operating impact

- Overall favourable development in 2020 despite difficult market environment

New business contribution

- Increased new business contribution in German health and P-C business
- Stable new business contribution in International segment

Operating variances in-force business

- Stable portfolio performance in L/H and P-C Germany
- Improved assumptions for International health business

Market variances

- Negative market variances predominantly resulting from a further decrease in risk-free interest rates affecting mainly life business