Munich Re Group

Balance sheet media conference for 2020 financial statements

25 February 2021

Please note: Presentation based on 2020 preliminary figures

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Balance sheet media conference
Agenda

01	Munich Re	Joachim **Wenning**
02	Group finance and risk	Christoph **Jurecka**

Munich Re provides resilience in a challenging year

Financial highlights 2020

IFRS net income

€1.2bn (€2.7bn)

Adjusted for COVID-19 claims, meeting guidance of €2.8bn

Solvency II ratio

208% (237%)

Strong capitalisation close to the upper end of our target range

Return on Equity

5.3% (11.7%)

Exceeding cost of equity when adjusted for COVID-19 claims

Dividend per share

€9.80[1] (€9.80)

Maintaining a high pay-out to our shareholders

Figures as at 31.12.2020 (31.12.2019). 1 Subject to the approval of the Supervisory Board and the Annual General Meeting.

Delivering on our Ambition 2020[1]
Based on good underlying performance

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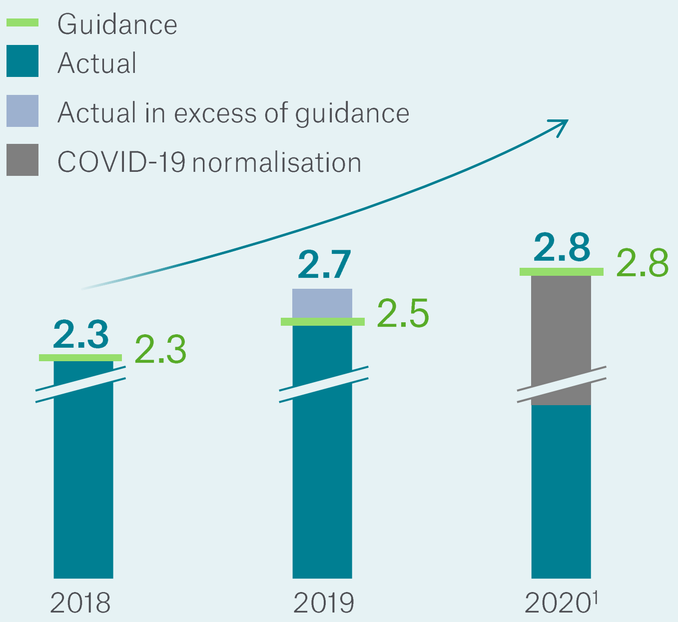
Net income targets achieved[1] ...

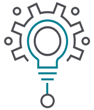


... despite challenging developments

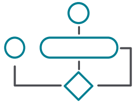
1. High large losses in 2020
2. P-C RI markets only started selectively firming from 2018 onwards
3. Volatile capital markets in 2020 and declining interest rates since 2018

... by reigniting profitable growth

Growing Re-insurance and turning around ERGO



Improved organisational effectiveness and business impact



Leveraging data and technology to drive automation and disruption

1 Normalised for COVID-19 claims.

High large losses in 2020

Losses from natural catastrophes on the rise

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Nat cats in 2020 once again highlight the need to tackle climate change ...

US$ 210bn economic losses from nat cats

Record hurricane season brought 30 storms, more than ever before

Drought fueled record-breaking wildfires in the US

... accordingly, Munich Re will be contributing to the success of the Paris Climate Agreement, ...

- New climate ambition with science-based, logical, concrete, binding and measurable targets, compatible with Paris Agreement
- Scientifically proven path to net-zero carbon emissions until 2050, with clearly defined, traceable interim goals along the way, facilitating the transition from fossil fuels to renewable energy
- Net-zero target not abstract promise for distant future, but logical consequence of today's course-setting

... while safeguarding protection to our clients

- Risk management, underwriting excellence and strong capitalisation remain key to providing nat cat coverage

High large losses in 2020

COVID-19 pandemic causes severe economic and industry losses

COVID-19 – A systemic risk ...

- COVID-19 pandemic causes severe impact on society, economy and capital markets
- Enormous costs arising – Munich Re fulfils its mission by covering claims and supporting business partners
- Strong IT facilitates protection of employees – around 90% work from home within a week's time without any friction

... with manageable financial impact on Munich Re

- Provisions for COVID-19-related claims in 2020 cautiously assessed and confirmed – projection of claims costs for 2021 still holds true[1], while high uncertainty remains
- ERGO proves particularly resilient, with stable sales production and manageable amount of COVID-19-related claims and business impact
- Strong capital position maintained, facilitating dividend continuity and further business growth in a hardening market
- Prudent risk management helps us to protect our investment result in a challenging capital market environment

1 Compared to public disclosure as at 1 December 2020.

Continuation of market hardening in P-C reinsurance

Outcome of January renewals fully supports our combined ratio ambition in 2021

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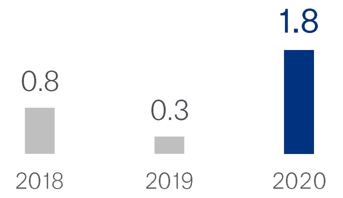
2

Price change

Renewals 2018–2020

%



January only 0.0% 1.2%

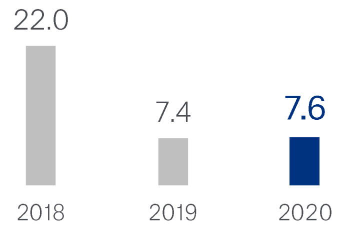
January renewals 2021

+2.4%

Optimistic for
April and July renewals

Volume change

Renewals 2018–2020



January only 6.3% 4.4%

January renewals 2021

+10.9%

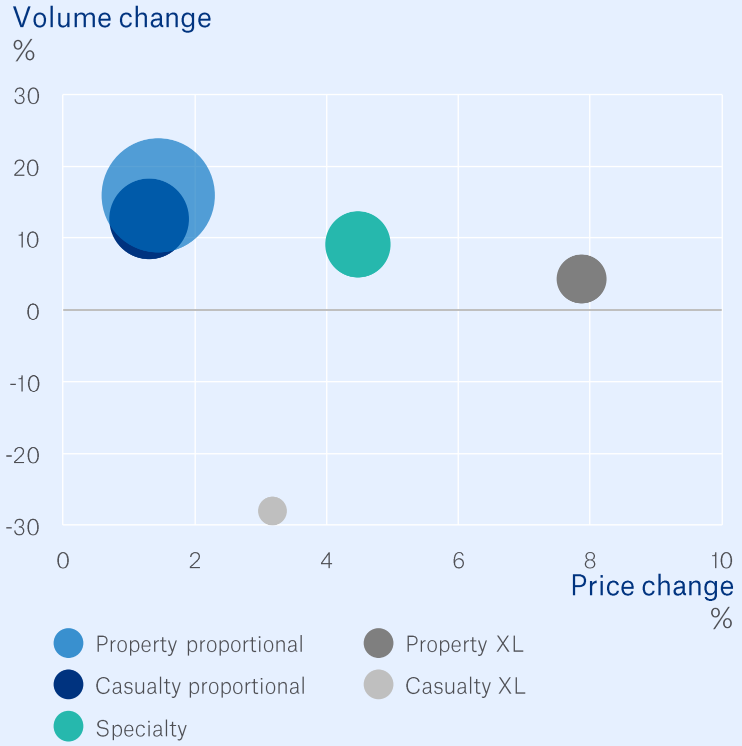
Well-positioned for
further business growth

Market drivers

- High loss experience especially in nat cat, including secondary perils
- Low interest rates/ insufficient industry RoE
- Claims/social inflation impact long-tail business
- (Alternative) capacity currently rather stable, disciplined competition
- COVID-19 triggers flight to quality
- Introduction of contagious disease exclusions where necessary

January renewals 2021

Profitable growth across all regions and perils



2

Europe

Lower pressure compared with the US. Main drivers: Low interest rates, general market sentiment and uncertainty around COVID-19

North America

Strong rate increases in all lines of business due to social inflation (casualty) and cat losses (property)

APAC/Africa

Hardened prices especially in loss-affected segments and regions (e.g. South Africa)

Latin America

Rate increases driven by loss experience

Worldwide/Specialty

Pricing clearly reacted to loss trends as well as specific occurrences (Aviation), lack of interest income and capacity reductions

Bubble size reflects relative volume up for renewal.

Challenging capital market environment

Successfully managed increased volatility and persistently low interest rates

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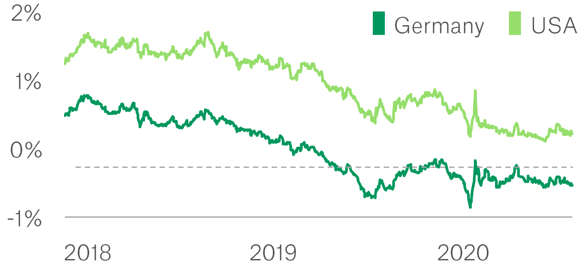
Return on investment

%

Low interest rates

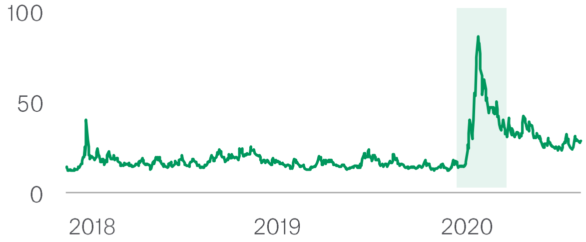
10-year governments



Mitigating yield attrition without increasing risk

Capital market volatility

VDAX



Portfolio resilience and market opportunities

Investment strategy partially counterbalances yield erosion

Superior total shareholder return (TSR)

Accelerated earnings/dividend growth to further drive attractive performance

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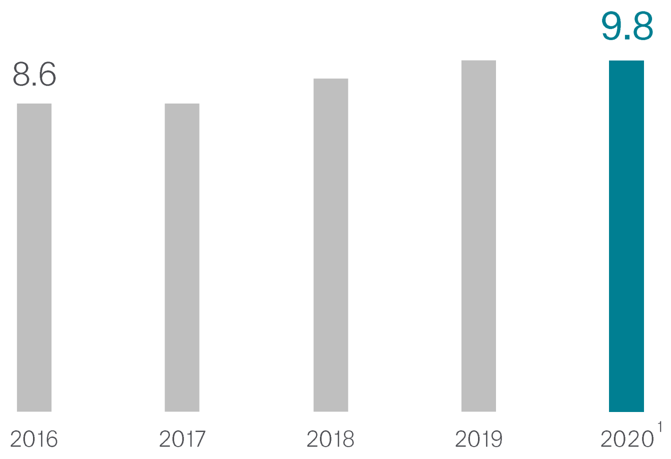
Dividend-per-share (DPS)

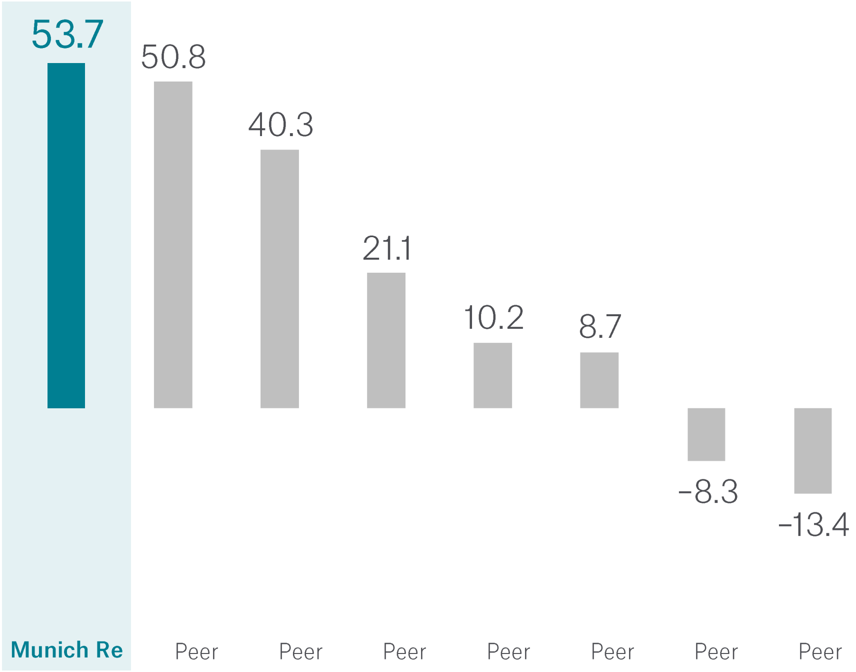
€



- Dividend floor of at least previous year’s DPS ...
- ... strong commitment in a year with unusually high large losses and volatile capital markets
- Share buy-backs remain a flexible instrument to manage excess capital

TSR 1.1.2018–31.12.2020[2]

%



1 Subject to the approval of the Supervisory Board and the Annual General Meeting.
2 Source: Datastream. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.

Outlook 2021 unchanged to 1 December communication

On the way to achieving our Group Ambition 2025

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Group	Gross written premiums ~ €**55**bn	Net result ~ €**2.8**bn	Return on investment >**2.5**%	
ERGO	Gross written premiums ~ €**17.5**bn	Net result ~ €**0.5**bn	Combined ratio P-C Germany ~ **92**%[1]	International ~ **93**%
Reinsurance	Gross written premiums ~ €**37**bn	Net result ~ €**2.3**bn	Combined ratio P-C ~ **96**%[2]	Technical result, incl. fee income Life and Health ~ €**400**m

1 ~ 91% without COVID-19 impact. 2 ~ 95% without COVID-19 impact.

Munich Re Group Ambition 2025

Levers to excel

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Scale

- Expansion of core
- Preference for organic growth
- Leverage superior underwriting
- Uplift asset performance

Shape

- Create additional business
- Monetise digital business investments
- Create new strategic options

Succeed

Shareholders
Growing earnings and RoE

Clients
Long-term partner – superior products, experience and capacity

Employees
Employer of choice: skill-driven, fostering digital culture, risk entrepreneurs

Communities
Comprehensive climate strategy matching Paris Agreement

Munich Re Group Ambition 2025

Financial targets

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We will deliver

Succeed

Improved RoE, 2025	EPS growth[1]	DPS growth[1,2]	Solvency II ratio in optimal range
12–14%	**≥5%**	**≥5%**	**175–220%**

Decarbonisation targets in coal, oil and gas

1 CAGR – compound annual growth rate 2020-25 (EPS 2020 normalised). 2 Floor of at least previous year's DPS.

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Group finance and risk

Christoph Jurecka

Michael H / Getty Images

Financial results 2020

Pleasing earnings considering heavy large losses and volatile capital markets

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IFRS

IFRS net income

€1.2bn (€2.7bn)

- Reinsurance: Dynamic business growth, pleasing underlying performance, COVID-19-related claims of ~€3.4bn
- ERGO: Strong net result of €517m very close to guidance
- Prudent risk management supports investment result in a very challenging capital market environment (RoI: 3.0%)

Economic

Solvency II ratio

208% (237%)

- Close to the upper end of target capitalisation
- Negative economic earnings[1] of ~€2bn due to COVID-19 claims and adverse capital market effects, incl. FX
- Increase in required capital due to business expansion and further decline in interest rates

Capital

HGB result

€3.2bn (€1.5bn)

- Increase in HGB result driven by high investment result (including positive one-offs) and lower tax expenses
- Distributable earnings support continuation of attractive capital repatriation

Figures as at 31.12.2020 (31.12.2019). 1 Comprehensive disclosure on economic earnings will be available on 17 March 2021.

FY 2020 COVID-19-related financial impact

2020 provisions marginally increased, largely unchanged expectation for 2021

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IFRS

Reinsurance (pre-tax)[1]

€m

Marine	16	Property/BI	1,001
Credit	201	Contingency	1,652
D&O/WC	196	Life and Health	370

ERGO (after tax)

€m

Claims	57
Result impact from lost premiums	15
Other	–8

Reinsurance

- FY 2020 COVID-19-related claims increased marginally[2] by €45m (P-C) and €10m (L&H)
- P-C: 78% of the COVID-19 loss estimates are IBNR

ERGO

- Increase in claims (+€17m, e.g. business closure)[2]
- Decrease in other areas (–€18m, cost savings overcompensate for lower investment result)[2]

Expected COVID-19-related claims in 2021

- P-C RI: ~€300m (pre-tax)
- L&H RI: ~€200m (pre-tax)
- ERGO: ~€90-100m (after tax) – slightly down[2]

1 Total incurred losses, including paid claims and reserves. 2 Compared with the external outlook presented as of 1 December.

Result Q4 2020
Major drivers

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IFRS

Net income
€212m
(€217m)

Reinsurance: €75m

P-C: Apart from COVID-19 related claims of €936m, benign major loss experience

L&H: Driven by COVID-19 (€175m, mainly in US and IBNR for disability), negative US experience beyond COVID-19, single large claim in Asia

ERGO: €136m

Very pleasing result above run-rate of FY guidance despite COVID-19 impact

FX losses: –€266m

Tax income: €91m

Technical result
–€1m
(–€160m)

P-C RI C/R: 104.2%

Major-loss ratio: 20.2% –

Reserve releases[1]: 4.6%

Normalised C/R: 96.6%

L&H RI Technical result including fee income: -€63m

ERGO P-C Germany C/R: 92.8%

ERGO International C/R: 93.0%

Investment result
€2,090m
(€1,996m)

Return on investment 3.3%

Derivative losses from hedging overcompensated for by disposal gains (incl. ZZR funding)

Reinvestment yield largely stable vs. Q3 at 1.3%

Figures as at Q4 2020 (Q4 2019). 1 Basic losses from prior years, already adjusted for directly corresponding sliding-scale and profit-commission effects.

RoE in 2020

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IFRS

	Net result		Equity[1,2]		RoE
Group	€1.2bn	/	€22.7bn	=	5.3%
ERGO	€0.5bn	/	€5.9bn	=	8.8%
Reinsurance	€0.7bn	/	€16.8bn	=	4.1%

€23.1bn	Equity 31.12.2019[1]
+€1.2bn	Net result 2020
–€1.7bn	Dividend/share buy-back in 2020
–€0.3bn	Other
€22.3bn	**Equity 31.12.2020[1]**

Group RoE of ~12% adjusted for COVID-19

1 Shareholders' equity adjusted for unrealised gains/losses and currency translation effects. 2 Average of end-of-year figures.

Group investment result

Resilient performance given volatile capital markets

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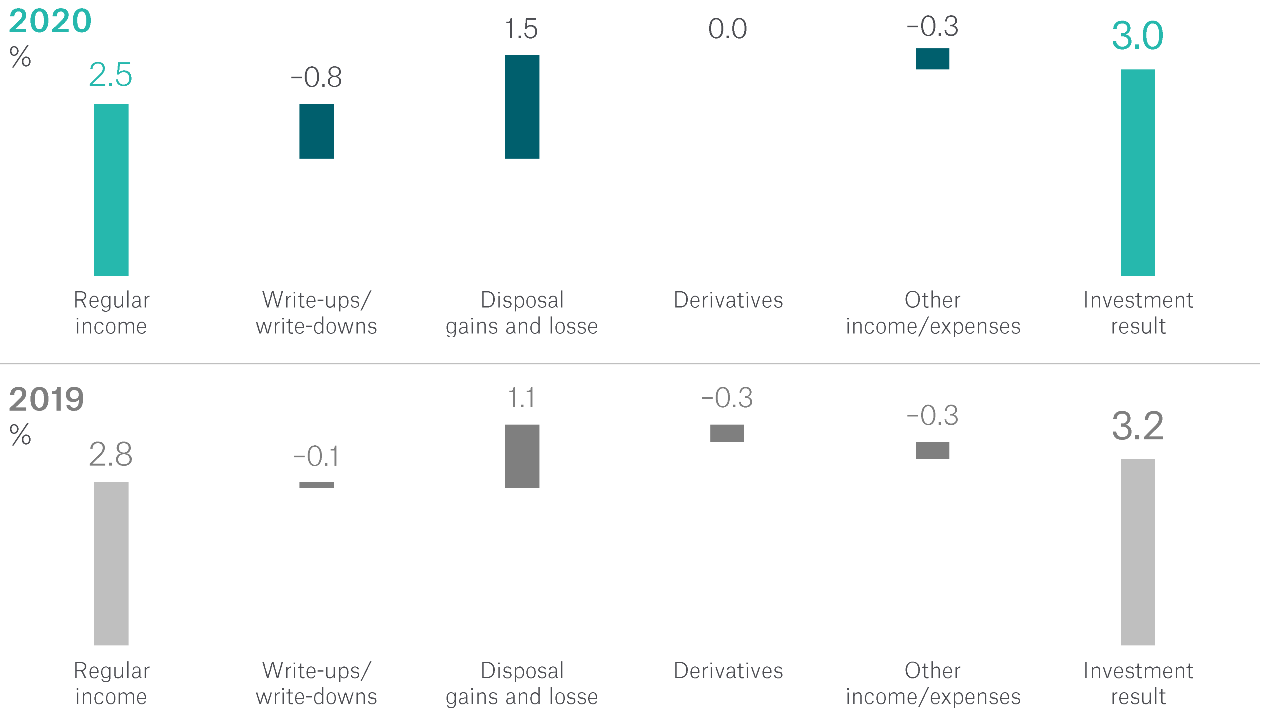
IFRS



- Attrition of running yield following sharp decline in interest rates and portfolio derisking – slowdown to ~10 bps expected from 2021 onwards
- Successfully managed capital market volatility with well-diversified investment portfolio and effective hedging
- Disposal gains mainly driven by tactical asset allocation and ZZR financing

ERGO – IFRS key financials 2020

ERGO Strategy Programme successfully concluded

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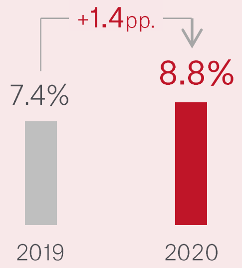
IFRS

ERGO

GWP €17.6bn (€17.7bn)

Net result €517m (€440m)

Return on equity



L&H Germany

€9.0bn (€9.2bn)

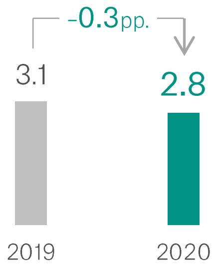
COVID-19 driven decrease in Travel, growth in Life and Health new book compensates for ordinary back-book attrition

€130m (€187m)

Decrease driven by Health and Travel due to COVID-19, good result in Life

Return on investment

%



P-C Germany

€3.7bn (€3.5bn)

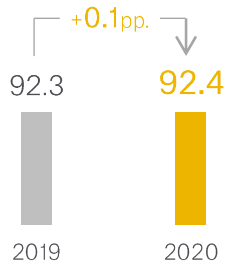
Strong growth driven by increase in commercial and retail lines

€157m (€148m)

Strong operating performance, COVID-19 impact mitigated by lower amount of large losses

Combined ratio

%



International

€4.9bn (€4.9bn)

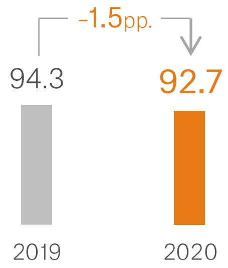
Stable premium development despite portfolio streamlining, run-down in Belgium and COVID-19

€230m (€105m)

Improved operating performance and positive accounting effect from merger in India[1] – prior year impacted by portfolio streamlining

Combined ratio

%



Figures as at 31.12.2020 (31.12.2019). 1 Merger of HDFC ERGO General Insurance and HDFC ERGO Health Insurance.

ERGO Strategy Programme (ESP) 2016–2020

Main KPIs show success of ESP

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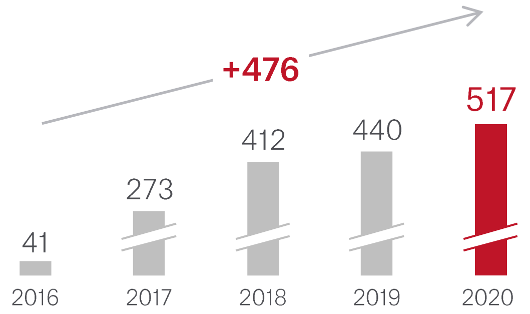
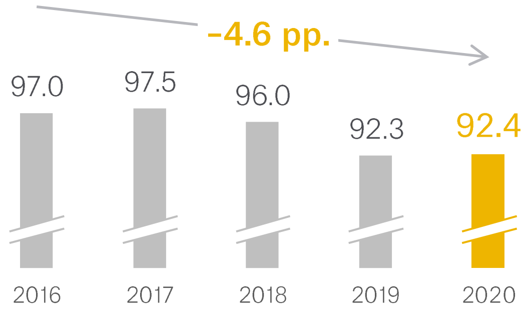
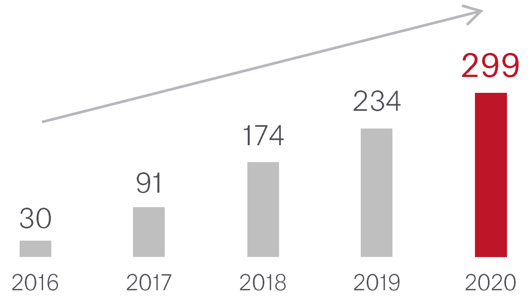
Net profit ERGO Group
€m



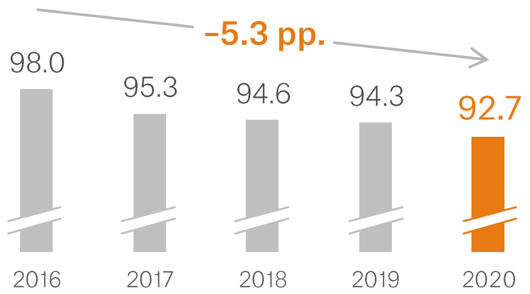
Combined ratio P-C Germany
%



Cost savings[1]
cumulative, €m



Combined ratio International
%



1 After policyholder participation and tax.

Reinsurance – IFRS key financials 2020

Strong organic growth, high COVID-19-related losses

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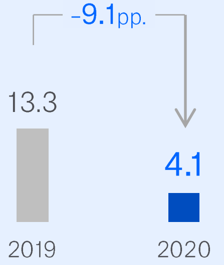
IFRS

Reinsurance

GWP €37.3bn (€33.8bn)

Net result €694m (€2,268m)

Return on equity



P-C Reinsurance

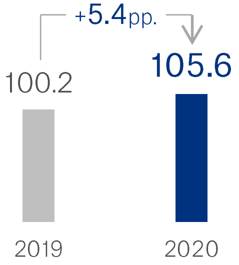
€24.6bn (€22.1bn)

Strong organic growth in almost all lines of business, taking advantage of hardening markets and new business opportunities

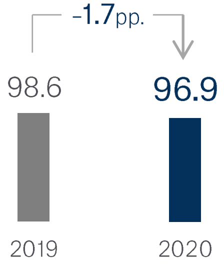
€571m (€1,562m)

COVID-19 losses of ~€3.1bn accounting for 13.6pp. in the combined ratio, below-average nat cat losses – normalised combined ratio improved

Combined ratio
%



Normalised C/R
%



L&H Reinsurance

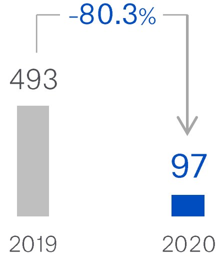
€12.7bn (€11.7bn)

Growth across all core markets, in particular Continental Europe and Asia

€123m (€706m)

Dominated by COVID-19 mortality claims (incl. IBNR for disability) and excess mortality beyond COVID-19 in the US – pleasing new business and fee income

Technical result incl. fee income
€m



Figures as at 31.12.2020 (31.12.2019).

Risk Solutions

Strong organic growth, increased profitability

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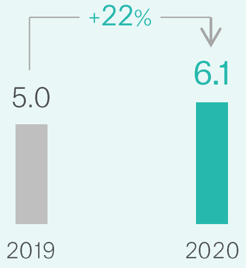
IFRS

Gross written premiums



- Strong organic growth across all units, taking advantage of profitable business opportunities in a hardening market
- MR Specialty Insurance: Succeeding growth strategy with excellent opportunities
- Facultative & Corporate Direct: Strong growth particularly in property/engineering and energy
- Munich Re Syndicate: Better market conditions and diversification in new specialty lines supporting sustainable growth path

Combined ratio

- Improved profitability despite elevated nat cat experience for US Risk Solutions carriers (very active hurricane, tornado and wildfire season)
- Normalised for large losses, combined ratio in line with mid-nineties ambition
- Hartford Steam Boiler: Commercial book continues to drive pleasing performance
- Facultative & Corporate Direct: Benign man-made losses and favourable market conditions
- Aerospace: Low outlier events

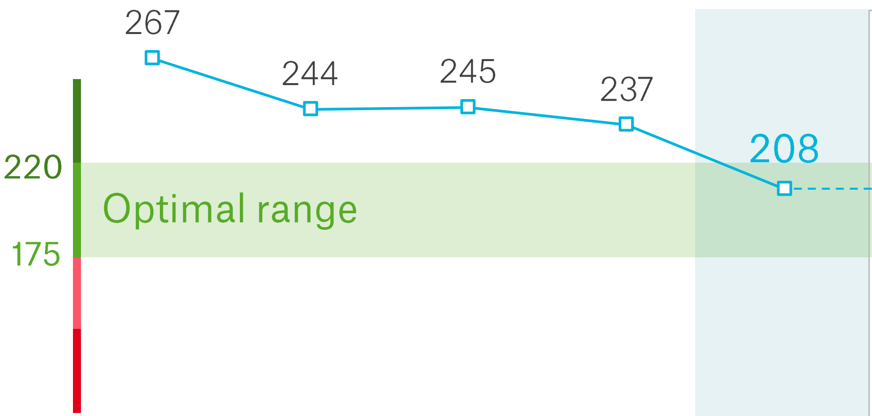
Solvency II ratio

Sound capitalisation continues to support our capital management strategy

Economic

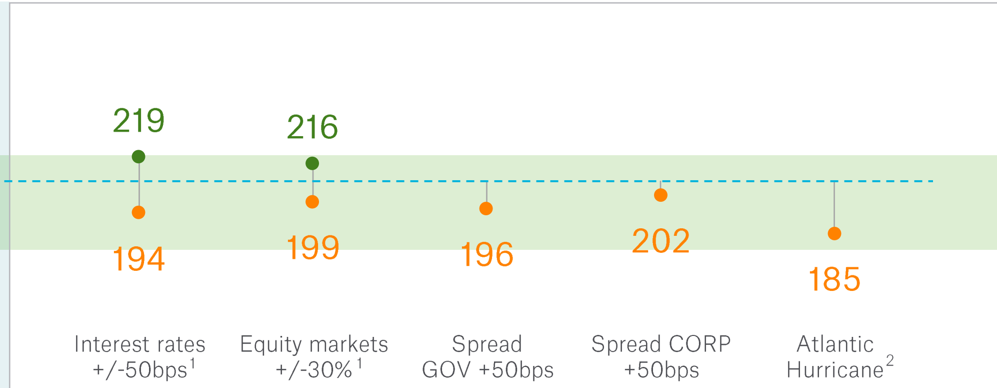
Development of Solvency II ratio

%



SII sensitivities

%



	2016	2017	2018	2019	2020
EOF	40.7	35.1	36.0	41.5	€39.9bn
SCR	15.3	14.4	14.7	17.5	€19.2bn

Q4 2020 vs. Q3 (SII ratio: 216%)

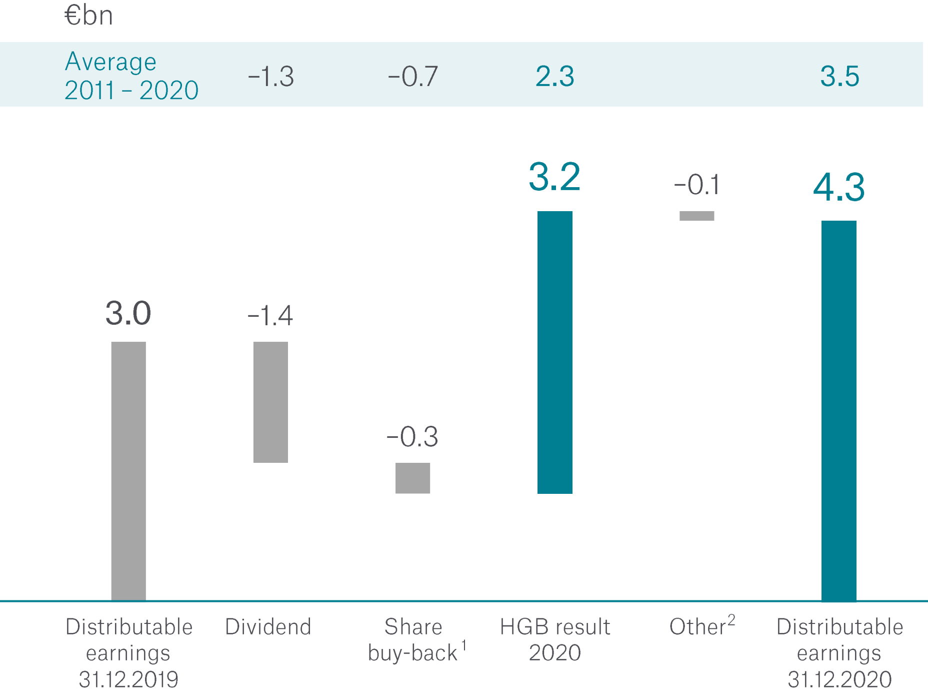
- Positive operating economic earnings despite COVID-19 offset by SCR increase, including January renewals
- Impact from market variances largely neutral – muted participation in rising equity markets (derisking in early 2020) and reduced VA
- Proposed dividend of ~€1.4bn already deducted (–7%-pp.)

1 Parallel shift until last liquid point, extrapolation to unchanged UFR. 2 Based on 200-year event.

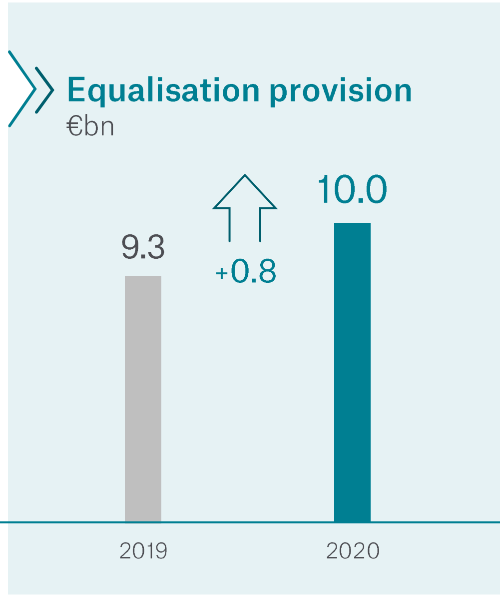
German GAAP (HGB) result 2020 supported by one-offs

Capital repatriation well-funded

Capital



HGB result 2019 €bn	1.5
Underwriting result	-0.6
Investment result	+1.8
Other	+0.5
HGB result 2020	3.2



1 Buy-back programme 2019/20. 2 Changes in restrictions on distribution.

Q&A

Balance sheet media conference for 2020 financial statements

25 February 2021

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