



Quarterly statement as at 31 March 2020

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Munich Re



ERGO



Reinsurance



Outlook

Covid-19: Dynamic situation with ongoing high uncertainty, affecting assets and liabilities of the insurance industry



Covid-19



Population



Economy



Capital markets

Observations



- Strong increase in infections and fatalities
- Persons affected are mostly elderly or patients with preconditions

Financial impact on Munich Re



- Government lock downs
- Event cancellations
- Economic downturn
- Slump in equity markets
- Spike in credit spreads
- Drop in interest rates
- Extreme volatility
- Impact on life book too early to assess
- Contingency claims already observable
- Claims in other lines to become more relevant in the remainder of the year
- Volatility affects investment portfolio
- SII ratio drops to 212% – well within the optimal range

Financial impact on Munich Re manageable



Life/Health



P-C



Investments

P&L impact
in Q1



- No notable impact so far
- Higher mortality in the US not related to Covid-19

- ~€800m in Covid-19-related claims across various lines of business ...
- ... whereas contingency losses account for the largest share by far

- Equity impairments and net disposal losses: -€1,669m
- Derivatives result: +€1,600m

Outlook/
Projection 2020



- Impact depends on mortality, esp. in North America
- Scenario of 200-year event (based on assumption of 10m incremental global deaths) ~€1.4bn

- Contingency losses could increase to high 3-digit €m amount or maybe higher
- Losses in other lines subject to further development

- Resilient ROI under the caveat of no further significant deterioration in capital markets

Pleasing result given exceptional circumstances

Munich Re

Net result

€221m (€633m)

Reinsurance result of €149m impacted by Covid-19-related losses in P-C and burden from North American L/H business – ERGO result at €72m

Return on investment¹

3.1% (3.0%)

Equity impairments and disposal losses largely offset by hedging derivatives – reinvestment yield stable at 1.9%

Shareholders' equity

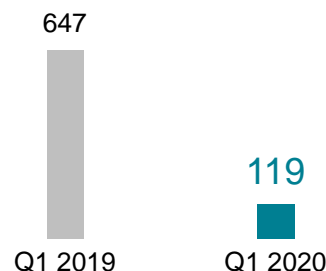
€29.1bn (–4.8% vs. 31.12.)

Return on equity¹: 3.9%
Solvency II ratio: 212%

Q1 2020 (Q1 2019)

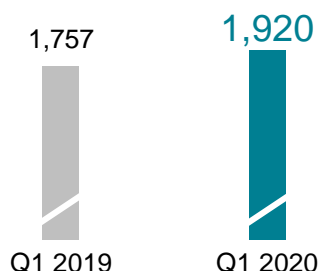
Technical result

€m



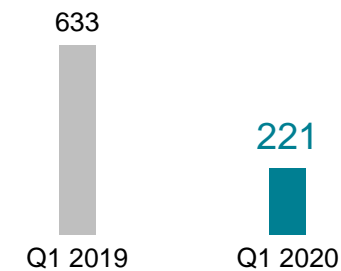
Investment result

€m



Net result

€m



Reinsurance

Life and Health: Technical result incl. fee income: €56m (€112m) – pleasing fee income, negative effects in NA – net result €8m

Property-casualty: Combined ratio (C/R): 106.0% (97.3%) – Major-loss ratio: 21.1% (9.7%) – net result €141m

April renewals:

Price change: ~3%, premium change: +25.7%

ERGO

L/H Germany: Relatively low RoI: 2.7% – net result €5m

Property-casualty:

C/R: 93.4% (98.1%) – net result €21m

International:

C/R: 95.2% (95.4%); – net result €46m

Capital position

Equity

	€m
Equity 31.12.2019	30,576
Consolidated result	221
Changes	
Dividend	0
Unrealised gains/losses	-1,121
Exchange rates	-105
Share buy-backs	-359
Other	-96
Equity 31.3.2020	29,116

Unrealised gains/losses

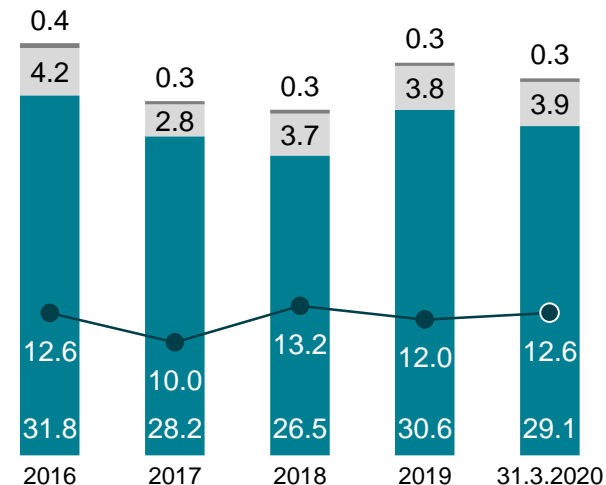
Fixed-interest securities
-€159m

Non-fixed-interest securities
-€965m

Exchange rates

Devaluation of various currencies, partly offset by stronger US\$

Capitalisation



- Debt leverage¹ (%)
- Senior and other debt²
- Subordinated debt
- Equity

¹ Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

² Other debt includes Munich Re bank borrowings and other strategic debt.

Investment portfolio

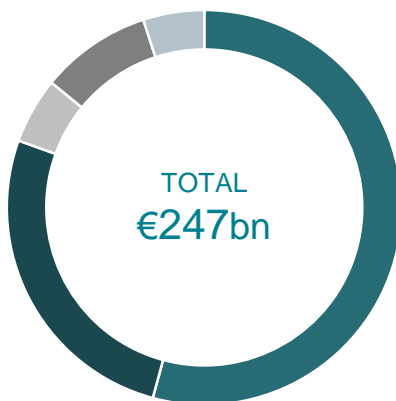
Investment portfolio¹

Land and buildings
5.0 (4.7)

Miscellaneous²
9.1 (8.1)

Shares, equity funds and
participating interests³
5.4 (7.1)

Loans
26.3 (26.1)



% Portfolio management in Q1

- Expansion of corporates and emerging market bonds as well as investments in government bonds with longer maturities stabilise reinvestment yield
- Reduction of equity exposure due to sharp market decline and de-risking – equity quota net of hedges down to 3.5%
- Higher cash position for dividend funding



Investment result

€m	Q1 2020	Return ¹	Q1 2019	Return ¹
Regular income	1,544	2.5%	1,611	2.7%
Write-ups/write-downs	-1,459	-2.4%	-83	-0.1%
Disposal gains/losses	377	0.6%	602	1.0%
Derivatives ²	1,600	2.6%	-231	-0.4%
Other income/expenses	-142	-0.2%	-142	-0.2%
Investment result	1,920	3.1%	1,757	3.0%
Total return		-0.1%		12.5%

3-month reinvestment yield	Q1 2020	Write-ups/ write-downs	Disposal gains/losses	Derivatives	Q1 2019	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q1 2020 1.9%	Fixed income	-15	415	561	Fixed income	-9	370	16
Q4 2019 1.9%	Equities	-1,347	-322	1,073	Equities	-68	188	-321
Q3 2019 2.1%	Commodities/inflation	29	0	-51	Commodities/Inflation	5		48
	Other	-126	284	17	Other	-11	44	25

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Gross premiums written €m

Q1 2019		4,995
Foreign exchange		0
Divestments/investments		-49
Organic change		103
Q1 2020		5,050

- **L&H Germany¹** (–€31m): Positive development in Health and successful growth from new products in Life overcompensated by ordinary attrition of back book and decrease in Travel
- **P-C Germany¹** (+€90m): Good growth in almost all business lines, mainly driven by fire/property, other insurance and motor
- **International** (–€5m): Good premium increase adjusting for portfolio streamlining and run-down in Belgium

Major result drivers

	Q1 2020	Q1 2019	▲
Technical result	179	145	35
Non-technical result	–80	–7	–73
thereof investment result	991	1,116	–125
Other	–27	–53	26
Net result	72	85	–12

Technical result

- **L&H Germany** (+€5m), improvement in Life compensating for higher claims in Health
- **P-C Germany** (+€37m), improvement driven by premium growth, favourable claims and cost development
- **International** (–€7m), increase in Health (mainly Spain) being offset by decrease in P-C and legal protection

Investment result

- Hedging strategy proved effective in a very volatile capital market environment, resulting in lower burden from equity impairments
- Return on investment 2.6%

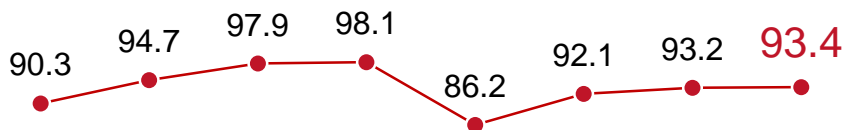
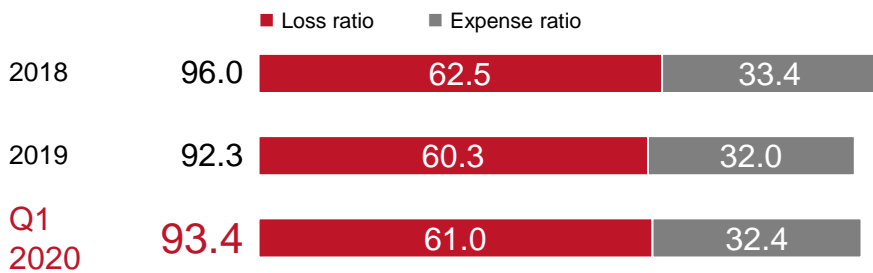
Other

- Higher FX result in L&H Germany and International
- Lower tax expenses

ERGO Property-casualty Germany

Combined ratio

%



Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020

Gross premiums written in Q1 2020 (Q1 2019)

€m

Other

130 (106)

Motor

373 (353)

Marine

52 (49)

Legal protection

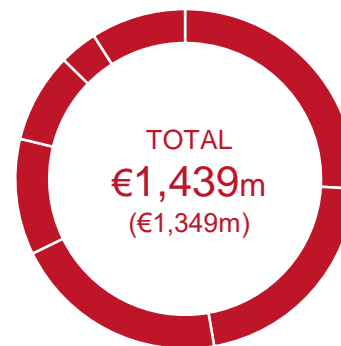
123 (123)

Personal accident

159 (160)

Liability

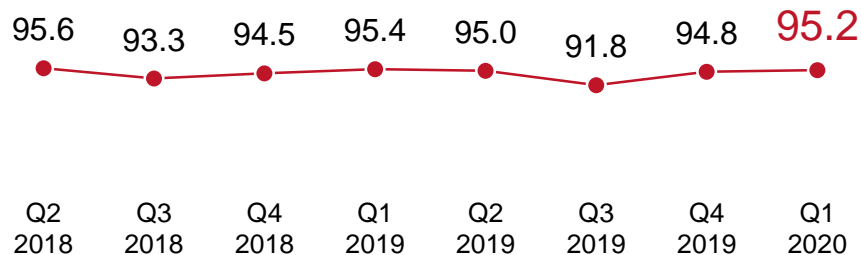
295 (277)



Fire/property

307 (281)

Combined ratio



% Gross premiums written in Q1 2020 (Q1 2019)

Property-casualty

702 (730)

€m

Life

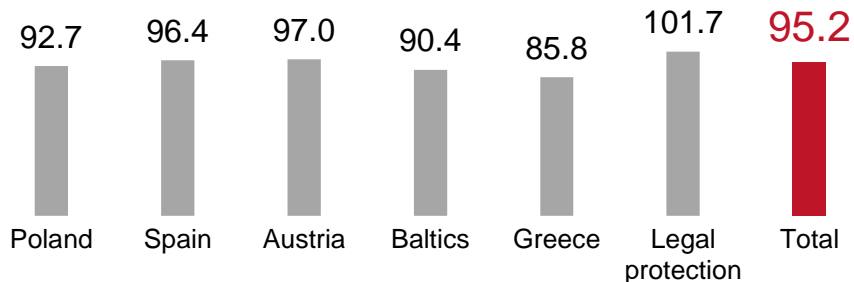
170 (170)

Health

423 (400)



2020



P-C

thereof:

	Q1 2020	Q1 2019
Poland	375	370
Legal protection	179	168
Greece	57	57
Baltics	48	48
Austria	29	26

Life

thereof:

	Q1 2020	Q1 2019
Austria	89	86
Belgium	38	37

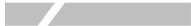



Health

thereof:

	Q1 2020	Q1 2019
Spain	256	241
Belgium	167	160

3

Reinsurance Life and Health

Gross premiums written		€m
Q1 2019		2,896
Foreign exchange		67
Divestments/investments		0
Organic change		117
Q1 2020		3,079

- Positive FX effects
- Premium growth mainly from Continental Europe, Asia and North America

Major result drivers

	Q1 2020	Q1 2019	▲
Technical result	14	85	-71
Non-technical result	52	104	-52
thereof investment result	226	243	-17
Other	-58	-9	-50
Net result	8	180	-172

Technical result, incl. fee income of €56m

- Negative effects in North America
 - USA: Higher-than-expected mortality and catch-up from late reported claims
 - Canada: Interest-rate driven strengthening of claims reserves
- Performance in other markets on aggregate in line with expectations (negative claims experience in the UK offset by a higher than expected result contribution from Australia)
- No notable impact from Covid-19

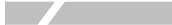

Investment result

- Positive result from interest-rate derivatives and disposal gains from real estate and fixed income
- Equity impairments and disposal losses
- Return on investment: 3.1%

Other


- FX result of -€6m (€20m)
- Higher tax expenses due to different treatment of equities and derivatives

Reinsurance Property-casualty

Gross premiums written		€m
Q1 2019		5,484
Foreign exchange		113
Divestments/investments		0
Organic change		559
Q1 2020		6,156

- Positive FX effects mainly driven by US\$
- Organic growth esp. in fire and special lines

Major result drivers

	Q1 2020	Q1 2019	▲
Technical result	 -74	418	-492
Non-technical result	 306	26	280
thereof investment result	703	398	306
Other	 -91	-77	-14
Net result	 141	367	-227

Technical result

- Major losses: Covid-19-related claims of ~€800m, whereas contingency losses account for the largest share by far
- Basic losses: Includes prudent reserving in the context of ongoingly elevated reported claims in US casualty
- Expense ratio improved due to cost reductions and premium growth

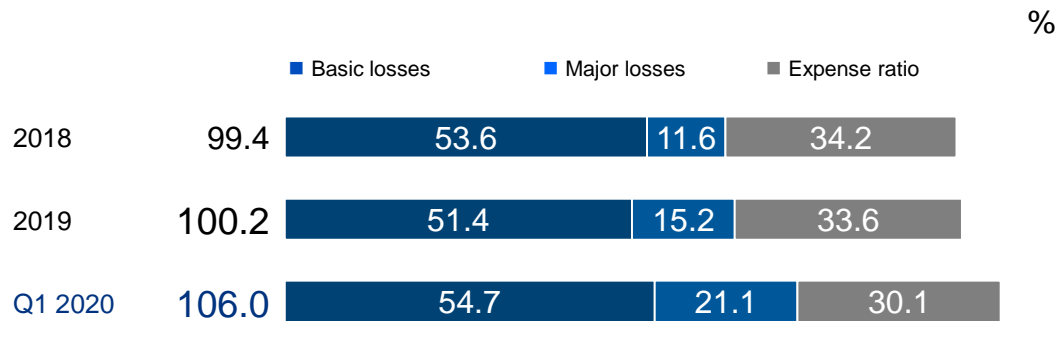
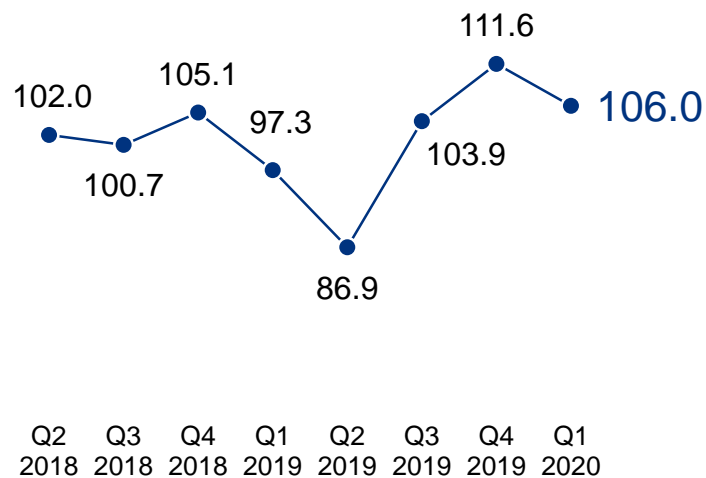
Investment result

- Derivative gains compensate for equity impairments and disposal losses
- Disposal gains on real estate and fixed income
- Return on investment: 4.3%

Other

- FX result of €134m (€39m)
- Higher tax expenses due to different treatment of equities and derivatives

Reinsurance Property-casualty – Combined ratio

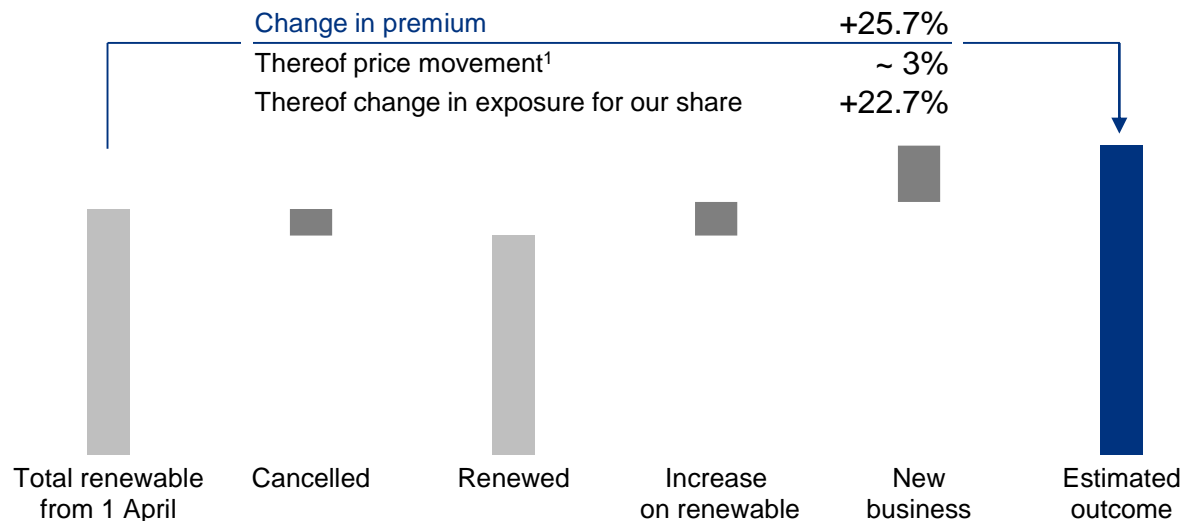


	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
Q1 2020	21.1	3.7	17.4	-4.0	96.8
Ø Annual expectation	~12.0	~8.0	~4.0	~-4.0	

Munich Re substantially expands premium volume, further improving portfolio profitability

April renewals 2020

%	100	-10.8	89.2	+13.7	+22.8	125.7
€m	1,668	-181	1,488	+229	+381	2,098



- Positive pricing dynamics continue – particularly in regions and lines of business with a high loss experience, e.g. Japan
- Exploiting growth opportunities especially in Asia and with global clients, while selectively giving up business no longer meeting our risk/return requirements, e.g. US casualty

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Group

Gross premiums written
~€52bn

Net result
withdrawn

Return on investment¹
~3%

ERGO

Gross premiums written¹
~€17.5bn

Net result¹
~€530m

Combined ratio
P-C Germany¹
~92%

International¹
~94%

Reinsurance

Gross premiums written
~€34bn

Net result
withdrawn

Combined ratio
Property-casualty
withdrawn

Technical result, incl. fee income
Life and Health¹
~€550m

1 Substantial risk of falling short of this guidance, subject to the further development of the Covid-19 pandemic.

This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments. **Figures from Q1 2019 onwards are restated reflecting the new cost-allocation method.**