

Munich Re surpasses profit target

- Munich Re generates profit of €2.9bn in 2021
- Group's consolidated profit expected to rise further to €3.3bn in 2022
- Subject to approval by the Supervisory Board and the Annual General Meeting, the dividend will be increased to €11 per share
- New share buy-back: Munich Re plans to repurchase own shares at a total volume of €1bn by the Annual General Meeting in 2023
- January renewals show premium growth (+14.5%) and rising prices (+0.7%)



“The year 2021 was good for Munich Re. We beat our profit target, while also making our balance sheet even stronger despite high inflation. Both an increased dividend and a new share buy-back will enable our shareholders to share in this success. Our Ambition 2025 strategy programme got off to a very good start and is picking up speed. Propelled by this momentum, we will resolutely tap into the favourable market environment as we increase our profit to €3.3bn in 2022.”

Joachim Wenning, Chair of the Board of Management

Summary of the figures for the 2021 financial year

Munich Re posted a profit of €2,932m (1,211m) in the 2021 financial year, thus exceeding its profit target of €2.8bn. The Group's profit in Q4 2021 amounted to €871m (212m). Gross premiums written in 2021 increased by 8.5% year on year to €59,567m (54,890m), which is the highest figure in the history of Munich Re.

After the first year of its Ambition 2025 strategy programme, Munich Re is on track to meet the financial targets for 2025 as specified in the programme. In the 2021 financial year, the return on equity (RoE) amounted to 12.6% [target: RoE of 12%–14% by 2025]. Earnings per share in 2021 – when compared with the normalised result from the previous year – rose by 4.7% [target: earnings per share increase by an average of ≥5% per year by 2025]. If the Annual General Meeting and the Supervisory Board implement the proposal of the Board of

Management to pay shareholders a dividend of €11 per share for the 2021 financial year, this would constitute an increase of 12.2% [target: increase of the dividend per share by an average of ≥5% by 2025]. The solvency ratio – less the proposed dividend, as usual – stood at around 227% at the end of the year (31 December 2020: 208%). If the share buy-back – which has not been factored into the solvency ratio – is taken into account, the ratio is at target level [target: solvency ratio within the optimal range of 175-220%].

The operating result in the 2021 financial year rose considerably to €3,517m compared with 2020 (€1,986m), while the other non-operating result amounted to –€91m (–83m). The currency result totalled €262m (–200m), and the effective tax rate was 15.9% (18.2%). Equity was higher at the reporting date (€30,945m) than at the start of the year (€29,994m).

Reinsurance: Result of €2,328m

The reinsurance field of business contributed €2,328m (694m) to the consolidated result in the 2021 financial year, of which €734m (75m) in Q4. The reinsurance field of business thus met its profit target of €2.3bn – despite numerous natural catastrophes and substantial losses attributable to COVID-19 in life and health reinsurance. The good, resilient result in reinsurance is proof that the underlying profitability of Munich Re's operative business has improved further. The operating result totalled €2,696m (984m). Gross premiums written rose to €41,354m (37,321m), with the sizeable increase resulting from the growth strategy in an improved market environment.

Life and health reinsurance business generated a profit of €325m (123m) in 2021. Premium income amounted to €12,561m (12,707m). The technical result, including the result from business with non-significant risk transfer (fee income), was €218m (97m). Especially the fee income performed very favourably. The segment was impacted by a higher mortality attributable to COVID-19, with claims totalling €785m in 2021.

Property-casualty reinsurance contributed €2,003m (571m) to the 2021 result. Premium volume grew considerably to €28,793m (24,615m). Due to high natural catastrophe losses, the combined ratio amounted to 99.6% (105.6%) of net earned premiums; this was slightly better than the updated target value of 100% communicated in the Q3 Media Release. The normalised combined ratio was 95.2%.

Major losses of over €10m each totalled €4,304m (4,689m) for the full year, and €1,006m (1,191m) for Q4. These figures include run-off profits and losses for major claims from previous years. Major-loss expenditure corresponds to 16.5% (20.8%) of net earned premiums, and was thus above the expected value of 12%. Costs for man-made major losses amounted to €1,165m (3,784m). This drop was partially attributable to significantly lower COVID-19-related losses in property-casualty reinsurance, which decreased to €212m in 2021. By contrast, major-loss expenditure from natural catastrophes rose substantially year on year to €3,139m (906m). The

costliest natural disaster for Munich Re in 2021 was Hurricane Ida, at about €1.2bn. The flash flooding caused by Storm Bernd resulted in losses of around €0.5bn.

In the 2021 financial year, reserves of €1,041m were released for basic losses from prior years; this figure corresponds to 4.0% of net earned premiums. Munich Re continually seeks to set the amount of provisions for newly emerging claims at the very top end of the estimation range so that profits from the release of a portion of these reserves are possible at a later stage.

In the reinsurance renewals as at 1 January 2022, Munich Re was able to increase written business volume to €14.8bn (+14.5%). The pronounced growth was accompanied by an optimisation of the portfolio's risk profile. Around half of property-casualty business was renewed, with a focus on Europe, the USA (mainly excluding hurricane cover) and global business.

Prices, terms and conditions improved overall. To varying degrees, prices showed an upward trend worldwide. All in all, prices for the Munich Re portfolio increased by 0.7%. This figure is, as always, risk-adjusted. In other words, price increases are offset if they are associated with increased risk and, consequently, elevated loss expectations. Particularly in light of higher inflation, Munich Re was deliberately cautious in determining future loss expectations.

Despite increasing market pressure, Munich Re expects the market environment to remain positive and to present attractive growth opportunities in the upcoming April and July renewal rounds.

ERGO: Result of €605m

Munich Re generated a profit of €605m (517m) in its ERGO field of business in 2021, of which €137m (136m) was in Q4. ERGO thus appreciably surpassed its profit target of €500m in 2021, while also achieving the annual target communicated as part of the ERGO Strategy Programme — despite burdens from major losses. At the same time, ERGO managed to grow substantially. Premium income climbed in all three segments, with the Property-casualty Germany segment managing to post exceptional premium growth that outperformed the market. Overall premium income across all lines rose substantially to €19,166m (18,448m); gross premiums written increased to €18,213m (17,569m).

The ERGO Property-casualty Germany segment reported a profit of €234m (157m) — buoyed by a very good technical result and a higher investment result, major losses notwithstanding. ERGO International generated a result of €207m (230m). The technical result improved here as well, the year-on-year profit decrease being attributable to a positive, one-off effect in 2020. ERGO Life and Health Germany reported a result of €164m (130m). A lower investment result in this segment was more than offset by an improved currency result and a good technical result, which was driven by improvements in health and very good claims experience in travel insurance. It was possible in this context to build up investment reserves in equities. ERGO's

operating result totalled €822m (1,002m), which was particularly impacted by a lower investment result.

In the Property-casualty Germany segment, the combined ratio was 92.4% (92.4%) – thus meeting the 2021 target level [target: 92%] despite the major losses caused by Storm Bernd. ERGO International's combined ratio was likewise at a very good level, at 92.9% (92.7%) [target: 93%], major losses in Austria and the Baltic states notwithstanding.

Investments: Investment result of €7,156m

Munich Re's investment result decreased to €7,156m (7,398m) in 2021. Overall, this investment result represents a return of 2.8% on the average market value of the portfolio. This means that Munich Re met its return target of >2.5% despite persistently low interest rates. The running yield was 2.4% and the yield on reinvestment was 1.5%. The equity-backing ratio, including equity-based derivatives, rose to 7.7% as at 31 December 2021 (31 December 2020: 6.0%).

Regular income from investments decreased to €6,017m (6,273m), primarily due to lower interest income. The balance from write-ups and write-downs was considerably better year on year, at –€505m (–1,957m); COVID-19 losses in 2020 had made it necessary to recognise high impairment losses on equities. The balance of gains and losses on disposals excluding derivatives decreased to €3,182m (3,698m). The net balance of derivatives amounted to –€774m (74m), with the losses arising from equity and interest-rate derivatives held for hedging purposes.

The investment portfolio increased compared with the 2020 year-end figure, with the carrying amount moving up to €240,300m (232,950m); the market values amounted to €257,485m (252,789m).

Outlook for 2022: Group profit guidance of €3.3bn

Munich Re is aiming for a profit in 2022 of €3.3bn, which factors in COVID-19 losses (before tax) of approximately €300m in the life and health reinsurance segment. Conversely, Munich Re does not anticipate any significant expenditure for COVID-19 claims at ERGO or in property-casualty reinsurance.

Group premium income is expected to set a new record of approx. €61bn in 2022, and return on investment to be above 2.5% despite persistently low interest rates.

In its reinsurance field of business, Munich Re anticipates premium income of about €42.5bn and a profit of around €2.7bn in 2022. The combined ratio in property-casualty reinsurance should be about 94%. Munich Re projects a technical result, including business with non-significant risk transfer, of about €400m in life and health reinsurance.

The ERGO field of business will contribute approx. €0.6bn to the consolidated result. A combined ratio of 91% is expected in the ERGO Property-casualty Germany segment, and 92% in the ERGO International segment. Premium income should amount to approx. €18.5bn in 2022.

All forecasts and targets face considerable uncertainty owing to fragile macroeconomic developments, volatile capital markets and the unclear future of the pandemic. As always, the projections are subject to major losses being within normal bounds, and to the income statement not being impacted by severe fluctuations in the currency or capital markets, significant changes in the tax environment, or other one-off effects.

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Munich Re

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