Munich Re Group

Half-Year Financial Report as at 30 June 2021

10 August 2021

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Munich RE

Half-Year Financial Report as at 30 June 2021

Agenda

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Munich Re Group Ambition 2025

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Making good progress towards scaling and shaping our business

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

ERGO on track to deliver on Ambition 2025

Achievements in H1 2021

	Germany	International	Digital projects and technology
Scale[1]	**Secure profitability and market share** ▪ Very good new business development (+28%) and premium growth (+5%) ▪ Strong growth in P-C, high profitability (combined ratio: 93.4%) despite large losses ▪ Continued growth of life new book (+19%), further expansion of capital-market-oriented product portfolio	**Increase net profit contribution** ▪ Strong premium growth (+7%), especially in Poland and Spain ▪ Profitability continuously at a very good level (combined ratio: 93.0%) ▪ Successful launch of supplementary health insurance in Austria	**Expand new business models and continue IT modernisation** ▪ International roll-out of online marketing channels ▪ Solid growth of Great Wall Motors-ERGO JV (service company) in China ▪ Observation of increasing recovery in the travel market
Shape	**Strengthen hybrid customer model and digital processes** ▪ Further development of claims excellence through simple, intuitive claims processes developed from customer's perspective	**Expand cross-border synergies** ▪ Extended cross-border initiatives along the value chain	**Enhance digital footprint and deploy technologies** ▪ Reshaping employee technology learning

Scaling up digital technologies nationally and internationally
(already >200 robotics use cases, >50 AI use cases, >30 voice skills)

1 All comparative figures in relation to H1 2020.

Reinsurance leveraging favourable market environment while building basis for future growth – Achievements in H1 2021

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Scale

Life and health reinsurance

Build on growth of underlying markets

- Biometric risk transfer: strong new business development, particularly in the US
- Growing result contribution from FinMoRe, supported by several new transactions
- In-force management: Agreement on price increase in Australian disability business

Core P-C reinsurance

Grow in mature and emerging markets

- Profitable growth in 2021 renewals with premium increase of 11.7%
- Strengthen local footprint in selected markets. e.g. market leadership in Japan, strong growth in India
- Very selective underwriting of global and US-related casualty business

Risk Solutions

Extend business based on strong client base

- Expansion into US SME market, incl. E&S
- Facultative & Corporate Direct: Large single risk opportunities in a positive cycle
- Munich Re Syndicate and aerospace: Utilise various opportunities in a hard market

Shape

Life and health reinsurance

Drive new business opportunities

- Execution of digital strategy, predictive analytics developed further
- Acquisition of remaining interest in GroupHEALTH, a leading third-party administrator for group business in Canada

Core P-C reinsurance

Create business opportunities and shape product landscape

- Ongoing product innovations, e.g. growth in global credit[1] and mortgage
- Expansion of risk appetite for new segments, e.g. insurance for battery performance

Risk Solutions

Develop new products suites and leverage on digitalisation

- American Modern: Shaping footprint in niche segments – growth above expectations
- MR specialty insurance: Leverage on business via Munich Engine (automated underwriting)
- Hartford Steam Boiler: New product lines, e.g. cyber home systems, strongly support scale activities

1 Portfolio risk-transfer solutions for a wide range of bank loan products beyond single loans.

Successful July renewals support earnings path

Overall price change ~ 2%, volume change 11.1%

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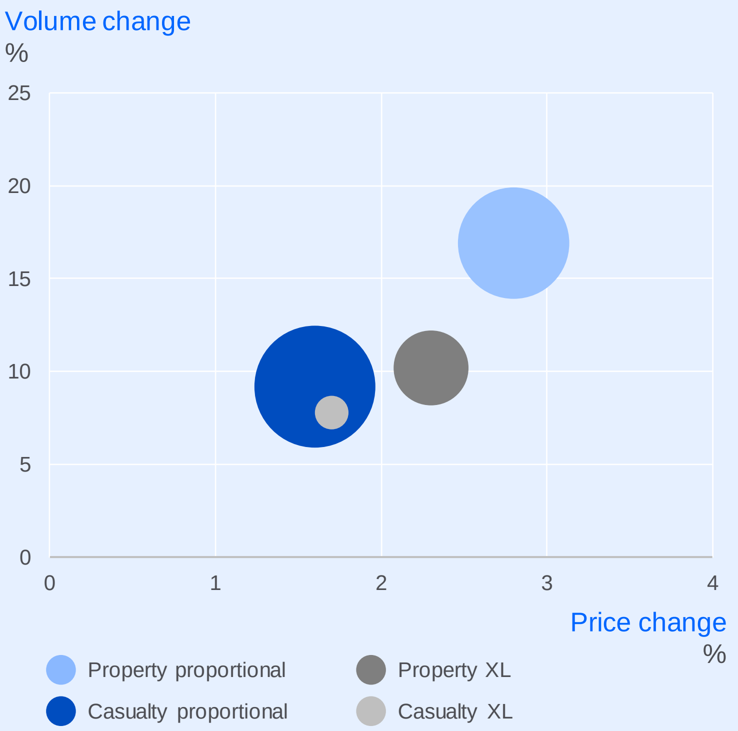

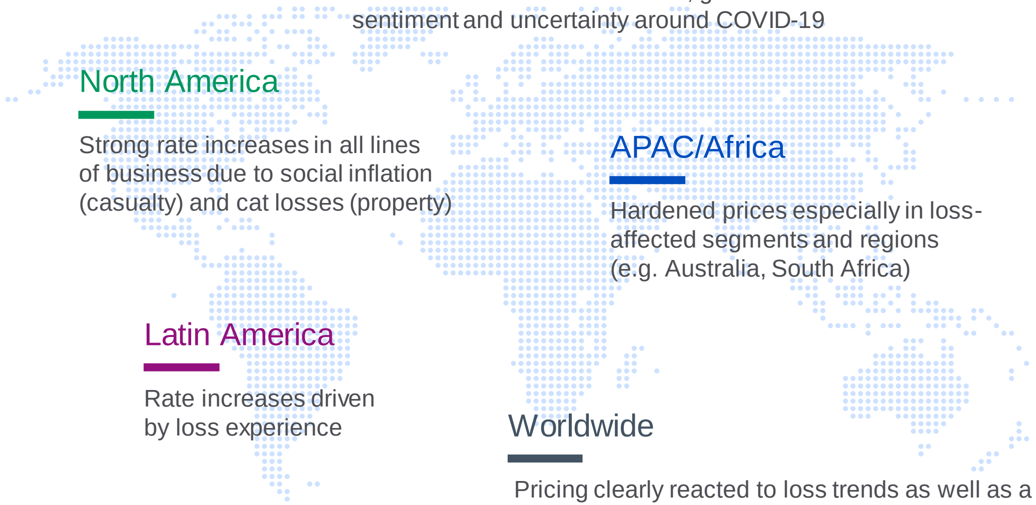

Europe

Less positive price momentum 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. Australia, South Africa)

Latin America

Rate increases driven by loss experience

Worldwide

Pricing clearly reacted to loss trends as well as a lack of interest income and capacity reductions

Bubble size reflects relative volume up for renewal.

Shape

Munich Re profitably participates in a steadily growing cyber insurance market

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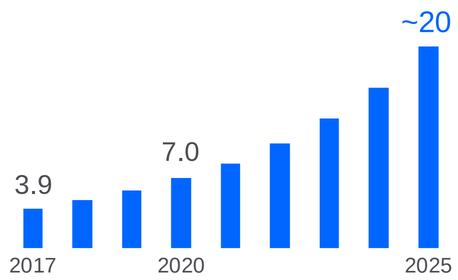
Global cyber market premium

USD bn



Major drivers of market growth

- Digitalisation and connectivity of devices
- Sharp increase and further professionalism of cyber crime
- Stronger regulation

Cyber losses and higher risk awareness to drive demand

Disciplined participation in market growth

- Selective underwriting, improved by data-driven approach
- Effective risk management addresses the dynamic landscape (e.g. increasing number of ransomware attacks), sustains profitability of our book
- Ongoing enhancement of accumulation models safeguards diversification and limiting risk exposure
- Focus on loss prevention
- Further investments in partnerships and global collaboration

Profitable growth in line with market supported by new business and significant rate increases

Outlook

- Less capacity available in the market
- Improvements regarding terms and wordings
- Further increased transparency
- Stricter risk selection

Hardening market conditions expected to prevail

Recent up-tick in inflation is not challenging our financial targets

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Uncertainty about claims inflation …

Increase of insurers' claims severity and frequency due to different drivers, e.g.

- Construction cost
- Medical inflation
- Wage inflation
- Social inflation

CPI with limited significance

… well controlled by Munich Re

Underwriting

- ERGO and L/H reinsurance business marginally exposed to inflation
- P-C reinsurance: Low exposure in new business due to risk selection, reflection of inflation in pricing and contract wording (e.g. index clauses), while impact on back book is manageable

Reserving

- Prudent assessment of most recent contract years
- Sophisticated, claims-specific inflation forecasts considered when setting reserves
- High proportion of short-term liabilities in P-C reinsurance allows for timely adaption to inflation up-tick

Investments

- Inflation-linked bonds together with other inflation-sensitive assets (in total ~25% of our reinsurance portfolio[1]) mitigate inflation risks of our claims reserves

1 As at 31.12.2020. Includes in particular equities, real estate, inflation-linked bonds, infrastructure investments and commodities.

Continuous improvements to uplift asset performance while considering ESG criteria – Achievements in H1 2021

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ESG investment strategy
Close alignment with our AOA commitments

- Roadmap implemented to achieve climate ambition 2025
- Implementation of ESG dashboard to derive investment decisions and enable monitoring and reporting of carbon emissions
- Enhanced corporate engagement: monitoring of engagement progress set up

Group Investment Management
Improving risk-return profile

- Building up alternative assets: ~€2bn committed YTD, thereof €500m in renewable energy investments
- Outsourcing defined asset classes: Various new asset managers successfully onboarded
- Successful implementation of new investment strategies to improve performance

Asset management – MEAG
Increasing investment returns

- MEAG achieved pleasing positions in peer investment performance rankings, e.g. Morningstar
- Continued delivery on third-party business growth, e.g. new Infrastructure Debt Fund II, commitments >€1bn
- Substantial progress towards sustainable operating model: new organisational setup with focus on ESG

Succeed

Making good progress towards achieving our ESG targets

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Environment

Ambitious decarbonisation targets

- Climate protection targets for our (re)insurance business
- Decarbonisation of our investments
- Reduction of our own emissions

Climate-related disclosure

- TCFD Report published in April 2021
- “A-” rating by CDP (Climate Change 2020)

Commitments

- Decarbonisation strategy for treaty business
- Founding member of the Net Zero Insurance Alliance

Social

Diverse workforce

- 40% female managers by 2025
- 25% women on the Board of Management (BoM) by 2025

Increased transparency

- Actuals and targets of gender ambition separately disclosed for various management levels

Recognition

- Rank 5 on the German Diversity Index 2021 (Beyond Gender Agenda)

Governance

ESG criteria in BoM remuneration

- ESG criteria relevant for variable remuneration and multi-year bonus

Strengthening of ESG Governance

- Board Level “ESG Committee” established
- High-level “ESG Management Team”, with top managers from different fields of business
- Separate “ESG Investment Committee” specifically designated for investments

Outlook 2021

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Group

Gross premiums written	Net result	Return on investment
~ €58bn (prev. ~ €57bn)	~ €2.8bn	>2.5%

ERGO

Gross premiums written	Net result	Combined ratio P-C Germany	International
~ €18bn (prev. ~ €17.5bn)	~ €0.5bn	~ 92%[1]	~ 93%

Reinsurance

Gross premiums written	Net result	Combined ratio P-C	Technical result, incl. fee income in life and health
~ €40bn (prev. ~ €39bn)	~ €2.3bn	~ 96%[2]	~ €400m[3]

1 Increased uncertainty due to large losses, especially nat cat. 2 ~ 95% without COVID-19 impact. 3 Probability of missing the target of €400m has increased.

Group finance

Michael H / Getty Images

After strong results well on track to achieve annual targets

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Q2 2021 (H1 2021)

Net result
€1,106m (€1,695m)

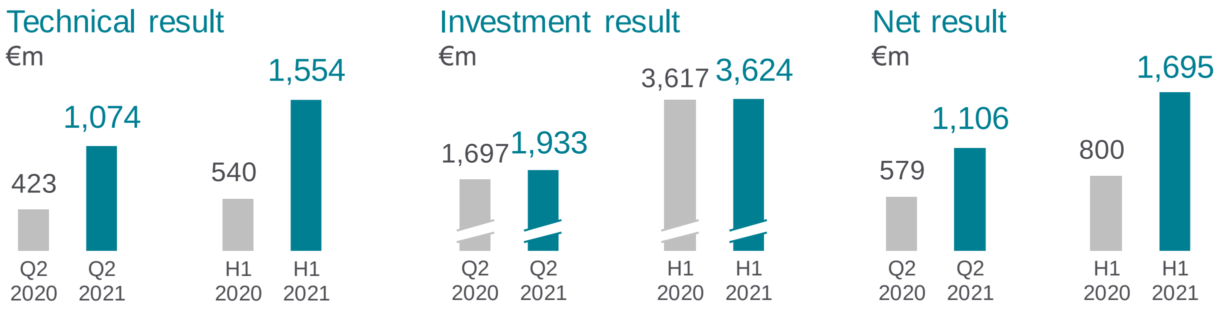
Reinsurance: Good underlying performance overall and below-average major losses in property-casualty
ERGO: Strong result of €155m

Return on investment[1]
3.1% (2.9%)

Pleasing performance slightly ahead of expectations – reinvestment yield up to 1.7%

Return on equity[1]
19.2% (15.0%)

Shareholders' equity: €29.9bn
Solvency II ratio: 225%



Reinsurance
Life and health: Technical result, incl. fee income: €64m (€115m), incl. higher-than-expected COVID-19 losses of €140m (€302m) – net result of €93m (€145m)

Property-casualty: Combined ratio: 90.1% (94.3%) – Major-loss ratio: 6.8% (11.0%) incl. COVID-19 losses of €101m (€203m); reserve releases[2]: –4.0% (–4.0%) – net result of €858m (€1,217m)

July renewals: Risk-adjusted price change: ~ +2.0%, premium change: +11.1%

ERGO
Life and Health Germany
RoI: 3.1% (2.9%) – net result of €33m (€126m)

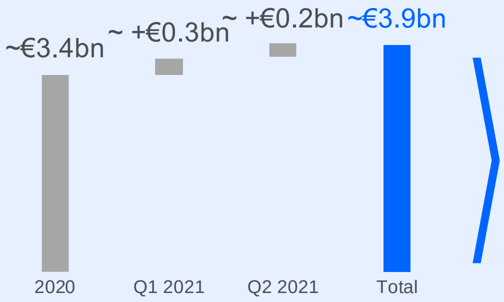
Property-casualty Germany
C/R: 92.6% (93.4%) – net result of €81m (€106m)

International
C/R: 92.2% (93.0%) – net result of €41m (€102m)

1 Annualised. 2 For prior-year basic losses.

Accumulated COVID-19-related financial impact for 2020 and H1 2021

Re-insurance (pre-tax)[1]

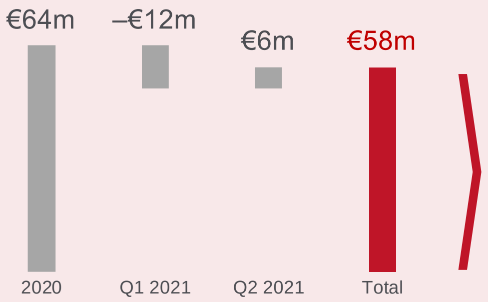


	€m
Contingency	1,853
Property/BI	997
Credit	203
D&O/WC	200
Marine	16
Life and health	672

Q2 2021: Provisions increased by €241m

- Increase in P-C: €101m (largely driven by contingency business), L&H: €140m (higher-than-expected mortality in India and South Africa)
- P-C: 68% of the COVID-19 accumulated losses are IBNR, down from 73% as at Q1 2021
- Expected COVID-19-related claims for full-year 2021
  - P-C: ~ €300m
  - L&H: ~ €400m (prev. ~ €200m)

ERGO (after tax)



	€m
Claims	10
Result impact from lost premiums	42
Other	6

Q2 2021: Earnings impact increased by €6m

- Claims –€29m: Lower claims in travel and frequency benefits mainly in motor
- Result impact from lost premiums +€20m: Especially continued low travel activity
- Other +€15m: Mainly due to JV in India being affected by higher claims
- COVID-19-related earnings impact for full-year 2021 decreased to ~ €40–50m due to better development in Germany, partly compensated for by India

1 Total incurred losses, including paid claims and reserves.

Capital position

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Equity
€m

		Change in Q2
Equity 31.12.2020	29,994	
Consolidated result	1,695	1,106
Changes		
Dividend	–1,373	–1,373
Unrealised gains/losses	–1,262	828
Exchange rates	528	–113
Share buy-backs	0	0
Other	337	79
Equity 30.6.2021	29,920	528

Unrealised gains/losses

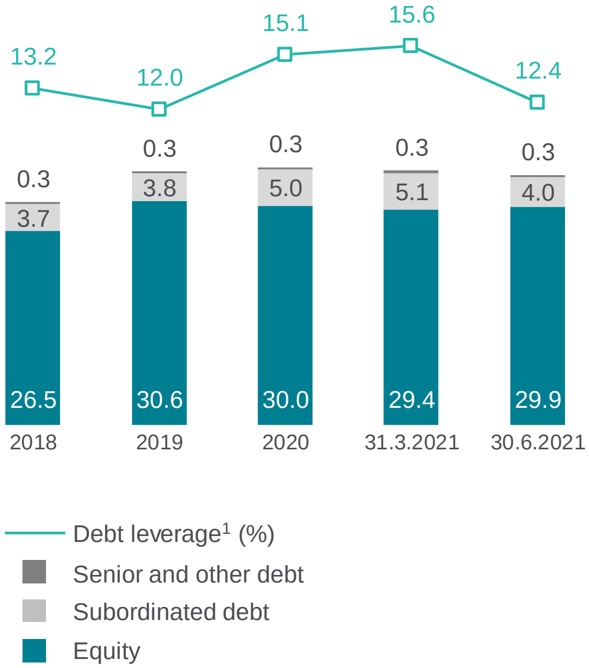
Fixed-interest securities
H1: –€2,094m Q2: €453m

Non-fixed-interest securities
H1: €804m Q2: €355m

Exchange rates

Mainly driven by US$

Capitalisation
€bn



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

Investment portfolio

Investment portfolio[1]

%

Fixed-interest securities	54.5	(55.3)
Loans	24.0	(25.6)
Miscellaneous[2]	8.6	(7.9)
Shares, equity funds and participating interests[3]	8.1	(6.4)
Land and buildings	4.9	(4.8)

Portfolio management

- Increase of equity exposure due to investments and favourable development of stock markets
- Expansion of emerging-market bonds at the expense of covered bonds
- Further investments in infrastructure
- Reinvestment yield up to 1.7%

1 Fair values as at 30.6.2021 (31.12.2020). 2 Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in infrastructure, renewable energies and gold. 3 Incl. derivatives: 7.5% (6.0%).

Investment result

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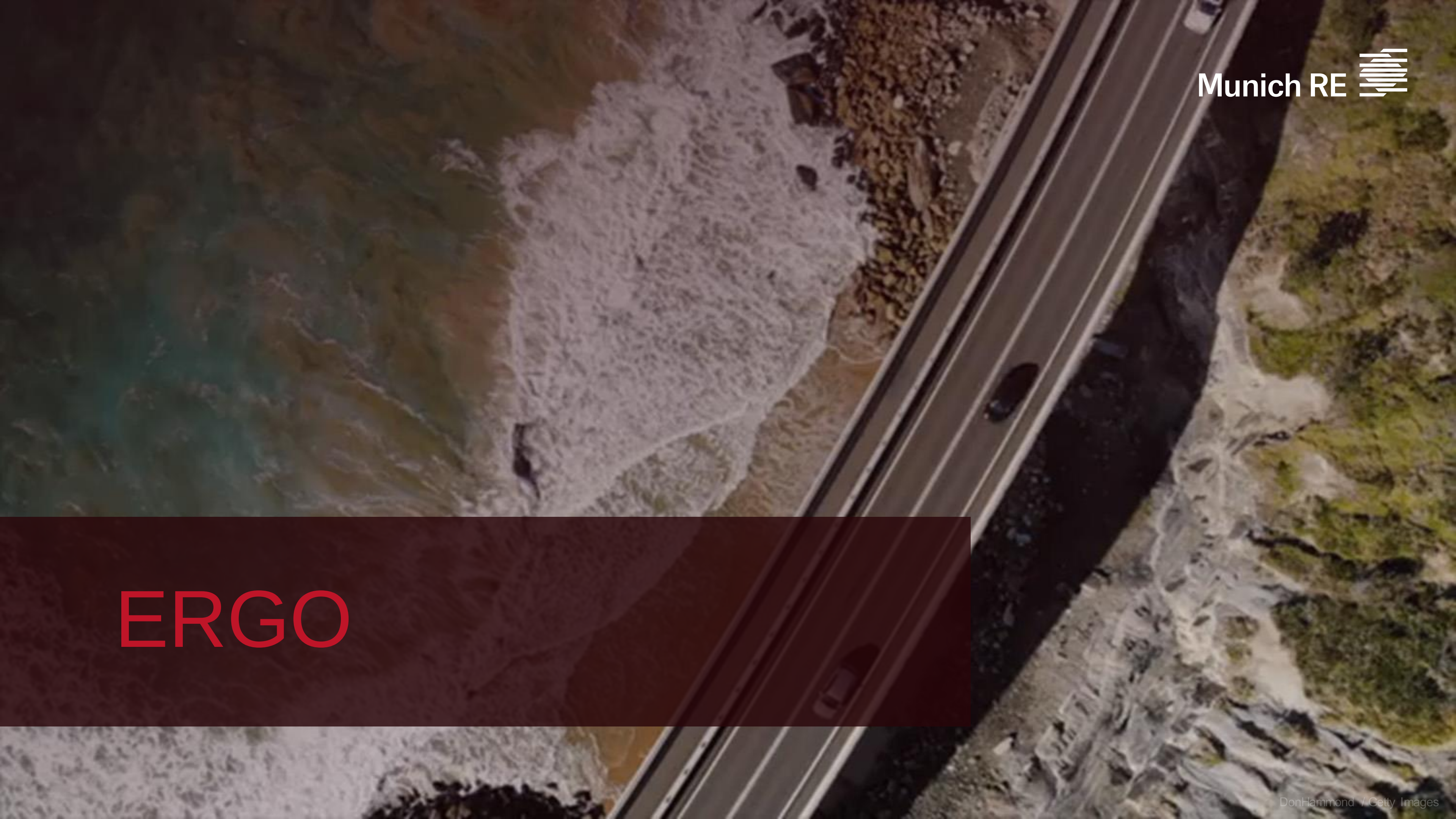
€m	Q2 2021	Return[1]	H1 2021	Return[1]	H1 2020	Return[1]
Regular income	1,645	2.6%	3,073	2.5%	3,265	2.6%
Write-ups/write-downs	–77	–0.1%	–248	–0.2%	–1,567	–1.3%
Disposal gains/losses	627	1.0%	1,610	1.3%	1,566	1.3%
Derivatives[2]	–90	–0.1%	–458	–0.4%	694	0.6%
Other income/expenses	–172	–0.3%	–353	–0.3%	–342	–0.3%
Investment result	1,933	3.1%	3,624	2.9%	3,617	2.9%
Total return		4.3%		–2.0%		4.7%

3-month reinvestment yield	
Q2 2021	1.7%
Q1 2021	1.5%
Q4 2020	1.3%

Q2 2021	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Fixed income	–10	379	–8
Equities	–32	56	–125
Commodities/Inflation	0	0	52
Other	–34	192	–9

H1 2021	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Fixed income	–16	926	–217
Equities	–118	396	–318
Commodities/Inflation	0	0	88
Other	–115	288	–10

1 Annualised return on quarterly weighted investments (market values) in %. 2 Result from derivatives without regular income and other income/expenses.



ERGO

DonHammond / Getty Images

ERGO Life and Health Germany

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Gross premiums written

€m

H1 2020	4,464
Foreign exchange	0
Divestments/investments	0
Organic change	105
H1 2021	4,569

- Life (+€90m): Increase driven by growth through new products
- Health (–€14m): Increase in supplementary insurance, negative COVID-19 effect in travel
- Digital Ventures (+€29m): Growth mainly due to health business

Major result drivers

€m

	H1 2021	H1 2020	▲	Q2 2021	Q2 2020	▲
Technical result	188	46	142	72	–36	108
Non-technical result	30	89	–59	11	182	–171
thereof investment result	1,863	1,757	106	964	917	47
Other	–92	–66	–26	–50	–82	32
Net result	126	69	57	33	63	–31

Technical result

Strong improvement in Q2 driven by:

- Continuously good operational performance in health
- Lost premiums in travel more than offset by decreased claims due to reduced travel activity
- High intra-year volatility in previous year due to COVID-19, with negative impact in Q2

Investment result

- Q2/H1: Disposal gains exceed losses from derivatives in rising capital markets
- H1: Disproportionately high ZZR funding
- Q2: Return on investment of 3.1%

Other

- FX result of –€33m in H1 (H1 2020: –€26m), thereof –€45m in Q2 (Q2 2020: –€47m)

ERGO Property-casualty Germany

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Gross premiums written
€m

H1 2020	2,135
Foreign exchange	–2
Divestments/investments	0
Organic change	208
H1 2021	2,341

- Strong organic growth in almost all lines of business; driven by liability (+€75m), fire/property (+€41m), marine (+€23m), motor (+€22m) and other (+€49m)

Major result drivers
€m

	H1 2021	H1 2020	▲	Q2 2021	Q2 2020	▲
Technical result	121	145	–24	70	85	–15
Non-technical result	42	–20	61	55	–16	71
thereof investment result	140	93	47	110	42	68
Other	–57	–54	–3	–44	–19	–25
Net result	106	71	35	81	50	31

Technical result
Combined ratio in H1 of 93.4% (92.9%), in Q2 of 92.6% (92.5%); only slightly above guidance level although

- nat cat and man-made losses significantly above expectations …
- … due to good operating performance, strong growth and lower expenses

Investment result
- Q2: Strong result due to one-offs from alternative investments and real estate
- Q2: Return on investment of 5.7%

Other
- FX result of €3m in H1 (H1 2020: –€11m), thereof €1m in Q2 (Q2 2020: –€2m)

ERGO Property-casualty Germany

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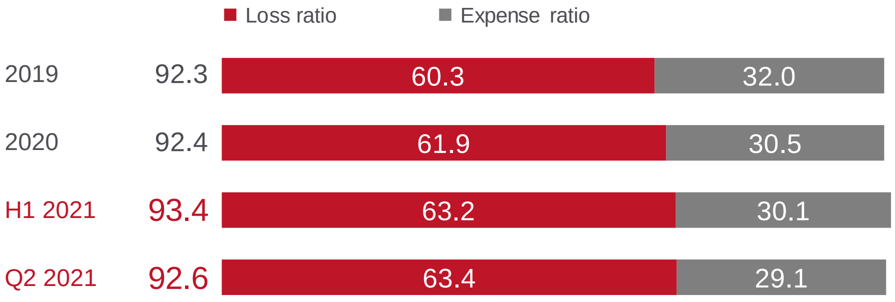
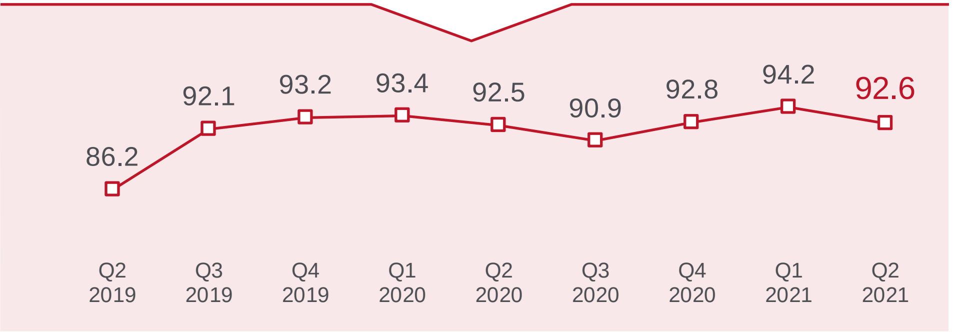
Combined ratio

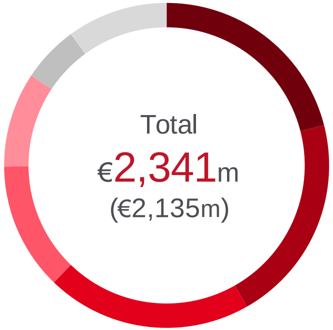
%





Gross premiums written in H1 2021 (H1 2020)

€m



Motor	492 (470)
Fire/property	486 (444)
Liability	478 (403)
Personal accident	297 (304)
Legal protection	221 (218)
Marine	132 (108)
Other	235 (186)

ERGO International

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Gross premiums written

€m

H1 2020	2,422
Foreign exchange	–24
Divestments/investments	–2
Organic change	201
H1 2021	2,596

- Life (–€8m): Lower premiums due to run-down in Belgium, partially compensated for by Poland
- Health (+€44m): Positive business development in Spain and Belgium
- P-C (+€139m): Increase driven by strong growth in Poland

Major result drivers

€m

	H1 2021	H1 2020	▲	Q2 2021	Q2 2020	▲
Technical result	129	111	18	78	75	3
Non-technical result	10	19	–9	–6	0	–6
thereof investment result	167	179	–12	72	79	–7
Other	–37	–25	–12	–31	–16	–15
Net result	102	105	–4	41	59	–18

Technical result

Stable development in Q2:

- Life: Better result driven by Belgium
- Health: Stable development, strong operational performance in Spain
- P-C: Lower result driven by large losses in Baltic states and nat cat event in Austria, ongoing good operational performance in Poland and Greece

Investment result

- Q2/H1: Decrease driven by lower ordinary result due to joint ventures; disposal gains and write-ups compensate for losses from derivatives
- Q2: Return on investment of 1.4%

Other

- FX result of €1m in H1 (H1 2020: –€1m), thereof –€2m in Q2 (Q2 2020: –€5m)

ERGO International

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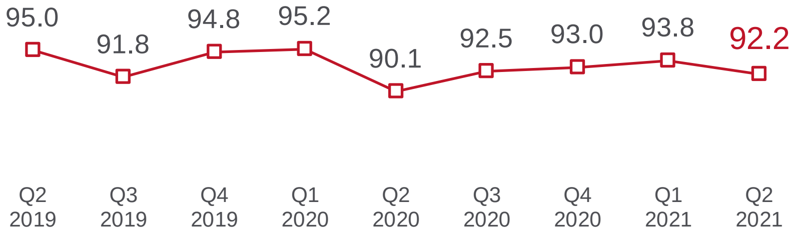
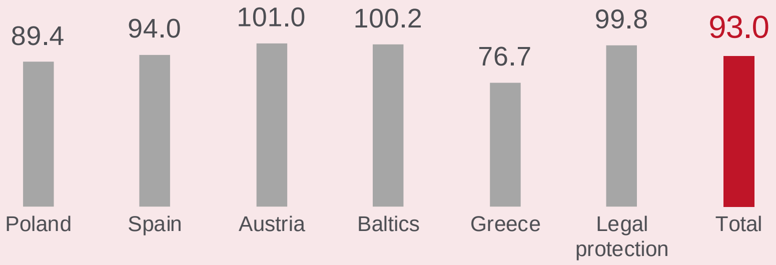
Combined ratio
%



H1 2021



Gross written premiums in H1 2021 (H1 2020)
€m

Property-casualty	1,472	(1,333)
Life	307	(315)
Health	818	(774)

P-C Thereof:	H1 2021	H1 2020
Poland	809	703
Legal protection	368	338
Greece	117	122
Baltics	100	96
Austria	60	52

Life Thereof:	H1 2021	H1 2020
Austria	158	164
Belgium	66	74

Health Thereof:	H1 2021	H1 2020
Spain	486	455
Belgium	331	319

Reinsurance

jonathanfilskov-photography / Getty Images

Reinsurance life and health

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Gross premiums written

€m

H1 2020	6,411
Foreign exchange	–197
Divestments/investments	0
Organic change	–11
H1 2021	6,202

- Negative FX effects mainly driven by US$
- Overall stable organic development – growth in North America largely compensates for decrease in Europe and Asia

Major result drivers

€m

	H1 2021	H1 2020	▲	Q2 2021	Q2 2020	▲
Technical result	5	21	–16	9	7	2
Non-technical result	178	96	82	69	44	25
thereof investment result	411	400	11	166	174	–8
Other	–39	–51	12	15	8	7
Net result	145	67	78	93	59	34

Technical result, incl. fee income of €64m in Q2 (H1: €115m)

- Higher-than-expected COVID-19-related losses of €140m in Q2 driven by India and South Africa
- Adjusted for COVID-19, performance better than expected, supported by one-offs
- Overall, positive experience in Europe and Asia largely compensates for negative experience in the US (including large losses)
- Ongoing strong fee income

Investment result

- H1: Disposal gains on fixed income investments and equities, in Q2 significantly lower than in Q1
- Q2: Return on investment: 2.3%

Other

- FX result of –€24m in H1 (H1 2020: +€14m), thereof –€16m in Q2 (Q2 2020: +€20m)

Property-casualty reinsurance

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Gross premiums written
€m

H1 2020	11,680
Foreign exchange	–835
Divestments/investments	0
Organic change	2,640
H1 2021	13,486

- Negative FX effects mainly driven by US$
- Strong organic growth across all lines of business
- Risk Solutions: Substantial growth across all units
- Core reinsurance: Increase from new business as well as benefits from primary rate increases in proportional business

Major result drivers
€m

	H1 2021	H1 2020	▲	Q2 2021	Q2 2020	▲
Technical result	1,110	217	893	845	291	554
Non-technical result	538	428	110	351	122	228
thereof investment result	1,043	1,188	–144	621	485	136
Other	–432	–157	–275	–337	–66	–272
Net result	1,217	488	728	858	348	510

Technical result
- Q2/H1: Below-average major losses
- COVID-19-related claims of €101m in Q2 in line with expectations
- Improved expense ratio due to cost reductions and positive impact from hardening market
- Underlying performance remains sound – normalised combined ratio at 95.3%

Investment result
- H1: Disposal gains on fixed income investments and equities
- Q2: Return on investment of 3.7% supported by disposal gains

Other
- FX result of –€88m in H1 (H1 2020: +€191m), thereof –€55m in Q2 (Q2 2020: +€57m)

Property-casualty reinsurance

Combined ratio

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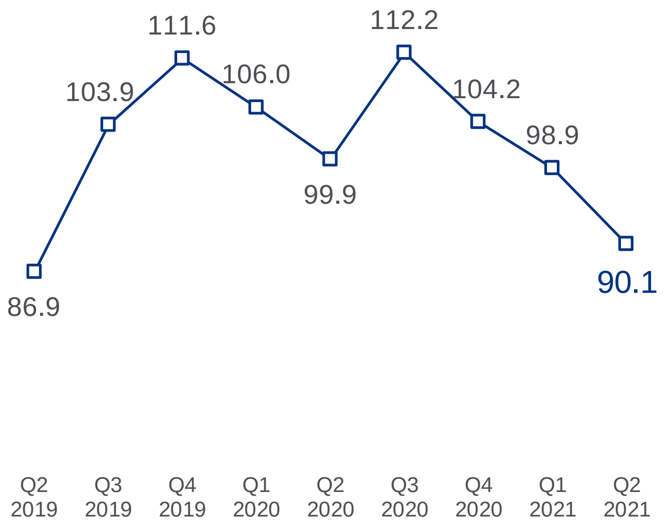

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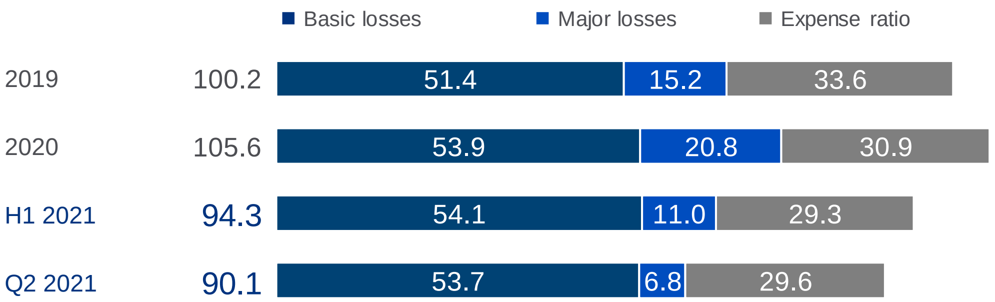

	Major losses	Nat cat	Man-made	Reserve releases[1]	Normalised combined ratio[2]
H1 2021	11.0	7.0	3.9	–4.0	95.3
Q2 2021	6.8	3.2	3.6	–4.0	95.3
Ø Annual expectation	~ 12.0	~ 8.0	~ 4.0	~ –4.0	

1 Basic losses prior years, already adjusted for directly corresponding sliding-scale and profit-commission effects.
2 Based on reserve releases of 4%-pts.

Positive price dynamics continue

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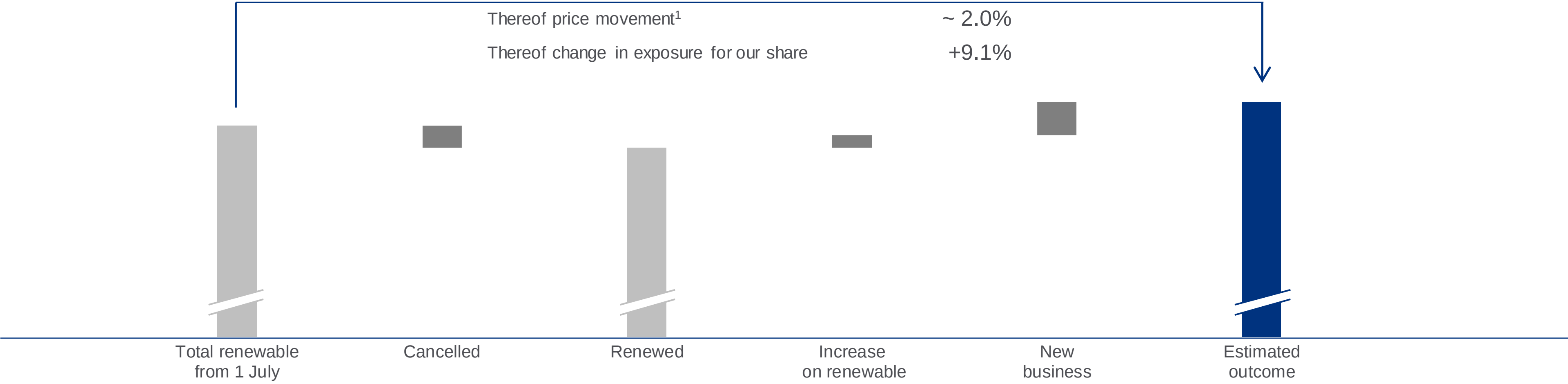
July renewals 2021

	Total renewable from 1 July	Cancelled	Renewed	Increase on renewable	New business	Estimated outcome
%	100	–10.2	89.8	+5.7	15.6	111.1
€m	3,528	–361	3,167	+202	+550	3,918

Change in premium	+11.1%
Thereof price movement[1]	~ 2.0%
Thereof change in exposure for our share	+9.1%



1 Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

Disclaimer

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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 of the results, financial situation and performance of our Group. Obvious fluctuations in the incidence of major losses in addition to the pronounced volatility of the capital markets and exchange rates – as well as the special features of IFRS accounting – make an accurate forecast of results impossible. Moreover, there is considerable uncertainty regarding the further development of the coronavirus pandemic. The Group 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. Due to rounding, there may be minor deviations in summations and in the calculation of percentages in this presentation.