

Munich Re surpasses profit guidance despite challenging times

- Profit of €3.4bn
- On course to achieve Ambition 2025; the consolidated profit is expected to increase to €4.0bn in 2023
- Subject to approval by the Annual General Meeting, the dividend will increase to €11.60 per share
- New share buy-back with a volume of €1bn to be completed by the 2024 Annual General Meeting



“Munich Re absorbed the crises of 2022 well and continues to grow profitably. We are robust, both financially and in terms of capital. Our broadly diversified business portfolio not only makes us more resilient, but also opens up new earnings prospects. In times of great uncertainty due to war and volatile capital markets, our clients value reliability. Our shareholders will benefit from both an increased dividend and a new round of share buy-backs. Munich Re also takes its social responsibilities very seriously. That is why I am pleased about the progress we have made in the areas of decarbonisation and diversity. With regard to climate change and digital transformation, we are still fully committed, offering new solutions to cover insurance needs. In addition, all fields of business are focusing on achieving the goals of our Ambition 2025. In the current year, we intend to generate a consolidated profit of €4.0bn.”

Joachim Wenning, Chair of the Board of Management

Summary of the figures for the 2022 financial year

Munich Re posted a profit of €3,419m (2,932m) in the 2022 financial year, thus exceeding its profit guidance of €3.3bn. The Group's profit in Q4 2022 amounted to €1,516m (871m). Gross premiums written rose by 12.7% to €67,133m (59,567m) year on year.

Munich Re is on track to meet the financial targets specified in its Ambition 2025 strategy programme. In the 2022 financial year, the return on equity (RoE) amounted to 13.5%. Earnings per share rose by 17.6% to €24.63 in 2022. If the Annual General Meeting implements the proposal of the Board of Management and Supervisory Board to pay shareholders a dividend of €11.60 per share for the 2022 financial year, this would constitute an increase of 5.5%. At the end of the year, after making the customary deduction for the proposed dividend, the solvency ratio was approximately 260% (31 December 2021: 227%), and was thus also at a high level.

The operating result for the 2022 business year amounted to €3,582m (3,517m), while the other non-operating result amounted to –€81m (–91m), the currency result rose to €676m (262m), and the effective tax rate was 14.5% (15.9%). At €21,202m, equity was down from the level at the start of the year (€30,945m), mainly due to a decline in valuation reserves on fixed-interest securities. The latter was attributable to higher interest rates – which are ultimately economically advantageous for insurers.

Reinsurance: Result of €2,593m

The reinsurance field of business contributed €2,593m (2,328m) to the consolidated result in the 2022 financial year, and €1,393m (734m) in Q4. Reinsurance was thus well able to absorb the expenditure for Hurricane Ian in Q3 and the lower investment result, and – with further increased profitability of the business – slightly surpassed its adjusted profit guidance of €2.5bn. The operating result amounted to €2,574m (2,696m). As expected, gross premiums written increased significantly, to €48,075m (41,354m) as a result of our growth strategy in an improved market environment and due to positive currency translation effects.

Life and health reinsurance business generated a profit of €737m (325m) in 2022. Premium income rose to €13,676m (12,561m). The technical result, including business with non-significant risk transfer, rose markedly to €918m (218m) [the target was raised in Q3 from €400m to €800m]. In this context, business with non-significant risk transfer (fee income) in particular performed very favourably. COVID-19-related expenditure fell year on year to €344m (797m).

Property-casualty reinsurance contributed €1,856m (2,003m) to the 2022 result. Premium volume grew robustly to €34,399m (28,793m). Despite high natural catastrophe losses in the market, the combined ratio decreased to 96.2% (99.6%) of net earned premiums.

Major losses of over €10m each totalled €4,173m (4,304m) for the full year, and €615m (1,006m) for Q4. These figures include gains and losses from the settlement of major

losses from previous years. Major-loss expenditure corresponded to 12.8% (16.5%) of net earned premiums, and was thus slightly below the long-term average expected value of 13%. Man-made major losses amounted to €1,742m (1,165m). The increase was due in part to expenditure related to the war of aggression in Ukraine totalling €475m. Major-loss expenditure from natural catastrophes amounted to €2,430m (3,139m). The costliest natural catastrophe for Munich Re in 2022 was Hurricane Ian, with losses of around €1.6bn.

In the 2022 financial year, reserves of €1,304m (1,041m) were released for basic losses from prior years; this figure corresponds to 4.0% (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 can be generated at a later stage.

In the reinsurance renewals as at 1 January 2023, Munich Re was able to increase written business volume to €15.3bn (+1.3%). Munich Re reduced the share of proportional business and, owing to the attractive price level, grew in the area of non-proportional natural catastrophe covers in particular. Due to improved contractual terms and conditions, the quality of the portfolio improved further. Despite times of high uncertainty and inflation, as well as a reduction in the capacities offered by reinsurers and capital market players in certain markets, Munich Re continued to position itself as a high-quality and reliable partner for the long term. This was also evidenced by an active optimisation of the portfolio and the realisation of growth opportunities from business development across almost all regions. The main driver was the expansion of existing business and the acquisition of new business with selected clients, particularly in Europe, Asia and Australia.

Around two thirds of non-life reinsurance treaty business was renewed, with a focus on Europe, the USA and global business.

Prices developed positively overall and more than compensated for the significantly higher loss estimates in some areas, which were caused primarily by inflation or other loss trends. To varying degrees, price increases were evident around the world. All in all, prices for the Munich Re portfolio increased by 2.3%. 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. 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 €826m

Munich Re generated a profit of €826m (605m) in its ERGO field of business in 2022, of which €124m (137m) was in Q4. ERGO thus surpassed its profit guidance of €800m, which had been raised significantly in Q3. ERGO again grew successfully in all three segments in 2022. In the Property-casualty Germany segment, ERGO's premium growth once again outstripped expected market growth. Overall premium income across all segments rose substantially to €20,059m (19,166m); gross premiums written increased to €19,058m (18,213m).

The result in the ERGO Life and Health Germany segment increased considerably to €485m (164m), driven by good operational performance and a high currency result. In addition, a one-off effect in Q3 had a positive impact on performance. The ERGO Property-casualty Germany segment posted a profit of €185m (234m). The segment's technical result improved significantly despite major losses and was able to partially offset a lower investment and currency result. ERGO International generated a result of €155m (207m). Whilst the technical result was almost at the same level as last year, the investment and currency results were lower. ERGO's operating result totalled €1,008m (822m), which was particularly driven by the higher technical result.

In the Property-casualty Germany segment, the combined ratio improved significantly to 90.6% (92.4%) despite major losses, and was thus even slightly below the target value of 91%. In the ERGO International segment the combined ratio of 94.3% (92.9%) met the adjusted target value of 94%.

Investments: Investment result of €4,903m

Munich Re's investment result decreased to €4,903m (7,156m) in 2022. Regular income from investments amounted to €6,565m (6,017m). Net gains and losses on disposal excluding derivatives totalled €3,962m (3,182m). The net balance of derivatives amounted to –€1,629m (–774m), chiefly due to losses on derivatives on fixed-interest securities. The balance from write-ups and write-downs declined substantially to –€3,155m (–505m). This decline was primarily attributable to impairment losses on equities as a result of falling stock markets, and to impairment losses on fixed-interest securities totalling around €850m as a result of the war in Ukraine.

Overall, the investment result for 2022 represents a return of 2.1% (2.8%) on the average market value of the portfolio. The running yield was 2.8% and the yield on reinvestment was 2.8%. As at 31 December 2022, the equity-backing ratio including equity-linked derivatives amounted to 5.7% (7.7% as at 31 December 2021).

The investment portfolio declined compared with the 2021 year-end figure, with the carrying amount decreasing to €219,797m (240,300m); the market values amounted to €223,471m (257,485m). The main reason for the decline was the increase in interest rates.

Outlook for 2023¹: Group profit guidance of €4.0bn

Munich Re is aiming for a profit in 2023 of €4.0bn. The Group's insurance revenue, which will supersede "premium income" in future, is expected to reach around €58bn in 2023. It is anticipated that the return on investment will amount to at least 2.2%.

In the reinsurance field of business, Munich Re anticipates insurance revenue of about €39bn and a profit of around €3.3bn in 2023. The combined ratio in property-casualty reinsurance will likely decrease significantly to around 86% – chiefly due to the disclosure method used under IFRS 17. In life and health reinsurance, Munich Re is aiming for a total technical result of around €1.0bn. In future, this will include the result from reinsurance contracts with non-significant risk transfer.

The ERGO field of business will contribute approximately €0.7bn to the consolidated result. A combined ratio of 89% is expected in the ERGO Property-casualty Germany segment, and 90% in the ERGO International segment. Insurance revenue is expected to total around €19bn in 2023.

All forecasts and targets face considerable uncertainty owing to fragile macroeconomic developments and volatile capital markets. In particular, there continues to be considerable uncertainty regarding the financial impact of the Russian war of aggression in Ukraine. As always, the projections are subject to major losses remaining 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.

¹ As already published on 15 December 2022. The transition to the new reporting standards IFRS 9/17 brings with it changes in both the nomenclature and calculation of the key figures used in the outlook. In relation to IFRS 17, there are no comparable published figures for previous years.

www.munichre.com
LinkedIn: <https://www.linkedin.com/company/munich-re>
Twitter: @MunichRe

For media enquiries please contact

Group Media Relations

Stefan Straub

Tel.: +49 89 3891 9896
Mobile: +49 151 64 93 30 48
sstraub@munichre.com

Financial Communications

Axel Rakette

Tel.: +49 89 3891 3141
Mobile: +49 151 20 46 21 32
arakette@munichre.com

Group Media Relations

Irmgard Joas

Tel.: +49 89 3891 6188
Mobile: +49 151 52 81 70 24
ijoas@munichre.com

Media Relations Asia-Pacific

Faith Thoms

Tel.: +65 63180762
Mobile: +65 83390125
ftthoms@munichre.com

Media Relations North America

Ashleigh Lockhart

Tel.: +1 609 275 2110
Mobile: +1 980 395 2979
alockhart@munichre.com

Media Relations London Market

Lillian Ng

Tel.: +44 207 8863952
Mobile: +44 7809 495299
lillianng@munichre.com

Munich Re

Munich Re is one of the world's leading providers of reinsurance, primary insurance and insurance-related risk solutions. The Group consists of the reinsurance and ERGO business segments, as well as the asset manager MEAG. Munich Re is globally active and operates in all lines of the insurance business. Since it was founded in 1880, Munich Re has been known for its unrivalled risk-related expertise and its sound financial position. It offers customers financial protection when faced with exceptional levels of damage – from the 1906 San Francisco earthquake to Hurricane Ian in 2022. Munich Re possesses outstanding innovative strength, which enables it to also provide coverage for extraordinary risks such as rocket launches, renewable energies or cyber risks. The Group is playing a key role in driving forward the digital transformation of the insurance industry, and in doing so has further expanded its ability to assess risks and the range of services that it offers. Its tailor-made solutions and close proximity to its customers make Munich Re one of the world's most sought-after risk partners for businesses, institutions, and private individuals.

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