Munich Re Group

Half-year financial report as at 30 June 2023

10 August 2023

Joachim Wenning (CEO)

Christoph Jurecka (CFO)

Munich RE

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Half-year financial report as at 30 June 2023

Agenda

01 Munich Re

After strong top- and bottom-line results in H1 2023, Munich Re well on track to achieving full-year targets

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Highly profitable reinsurance segments

Net result	Return on equity
€1,955m	16.8%

Very pleasing ERGO earnings

Net result	Return on equity
€470m	17.3%

Strong financial performance of Munich Re Group

Net result

€2.4bn

H1

OUTLOOK 2023

~ €4.0bn

Return on equity

16.9%

AMBITION 2025

14 – 16%

Figures as at H1 2023.

Increasing diversification of earnings profile provides tailwind for achieving Ambition 2025 targets

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Strong underlying performance …

1 Core P-C reinsurance
Prolonged cycle supports profitable business

2 Global Specialty Insurance
Becoming a powerful player in less cyclic specialty insurance

3 L&H reinsurance
Strong earnings trajectory beyond expectations

4 ERGO
Sustainably increasing contribution to Munich Re Group's earnings

… despite mixed macroeconomic environment

Increased interest rates
Clearly positive for Solvency II ratio and sustainable investment result

Prevailing high inflation
Impact well managed – consistently strong reserving position

1 Core P-C reinsurance: July renewals – Ongoing rate increases, focus on profitability

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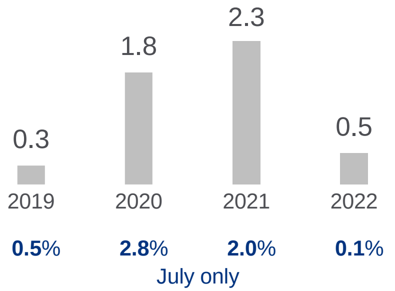
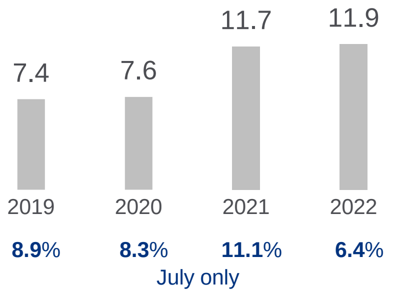
Renewals 2019–2022

%

Price change



Volume change



July renewals 2023[1]

+5.1%

Material rate increase in nat cat

–1.9%

Portfolio optimisation and selective growth

Higher risk-adjusted pricing

- Conservative inflation and other loss-trend assumptions (e.g. nat cat modelling) fully reflected in risk- and mix-adjusted price change. Excluding the portfolio mix effect, the price change would be 3.0%
- Overall, markets behaving in a disciplined and risk-trend-conscious manner

Improved portfolio quality

- Continued improvement in terms and conditions in addition to higher attachment points and distinct pricing of covered perils, making portfolio more robust though not fully captured in numbers
- Prevailing market discipline allowed for ongoing tightening of wordings and targeted exclusions

1 Price change is fully risk-adjusted, considering the latest inflation and loss-trend assumptions and benefits of shift in mix between lines of business.

1 Core P-C reinsurance: July renewals – Growth and risk/return optimisation well balanced

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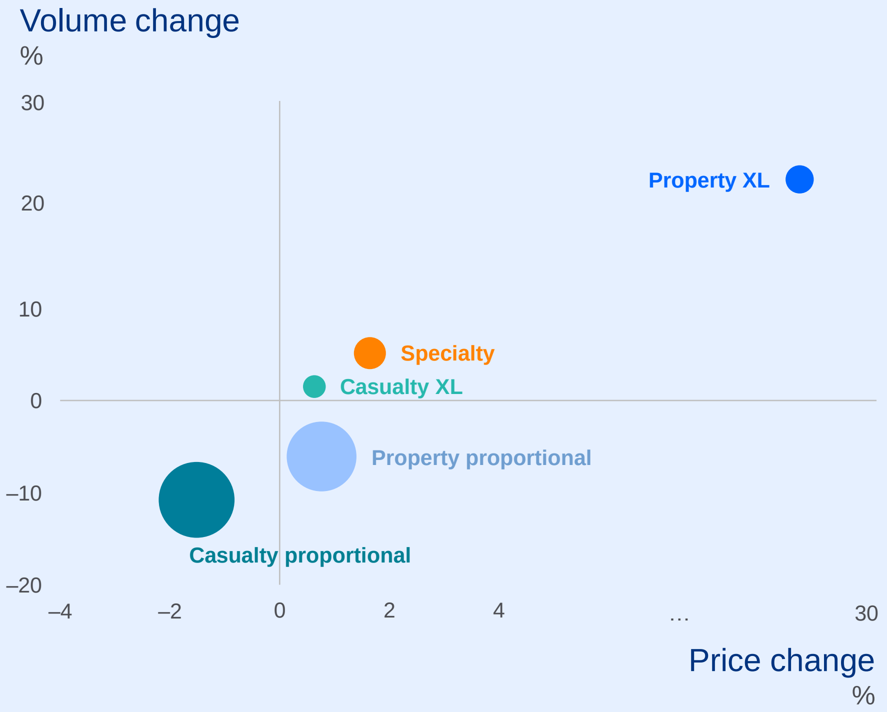

Property XL

Nat cat provides highly attractive margins

- Munich Re continues to have capacity within its overall risk appetite for cat business globally in a healthy pricing environment
- Strong growth with a material price improvement similar to those seen in January and April

Other lines of business

Higher inflation compensated

- Substantial nominal price increases protect margins of new business
- Reduction of proportional business with clients who fail to meet our requirements with respect to prices / terms and conditions

Bubble size reflects relative volume up for renewal.

2 Global Specialty Insurance optimally positioned to deliver on targets while helping to decrease volatility

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GUIDING PRINCIPLES

Efficient organisation

Capture economies of scale and expertise for GSI and Munich Re Group

Superior underwriting

Deliver underwriting/claims excellence to clients – advance data/analytics capabilities to drive better decision making, e.g. coordinated management of cat/cyber capacity

Focused innovation

Build for the future by investing in innovative technologies to enhance capabilities, processes and customer service, e.g. IoT sensor deployment

STRINGENCY

Comprehensive product, market and broker strategies

CONSISTENCY

Unified specialty insurance unit, operating as one company

MR Syndicate/ Aerospace 24%

American Modern 21%

MR Specialty Insurance 31%

Hartford Steam Boiler 24%

GSI premium share in 2022

AMBITION 2025

GSI to become a more powerful player in specialty insurance worldwide

Premium growth from €8bn (2022) to ~ €10bn

Based on IFRS 4

Combined ratio in the low 90s

Based on IFRS 4

3 Life and health reinsurance on a strong earnings trajectory beyond expectations

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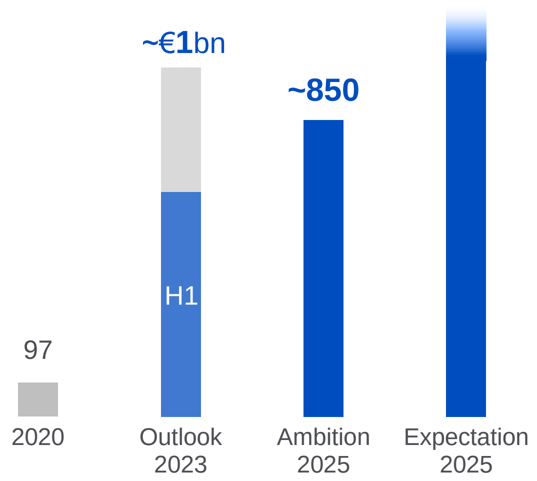
Total technical result[1]

€m



FinMoRe	Very positive business development beyond Ambition 2025 expectations driven by ongoing high demand
Biometric risk-transfer	Better-than-expected new business growth, especially in the US
Longevity	Leveraging the very pleasing development in line with strategy of cautious and gradual expansion in select countries
IFRS 17	Crystalising business profitability through earlier earnings recognition

1 Figures for 2020 and Ambition 2025 based on IFRS 4 technical result including fee income.

4 ERGO continues to deliver – Improving earnings contribution to Munich Re Group

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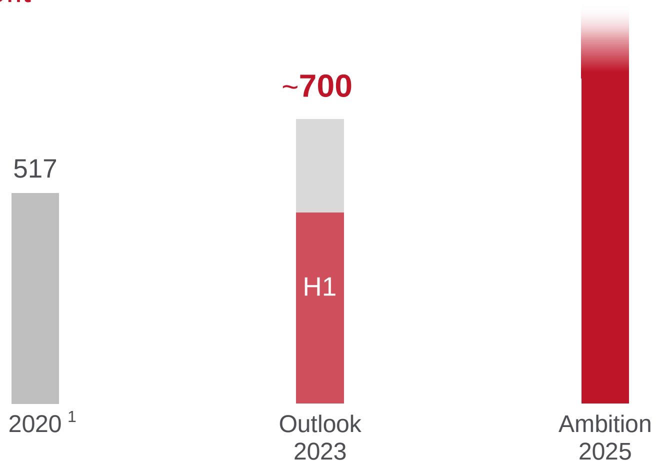
ERGO steadily increasing earnings based on strong underlying performance

Net profit

€m



Improving profitability relative to top peers

Above-average growth in major markets

Top products and customer experience

Becoming the digitally leading insurer

1 Based on IFRS4.

4 Ambition 2025 – ERGO well on track to improving profitability relative to top peers

Above-average growth in major markets

- Superior underwriting in p-c, e.g. combined ratio in commercial far better than market
- Increase of market share in life new book
- Business expansion supported by leading position in German supplementary health
- Leveraging market-leading positions in Europe, e.g. Belgium and Poland
- Expansion in Asian markets, e.g. leveraging top 2 position[1] in India

Top products and customer experience

Strong ratings for excellent product quality, e.g.

- Biometric life products
- Dental and long-term care products
- Retail p-c portfolio

- Further enhancing the hybrid-customer model …
- … to provide consistent omni-channel products and services

Becoming the digitally leading insurer

- Supporting acceleration of cross-border synergies by leveraging global technology services
- Spearheading comprehensive set of digital technologies

1 Among private p-c insurers.

Leveraging earnings power from our investment portfolio

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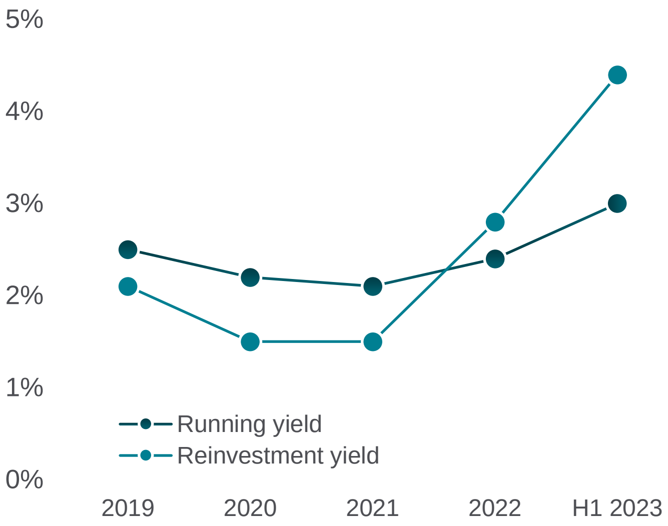
Higher interest rates increasing sustainable investment result

Fixed-income portfolio



Levers to further improve investment performance

- Seizing market opportunities within the tactical asset allocation, including active currency management
- Earning liquidity premium through continuous expansion of alternative investments
- Selecting best-in-class asset managers for specific asset classes and regions

ESG deeply embedded in our Ambition 2025 – Highlights

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Insurance

Green Tech Solutions[1]

Projects in the "Green Tech" space
>900

Countries with insured capacity
~80

Gigawatts in total
>55

Net Promoter Score (NPS): 60 (2020/21: 56)
Reinsurance client survey 2022 (as of June 2022, bi-annually)

Munich Re climate ambition unwavering despite discontinuation of our NZIA membership

Roll-out of strengthened guidelines with regard to biodiversity started

Member of the TNFD Forum

Investments

Rating coverage of liquid asset classes
>95%

ESG-focus investments[2]
€8.9bn

Emissions 2022[3]
–46%
(compared to base year 2019)

Active member of the Net-Zero Asset Owner Alliance

Strengthened guidelines with regards to biodiversity

Own operations

Decarbonisation achievement per employee[4]
approx. –22%
(compared to base year 2019)

Electricity purchased from renewable sources
90%

Employees with at least one training
>89%

Share of women in management
38.5%

Number of nationalities Munich Re Group
123

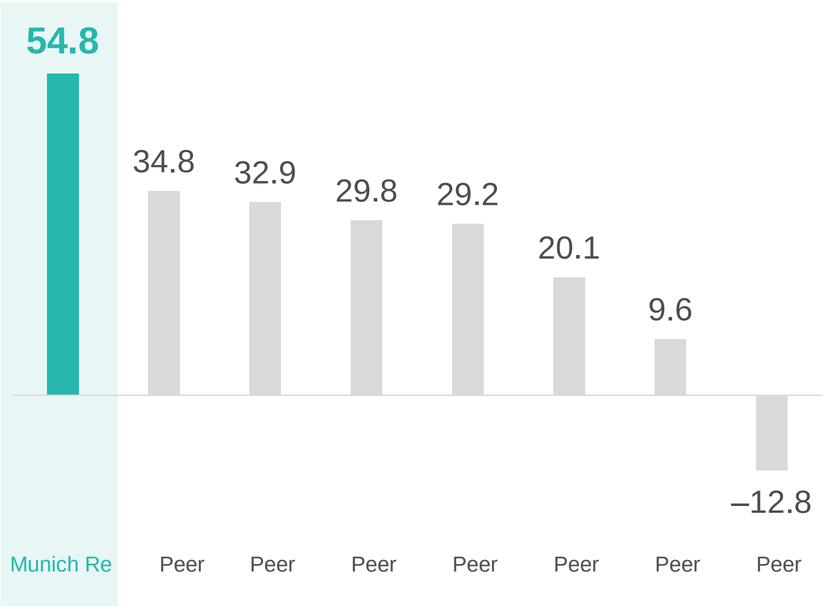
As at 31.12.2022 unless marked otherwise. 1 Cumulative figures 2009 to 31.12.2022. 2 Green bonds, renewables, certified real estate & certified forestry management. 3 From listed equities, corporate bonds and direct real estate investments. Reduction includes "external effects" – backswing is expected. 4 Reduction includes "corona-dip" – backswing is possible.

Our commitment to success – Leading total shareholder return (TSR)

Growth	Strong balance sheet – no constraints on deploying capital in hard market
Profitability	Leveraging diversification and superior underwriting
Capital repatriation	Shareholders participate via growing dividends and share buy-backs

TSR 1.1.2020 – 30.6.2023[1]

%



1 Source: Bloomberg. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.

Outlook 2023 – Well on track to achieve targets

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Group	Insurance revenue (gross) ~ €**58**bn	Net result ~ €**4.0**bn	Return on investment > **2.2**%	
ERGO	Insurance revenue (gross) ~ €**19**bn	Net result ~ €**0.7**bn	Combined ratio P-C Germany ~ **89**%	International ~ **90**%
Reinsurance	Insurance revenue (gross) ~ €**39**bn	Net result ~ €**3.3**bn	Combined ratio Property-casualty ~ **86**%	Total technical result Life and health ~ €**1.0**bn

Monstrous wave of new regulations makes Germany and Europe less attractive for global companies

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- Financial reporting
- Cyber security
- Sustainability/ESG
- Risk model
- Data privacy & digitalisation

ESRS
EU

Corporate Sustainability Reporting Directive
EU

Cyber security requirements for financial service companies
US

CPS 234 Information security
AUSTRALIA

ISSB
GLOBAL

Global minimum taxation
GLOBAL

Digital Operational Resilience Act
EU

Supervisory requirements for IT in insurance undertakings
GERMANY

EIOPA climate stress test
EU

IFRS 17
GLOBAL

Solvency II review
EU

Corporate Sustainability Due Diligence Directive
EU

Green Bond Standard
EU

Data Act
EU

EU taxonomy
EU

European Health Data Space
EU

Supply Chain Act
GERMANY

Artificial Intelligence Act
EU

… and many more

Image: John Seaton Callahan / Getty Images

New regulations lead to lasting high costs and jeopardize competitiveness

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Examples[1]	Solvency II Pillar 3 (EU)	IFRS (Global)	ESRS (EU) - ISSB (Global)
Initial application	2016	2023	2024
Contents	Extensive data requirements and additional reporting duties towards supervisory authorities and the public	New accounting standards IFRS 9 and IFRS 17 for reporting to investors	Massive expansion of ESG reporting, with 12 (currently planned) European and 2 international standards
Costs			
Implementation	**Low to mid three-digit-** million euro range	**Mid three-digit-** million euro range	**Low to mid three-digit-** million euro range (expected)
Ongoing add-on costs due to new regulations	Annual **mid double-digit** million euro range	Annual **mid double-digit** million euro range	Not yet assessable; expected to be similar in magnitude to SII or IFRS
Effects on the Company	High degree of system and process complexity	Substantially higher demands on staff, systems and processes	Extensive requirements for data collection and data provision processes

Benefits for affected parties should be at the heart of the regulations

Reporting standards should be focused and internationally harmonised

Redundant requirements should be eliminated
(e.g. HGB accounting for IFRS users)

1 Representative sampling of regulations; there are many others. Image John Seaton Callahan / Getty Images

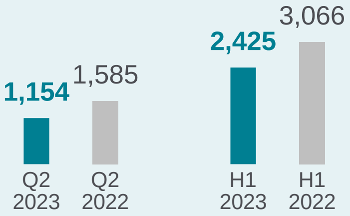
02 Group finance

After strong H1 results well on track to achieve FY targets

Elevated result in H1 2022 due to lower unwinding effects (IFIE) and lower major losses

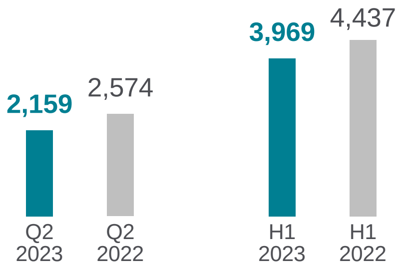
Net result

€m



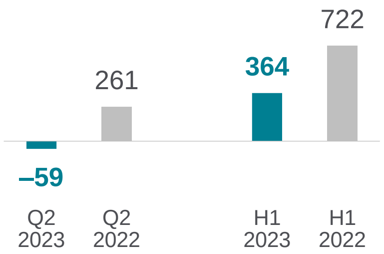
Total technical result

€m



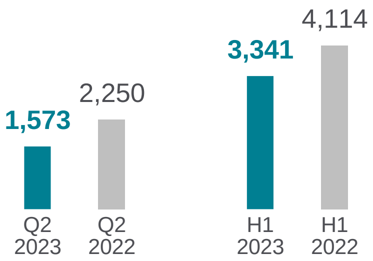
Net financial result

€m



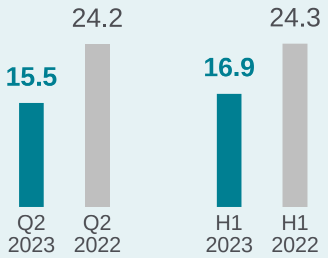
Operating result

€m



Return on equity[1]

%



RI net result Q2 (H1): €**904**m (€1,955m)

Sound operating performance in both segments, benign major losses in p-c, low RoI of 1.2%[1] due to disposal losses

Property-casualty: Combined ratio: 80.5% (83.5%) – major loss ratio: 9.3% (12.8%), reserve releases[2]: –5.0% (–5.0%) – net result: €578m (€1,338m)

Life and health: Total technical result: €325m (€644m) – net result: €326m (€617m)

July renewals: Risk-adjusted price change: +5.1%, premium change: –1.9%

ERGO net result Q2 (H1): €**250**m (€470m)

Strongly improved International business, ongoing sound CR in P-C Germany, low RoI in L&H Germany due to fair value changes

Life and Health Germany: Total technical result: €285m (€543m) – net result: €72m (€113m)

Property-casualty Germany: Combined ratio: 88.1% (84.7%) – net result: €62m (€229m)

International: Combined ratio: 88.1% (91.6%) – net result: €116m (€128m)

1 Annualised. 2 For prior-year basic losses.

Capital position

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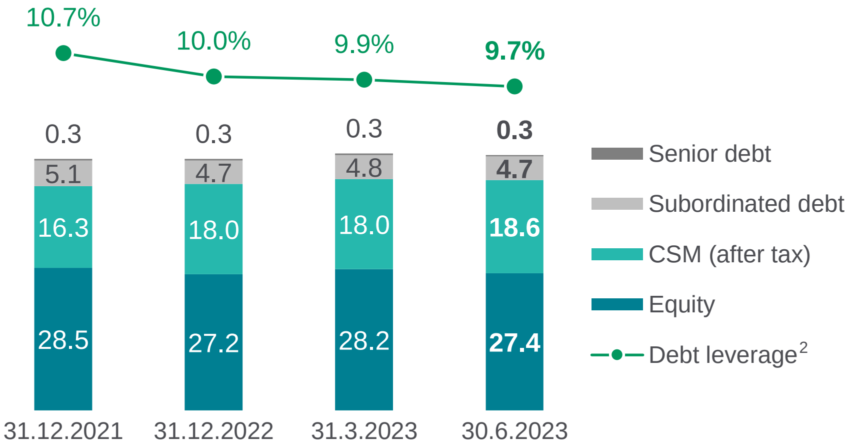
Equity

€m

		Change in Q2
Equity 31.12.2022	27,245	
Net result	2,425	1,154
Changes		
Dividend	–1,583	–1,583
Share buy-backs	–496	–123
Unrealised gains/losses	507	–242
Exchange rates	–285	–4
Other[1]	–376	52
Equity 30.6.2023	**27,436**	**–746**

Capitalisation

€bn



Change in unrealised gains/losses

	Q2	H1
Investments	**–€653**m	**€1,271**m
Insurance contracts	**€410**m	**–€764**m

Return on equity

	Q2	H1
Reinsurance	**14.9**%	**16.8**%
ERGO	**17.8**%	**17.3**%

Solvency II ratio

273%

1 Including IFRS 9 transition effect. 2 Strategic debt (bonds and notes issued, and subordinated debt) divided by total capital (strategic debt + equity + CSM after deferred tax).

Investments

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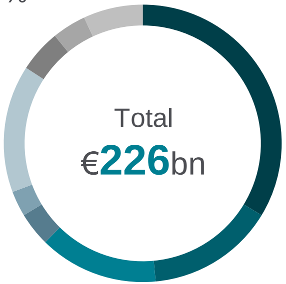
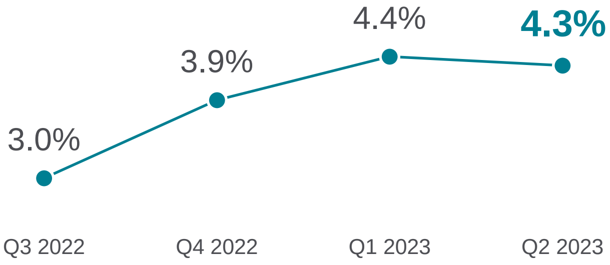
Investment portfolio[1]

%



Government/Semi-government bonds[2]	**34**	(34)
Covered bonds/mortgage loans	**15**	(15)
Corporate bonds	**14**	(14)
Emerging-market government bonds	**4**	(4)
ABS/MBS	**3**	(3)
Alternative investments	**15**	(15)
Equities[3]	**5**	(4)
Business-related participations	**4**	(4)
Cash	**7**	(8)

3-month reinvestment yield



Portfolio management in Q2

- Increase in equity exposure due to rising stock markets
- Increase in corporate bonds exposure …
- … and high interest rates benefit reinvestment yield

1 Management view – not fully comparable with IFRS figures, e.g. including real estate in own use and cash. Fair values as at 30.6.2023 (31.12.2022).
2 Developed markets. 3 Including derivatives: 3.4% (2.0%).

Investment result

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€m	Q2 2023	Return[1]	H1 2023	Return[1]	H1 2022	Return[1]
Regular income	1,763	3.3%	3,364	3.1%	3,167	2.7%
Write-ups/write-downs	–11	0.0%	–39	0.0%	–1,805	–1.5%
Change in expected credit loss (ECL)	11	0.0%	–27	0.0%	0	0.0%
Disposal gains/losses	–396	–0.7%	–229	–0.2%	1,661	1.4%
Fair value change	–610	–1.1%	–535	–0.5%	–2,157	–1.8%
Other income/expenses	–162	–0.3%	–326	–0.3%	–292	–0.2%
Investment result	**596**	**1.1%**	**2,208**	**2.0%**	**574**	**0.5%**

	Q2 2023			H1 2023		
	Fixed income	Equities	Other	Fixed income	Equities	Other
Write-ups/write-downs	0	0	–11	0	0	–39
Disposal gains/losses	–399	0	3	–588	0	358
Fair-value change	–456	64	–218	–502	316	–350

Figures for H1 2022 based on IAS 39 including overlay, not fully comparable with IFRS 9.
1 Annualised return on quarterly weighted investments (market values) in %.


xijian / iStockphoto / Getty Images

03 ERGO

ERGO Life and Health Germany

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Key messages

- Increase of total technical result in Q2 vs. Q1 driven by a higher contribution from PAA business (€51m)
- Net income in Q2 of €72m, H1 €113m – main contributor life back book, followed by health

Insurance revenue (gross)

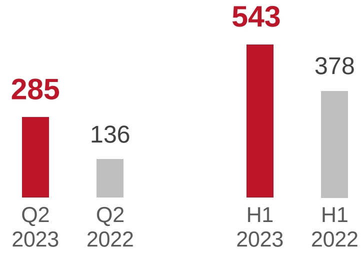
€m

H1 2022	4,637
Foreign exchange	–3
Divestments/investments	0
Organic change	282
H1 2023	**4,916**

- Increase in insurance revenues driven by travel, short- and long-term health and life

Total technical result

€m

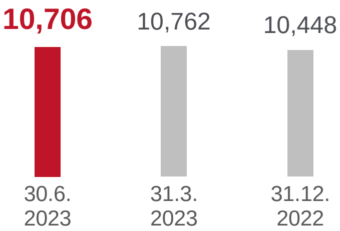


Strong Q2 total technical result driven by:

- CSM release in line with expectations
- Strong business growth and benign claims development in short-term health business (PAA)

Contractual service margin (CSM)[1]

€m



- Increase of CSM in H1 driven by high operating changes and contribution from profitable new business partially compensated for by high CSM release

1 Net of reinsurance.

ERGO Property-casualty Germany

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Key messages

- Exceptionally high total technical result in H1 driven by very low large losses and seasonally low acquisition costs
- Net result in H1 (€229m) significantly higher than H2 expectation; burden from acquisition costs in Q4

Insurance revenue (gross)

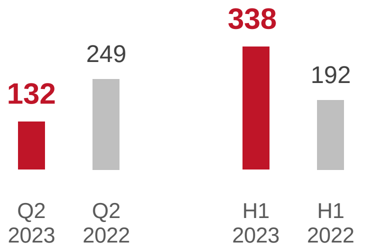
€m

H1 2022	2,096
Foreign exchange	–7
Divestments/investments	0
Organic change	157
H1 2023	**2,246**

- Good business development, mainly driven by motor, liability and others

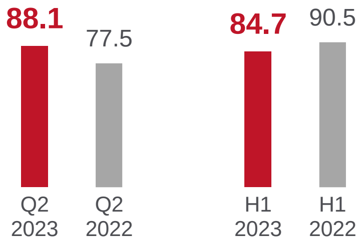
Total technical result

€m



Combined ratio

%



- Lower-than-expected man-made and nat cat major losses in Q2 and H1
- Low acquisition costs in Q1 to Q3 due to seasonality of new business; acquisition costs in Q4 significantly higher
- Higher-than-expected discount effect in CR (~3pp in H1) …
- … offset by prudent reflection of downside risks in basic loss ratio
- Q2 2023 discount effect of ~2.5pp
- Q2 2022 positively influenced by e.g. assumption changes

ERGO International

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Key messages

- Total technical result in Q2 supported by strong operating performance and benign large-loss development in P-C …
- … as well as CSM release at expected level, and release of claims reserves in life and health

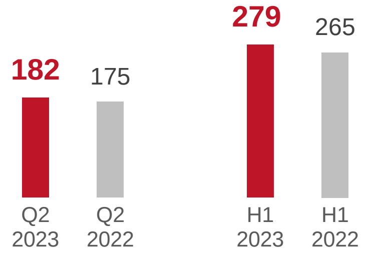
Insurance revenue (gross)

€m

- Increase from strong business development, mainly driven by Belgium Health and Poland P-C and full consolidation of ERGO Thailand

Total technical result

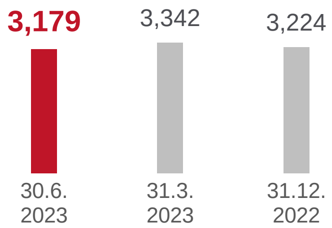
€m



- CR in H1 of 91.6% (91.0%); strong CR in Q2 of 88.1% (93.3%) due to:
  - Favourable basic-loss development
  - Benign large losses
- In Q2, good development in life and health from CSM release and experience adjustment (claims reserve release in Belgium Health of ~€30m)

Contractual service margin (CSM)[1]

€m



- Development in H1 mainly due to:
  - Profitable new business, ...
  - … overcompensated for by operating changes and CSM release

1 Net of reinsurance.

04 Reinsurance

Life and health reinsurance

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Key messages

- Strong total technical result above pro-rata guidance
- Pleasing new business development, especially in North America

Insurance revenue (gross)

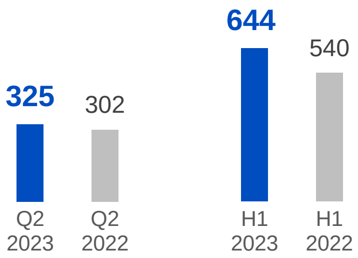
€m

H1 2022	5,579
Foreign exchange	–102
Divestments/investments	0
Organic change	–138
H1 2023	**5,340**

- Decline in Continental Europe and Asia, partly offset by growing revenue in North America and UK

Total technical result

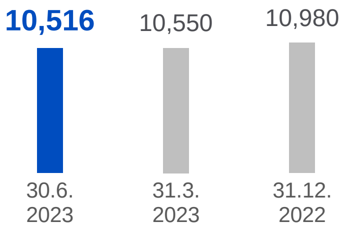
€m



- Release of CSM and RA in line with expectations
- Pleasing underlying result from insurance-related financial instruments, however, negatively affected by FX effects of –€119m in H1 2023

Contractual service margin (CSM)[1]

€m



- CSM from new contracts exceeds release through P&L
- Decline vs. year-end 2022 caused by a shift from CSM to RA, still representing future profits
- Negative FX impact in Q2 and H1

1 Net of reinsurance.

Property-casualty reinsurance

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Key messages

- Strong revenue growth of 9.1% vs. H1 2022
- Combined ratio of 80.5% in Q2 supported by below-average major losses
- Normalised combined ratio of 86.2% in Q2 in line with guidance

Insurance revenue (gross)

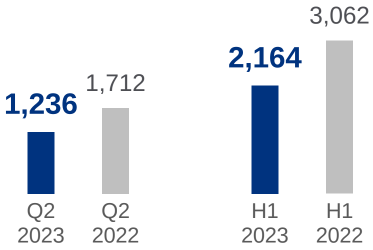
€m

H1 2022	12,096
Foreign exchange	–108
Divestments/investments	0
Organic change	1,204
H1 2023	**13,192**

- Proportional business: New business and primary rate increases more than compensate for non-renewed shares
- XL business: Significant growth in nat cat at increased prices
- Global Specialty Insurance: Substantial growth across all units

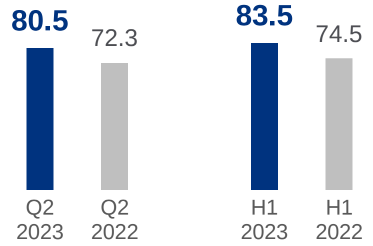
Total technical result

€m



Combined ratio

%



- Good CR in Q2/H1 2023, elevated vs. previous year due to higher major losses, lower release of loss component, and additional consideration of reserve uncertainty
- Current interest rates contributing to discounting effects in combined ratio of ~8pp in Q2
- Higher-than-expected discount benefit used to cater for claims uncertainty in basic losses

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. The Group assumes no liability to update these forward-looking statements or to make them conform to future events or developments. Due to rounding, there may be minor deviations in summations and in the calculation of percentages in this presentation. Figures for FY 2022 are based on IFRS 17 and IAS 39 including overlay approach.