Munich Re Group

Quarterly statement as at 31 March 2023

17 May 2023

Christoph Jurecka (CFO)

Munich RE

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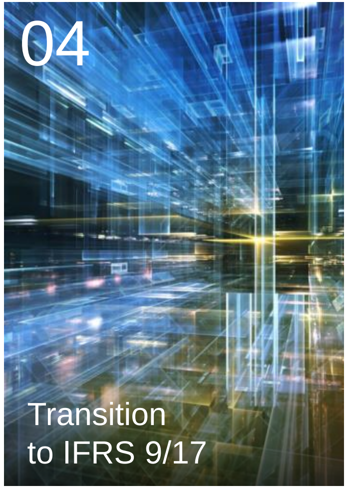
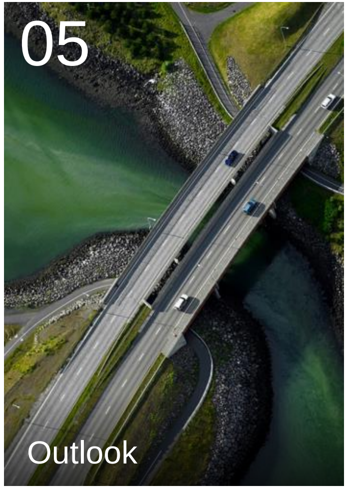
Quarterly statement as at 31 March 2023

Agenda





01

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Good start to the year with earnings above pro-rata guidance

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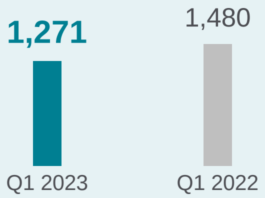
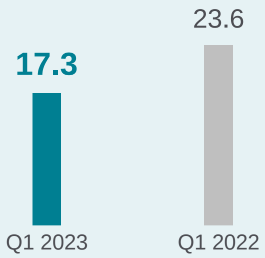
Elevated result in prior-year quarter result due to lower major losses and FX

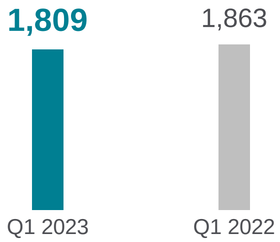
Net result
€m



Return on equity[1]
%

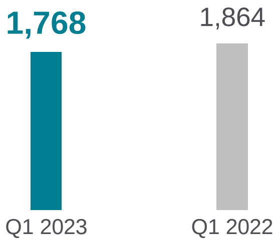


Total technical result
€m



Net financial result
€m

Operating result
€m



Reinsurance (net result: **€1,051**m)

Strong investment result (RoI 3.8%[1]) and sound operating performance in both segments; above-average major losses

Property-casualty: Combined ratio: 86.5% (77.0%) – major-loss ratio: 16.4% (11.1%), reserve releases[2]: –5.0% (–5.3%) – net result: €760m (€958m)

Life and health: Total technical result: €320m (€238m) – net result: €291m (€367m)

April renewals: Risk-adjusted price change: ~ +4.7%, premium change: +11.1%

ERGO (net result: **€219**m)

High contribution from P&C Germany; P&C international impacted by large losses; L/H Germany burdened by expenses

Life and Health Germany: Total technical result: €258m (€243m) – net result: €41m (€137m)

Property-casualty Germany: Combined ratio: 81.2% (106.3%) – net result: €166m (–€64m)

International: Combined ratio: 95.4% (88.7%) – net result: €12m (€84m)

1 Annualised. 2 For prior-year basic losses.

Capital position

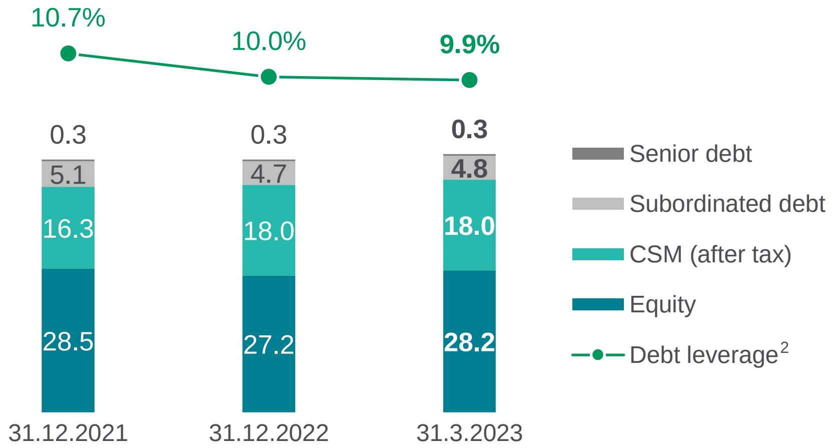
Equity

€m

Equity 31.12.2022	27,245
Net result	1,271
Changes	
Dividend	0
Share buy-backs	–373
Unrealised gains/losses	749
Exchange rates	–281
Other[1]	–428
Equity 31.3.2023	**28,182**

Capitalisation

€bn



Change in unrealised gains/losses

Investments	**€1,923**m
Insurance contracts	**–€1,174**m

Return on equity

Reinsurance	**17.8**%
ERGO	**15.4**%

Solvency II ratio

254%

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 tax).

Investments

Q1 2023

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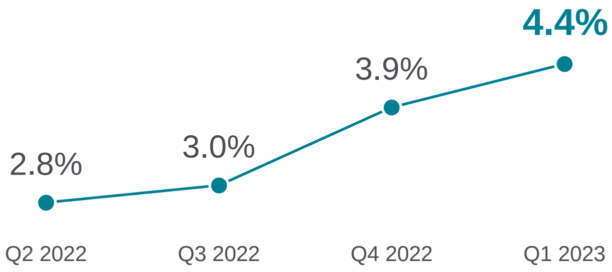
Investment portfolio[1]

%

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]	4 (4)
Business-related participations	4 (4)
Cash	7 (8)

3-month reinvestment yield



Portfolio management

- Further expansion of illiquid investments
- Increase of equity exposure including derivatives due to rising stock markets
- Reinvestment yield benefits from investments in high-yield corporate bonds and emerging-market bonds

1 Management view – not fully comparable with IFRS figures, e.g. including real estate in own use and cash. Fair values as at 31.3.2023 (31.12.2022).
2 Developed markets. 3 Including derivatives: 3.3% (2.0%).

Investment result

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€m	Q1 2023	Return[1]	Q1 2022	Return[1]
Regular income	1,601	3.0%	1,415	2.3%
Write-ups/write-downs	–28	–0.1%	–1,031	–1.7%
Change in expected credit loss (ECL)	–38	–0.1%	0	0.0%
Disposal gains/losses	166	0.3%	936	1.5%
Fair-value change	74	0.1%	–926	–1.5%
Other income/expenses	–164	–0.3%	–136	–0.2%
Investment result	**1,612**	**3.0%**	**258**	**0.4%**

	Fixed income (Q1 2023)	Equities (Q1 2023)	Other (Q1 2023)	Fixed income (Q1 2022)	Equities (Q1 2022)	Other (Q1 2022)
Write-ups/write-downs	0	0	–28	–698	–310	–22
Disposal gains/losses	–189	0	355	409	506	20
Fair-value change	–46	252	–131	–1,333	207	200

Figures for Q1 2022 based on IAS 39 including overlay, not fully comparable with IFRS 9.
1 Annualised return on quarterly weighted investments (market values) in %.

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02 ERGO

ERGO Life and Health Germany

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Key messages

- Higher CSM compared to prior year leads to higher absolute release of CSM and accordingly a higher total technical result
- Net income (€41m) burdened by non-directly attributable expenses in life new book

Insurance revenue (gross)

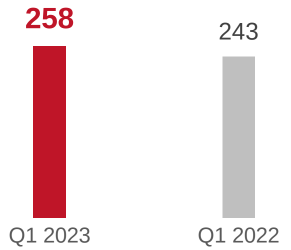
€m

Q1 2022	2,360
Foreign exchange	–2
Divestments/investments	0
Organic change	204
Q1 2023	**2,562**

- Increase of insurance revenues from life, short- and long-term health insurance, and travel

Total technical result

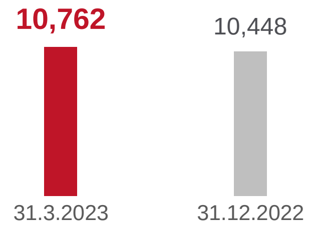
€m



- Total technical result mainly reflects release of CSM and risk adjustment in life and long-term health
- Short-term business (PAA) contribution of €39m to total technical result

Contractual service margin (CSM)[1]

€m



- Contribution from new contracts smaller than CSM release due to
  - Run-off of life back book
  - Strategic shift of new health business into short-term contracts (PAA)
- Increase of CSM mainly driven by operational changes in life

1 Net of reinsurance.

ERGO Property-casualty Germany

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Key messages

- Strong total technical result driven by very low large losses and low acquisition costs due to seasonality of new business
- Very high net result also driven by investment result

Insurance revenue (gross)

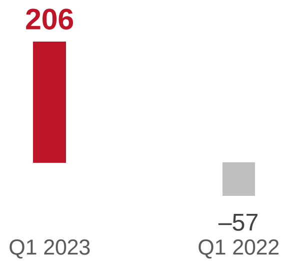
€m

Q1 2022	953
Foreign exchange	–4
Divestments/investments	0
Organic change	168
Q1 2023	**1,117**

- High increase mainly driven by motor, legal protection, liability, and personal accident, expected to level out in the remainder of the year

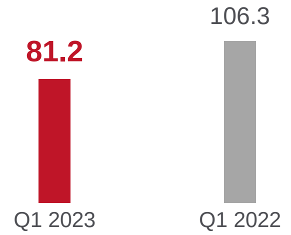
Total technical result

€m



Combined ratio

%



High total technical result and low combined ratio in Q1 2023 especially driven by

- Significantly lower-than-expected major man-made and nat cat losses
- Strong operating performance
- Low acquisition costs due to seasonality of new business for PAA business

- Discount effect in CR of ~4pp
- Q1 2022 significantly burdened by large losses

ERGO International

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Key messages

- Total technical result in P-C mainly burdened mainly by large losses in Poland
- Total technical result of L/H in line with expectation; CSM release dominated by Belgium Life and Health

Insurance revenue (gross)

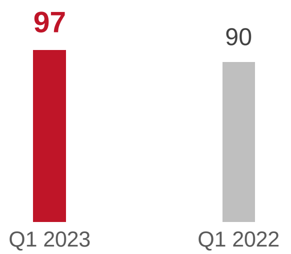
€m

Q1 2022	1,292
Foreign exchange	–9
Divestments/investments	42
Organic change	38
Q1 2023	**1,362**

- Good organic growth in life and health
- Thai entity fully consolidated (€48m)
- Lower revenues from legal protection

Total technical result

€m

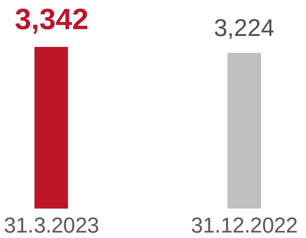


Combined ratio at Q1 of 95.4% (88.7%) impacted by:

- Large losses in Poland (intra-group reinsurance relief consolidated in IFRS; ~2pp)
- Elevated claims in legal protection
- Seasonality effect in Spain

Contractual service margin (CSM)[1]

€m



- Increase mainly driven by operating changes, mostly from Belgian health business(inflation assumptions)
- CSM release in line with expectations

1 Net of reinsurance.

03 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)

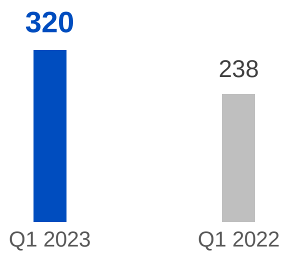
€m

Q1 2022	2,913
Foreign exchange	7
Divestments/investments	0
Organic change	–186
Q1 2023	**2,734**

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

Total technical result

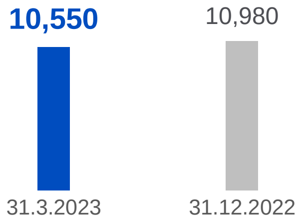
€m



- Release of CSM and RA in line with expectations
- FinMoRe business performing well, yet negative FX effects of ~€66m, reflected in the result from insurance-related financial instruments

Contractual service margin (CSM)[1]

€m



- Decline caused by a shift from CSM to RA, still representing future profits
- CSM from new contracts exceeds release through P&L

1 Net of reinsurance.

Property-casualty reinsurance

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Key messages

- Strong revenue growth of 13.1% vs. Q1 2022
- Combined ratio of 86.5% largely in line with guidance despite elevated major losses
- Normalised combined ratio (85.1%) better than guidance allows to use higher-than-expected discount benefit to cater for claims uncertainty in basic losses

Insurance revenue (gross)

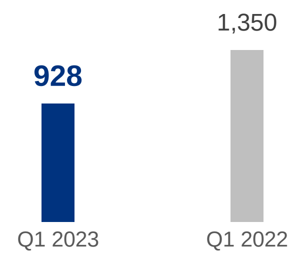
€m

Q1 2022	5,743
Foreign exchange	108
Divestments/investments	0
Organic change	646
Q1 2023	**6,498**

- 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

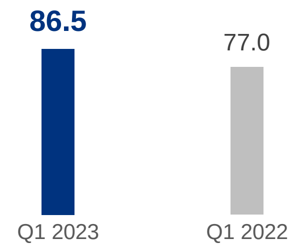
Total technical result

€m



Combined ratio

%



- Increased combined ratio driven by higher major loss ratio of 16.4% (Q1 2022: 11.1%)
- Earthquake in Turkey single biggest event …
- … contributing to elevated discounting effects in combined ratio of ~8pp…
- … offset by prudent reflection of claims risks in basic loss ratio
- Release of loss component of –1.1% (Q1 2022: –3.2%)
- Pleasing normalised combined ratio of 85.1%

April renewals – Continued trend of profitable growth with sizeable improvements in terms and conditions

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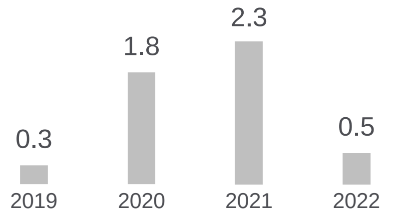
Renewals 2019–2022

%

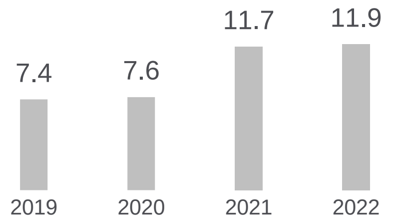
Price change



1.4%	**3.0%**	**2.4%**	**–0.1%**

April only

Volume change



10.3%	**25.7%**	**17.1%**	**7.6%**

April only

April renewals 2023[1]

+4.7%

Optimistic about July renewals

+11.1%

Well positioned for further business growth

Higher risk-adjusted pricing

- Individual price changes by line of business at a stable portfolio composition amount to 3.9% – additional price increase of 0.8pp due to changed portfolio mix with a higher share of property XL business
- Conservative inflation and other loss-trend assumptions (e.g. nat cat modelling) fully reflected in risk-adjusted price change

Improved portfolio quality

- Material improvement in terms and conditions (e.g. hours clauses, exclusions and clearer coverage definitions) in addition to higher attachment points and distinct pricing of covered perils, making portfolio more robust, though not fully reflected in numbers
- Market discipline allowes typical soft market features to be eliminated and many reinsurance programmes to be restructured favourably for reinsurers

1 Price change is fully risk-adjusted, considering most recent inflation and loss-trend assumptions.

04 Transition to IFRS 9/17

Net result

Outlook 2023 vs. FY 2022

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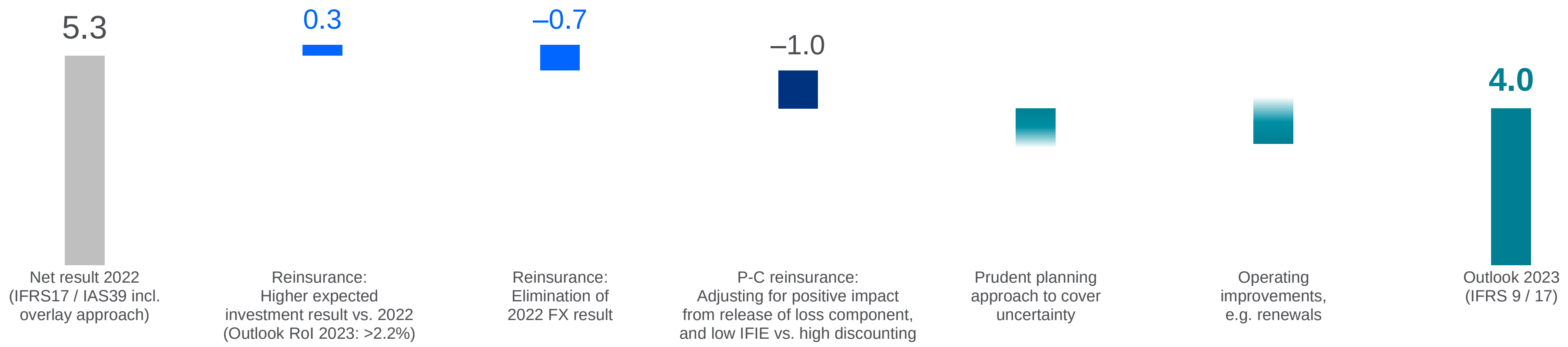
€bn (after tax)



Reinsurance	FY 2022	Outlook 2023	
Life and health: Total technical result	**€1.0**bn	~**€1.0**bn	Unchanged guidance for 2023 vs. 2022 actual, including some elements of prudence
Property-casualty: Combined ratio	**83.2**%	~**86**%	Outlook 2023 includes operating improvements vs. normalised combined ratio of 86.6% in 2022, but also prudent assumptions

05 Outlook

Outlook 2023

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

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