

## Quarterly Statement: Munich Re raises annual guidance; quarterly result increases to nearly €1.2bn

- Consistently strong performance across all segments yields net result of €1,169m (1,102m) in Q3
- Major-loss expenditure in property-casualty reinsurance slightly below average; life and health reinsurance once again delivers total technical result exceeding the pro-rata guidance
- ERGO contributes €173m to Group Q3 result
- Munich Re raises annual guidance to €4.5bn for its net result



“Munich Re’s outstanding business performance continued seamlessly in the third quarter. Unlike last year, we benefited from a comparatively mild hurricane season in the North Atlantic. Accordingly, major-loss expenditure in property-casualty reinsurance was lower than expected, despite various other natural catastrophes. Strong performance in our other operating segments rounded out the positive results. Ultimately, we can report a net result of nearly €1.2bn for the third quarter and €3.6bn for the first nine months of the year. We are confident that we will surpass our previous annual target of €4.0bn and have raised the guidance to €4.5bn.”

Christoph Jurecka, CFO

### Summary of Q3 figures

Since 1 January 2023, Munich Re has been preparing and communicating financial data in accordance with two new financial reporting standards: IFRS 9 and IFRS 17.<sup>1</sup>

<sup>1</sup> Comparative figures from the previous year for the insurance business are already presented on the basis of the new standard (IFRS 17). The previous year’s figures for financial instruments are predominantly still based on IAS 39, the standard applicable up to 31 December 2022. For that reason, they are only comparable to a limited extent with the figures for the first nine months 2023 disclosed in accordance with IFRS 9. In part, however, these transitional effects have already been accounted for (notably by applying the classification overlay approach to business with direct participation features in ERGO life and health insurance).

Munich Re generated a net result of €1,169m (1,102m) in Q3 2023, and €3,593m (4,168m) in the first three quarters. Consequently, Munich Re closed a third consecutive quarter with a net result surpassing the pro-rata guidance. Insurance revenue from insurance contracts issued dropped slightly year on year to €14,460m (14,643m) in Q3; for Q1–3, the figure increased to €42,908m (41,676m). The total technical result climbed to €2,221m (1,729m) in Q3 and the investment result rose to €760m (691m). The currency result was €309m (568m), in particular owing to exchange gains against the US dollar. The operating result rose to €1,776m (1,343m) and the effective tax rate was 32.6% (15.1%).

Equity was slightly higher at the reporting date (€27,647m) than at the start of the year (€27,245m). The solvency ratio was approximately 271% (260% as at 31 December 2022), which is considerably above the optimum range (175–220%).

In Q3 2023, annualised return on equity (RoE) amounted to 15.8% (16.4%); the RoE for Q1–3 was 16.5% (21.6%) – with both figures at the upper end of the RoE target range of 14 to 16% specified in the Ambition 2025 strategy programme.

## Reinsurance: Result of €995m

The reinsurance field of business contributed €995m (851m) to the Group's net result in Q3; the Q1–3 result was €2,950m (3,614m). Insurance revenue from insurance contracts issued declined to €9,456m (10,052m) in Q3. The total technical result rose to €1,626m (1,183m), while the operating result rose to €1,495m (1,012m).

Life and health reinsurance generated a total technical result of €440m (393m) in Q3. The contribution to the net result from the release of the contractual service margin was in line with expectations. Strong growth in new business more than offset the amount released. The net result declined to €351m (542m) year on year, the result in Q3 2022 having been driven by substantial currency gains. Insurance revenue from insurance contracts issued declined to €2,610m (2,800m) due to currency translation effects.

Property-casualty reinsurance generated a net result of €644m (309m) in Q3. Insurance revenue from insurance contracts issued declined year on year to €6,845m (7,252m), owing in particular to a one-off effect in Q3 2022. The combined ratio amounted to 82.0% (88.9%) of insurance revenue (net) for Q3 and 83.0% (79.9%) for Q1–3. The normalised combined ratio was 85.5% in Q3.

Major-loss expenditure declined year on year to €770m (2,134m), the previous year having been particularly affected by Hurricane Ian. These figures include gains and losses from the run-off of major losses from previous years. Major-loss expenditure corresponded to 11.7% (30.8%) of insurance revenue (net), and was thus below the

long-term average expected value of 14%, both for Q3 and for Q1–3 (12.5%). Man-made major losses fell to €235m (460m), while major losses from natural catastrophes dropped to €535m (1,675m). These major loss figures take account of the effects from discounting and risk adjustment. The costliest natural catastrophe for Munich Re in Q3 was the wildfire on Maui (Hawaii), with losses amounting to some €200m (nominal value).

In Q3, reserves of €333m (330m) were released for basic losses from prior years, corresponding to 5.1% (4.8%) of insurance revenue (net). 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.

### ERGO: Result of €173m

Munich Re generated a profit of €173m (251m) in its ERGO field of business in Q3 and €643m (554m) in Q1–3. Insurance revenue from insurance contracts issued rose substantially to €5,004m (4,591m) in Q3; in Q1–3, the figure increased to €14,920m (13,949m).

ERGO International generated a very good net result of €90m (–73m) in Q3. This was due in part to favourable claims development, despite natural catastrophe losses in Greece. In addition, continued growth in among others international health and Polish property business, together with a release of the contractual service margin in line with expectations, contributed to ERGO's performance.

ERGO Life and Health Germany generated a net result of €52m (221m) in Q3, driven in part by a release of the contractual service margin from long-term personal lines insurance that was in keeping with expectations. In addition, short-term health business and travel business boosted the result. The result in Q3 2022 had benefited from one-off effects.

The ERGO Property-casualty Germany segment contributed €31m (103m) to the Q3 net result. Strong operational performance was negatively offset by natural catastrophe losses and a weak investment result. Q3 2022 had been shaped by favourable major claims experience.

The total technical result for the field of business rose to €595m (546m) in Q3, while the operating result amounted to €281m (332m). In Property-casualty Germany, the combined ratio was a pleasing 88.2% (80.6%), despite high natural catastrophe losses, and was 85.8% (87.2%) for Q1–3. In the ERGO International segment, the ratio fell

considerably to 87.9% (114.8%) in Q3 thanks to favourable developments in claims and costs. The ratio for Q1–3 was 90.3% (97.2%).

### Investments: Investment result of €760m

Munich Re's investment result increased to €760m (691m) in Q3. Regular income from investments climbed to €1,797m (1,551m), primarily due to the continued rise in interest rates. The balance from write-ups and write-downs was –€26m (–832m) and the balance from gains and losses on the disposal of investments came to –€196m (729m). The fair value change was –€579m (–596m). The above-mentioned losses from the disposal of investments chiefly concerned fixed-interest securities, which were sold for the purpose of reinvesting and thus more quickly benefiting from the higher interest rates currently available.

Overall, the Q3 investment result represented a return of 1.4% on the average market value of the portfolio. The running yield was 3.3% and the yield on reinvestment was 4.5%. As at 30 September 2023, the equity-backing ratio including equity-linked derivatives amounted to 3.2% (2.0% as at 31 December 2022). The investment portfolio totalled €209,957m (207,965m) as at 30 September 2023.

### Outlook for 2023: Annual profit expectation raised

Munich Re is well positioned to surpass the previous annual target of €4bn. Accordingly, it has now raised the annual guidance for its 2023 net result to €4.5bn.

In the reinsurance field of business, Munich Re now anticipates a profit of around €3.8bn (previously around €3.3bn) and, due to currency effects, insurance revenue of around €38bn (previously around €39bn) for the 2023 financial year. In life and health reinsurance, a total technical result of around €1.4bn (previously around €1.0bn) is expected. In property-casualty reinsurance, Munich Re is anticipating a combined ratio (net) of 85% (previously 86%). In the ERGO field of business, insurance revenue is projected to be around €20bn (previously around €19bn). All other expectations for 2023 remain unchanged compared with the figures presented in the 2023 Half-Year Financial Report published in August.

All projections and targets are subject to increased uncertainties stemming from geopolitical and macroeconomic developments. Further, they are contingent on major losses remaining within normal bounds, and on 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

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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