



Munich Re Group

Half-year financial report as at 30 June 2024

8 August 2024

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Tampatra / stock.adobe.com

01

Munich Re

After strong results in H1 2024, Munich Re well on track to achieve full-year targets



Highly profitable
reinsurance
segments

Net result
€3,227m

Return on equity
24.9%



Very pleasing
ERGO earnings

Net result
€535m

Return on equity
21.3%



Strong financial
performance of
Munich Re Group

Net result
€3.8bn



Outlook 2024
~€5.0bn

Return on equity
24.3%



Ambition 2025
14–16%

Increasing earnings contribution from less cyclical and less volatile business segments

Core P-C reinsurance

Prolonged cycle supports profitable business growth

01

Leveraging the cycle, while earnings are prone to major losses

Global Specialty Insurance (GSI)

Already accounting for ~30% of P-C RI revenues

02

Fast-growing business in attractive, less cyclical specialty insurance

Life & health reinsurance

Strong earnings trajectory beyond expectations

03

Steadily growing, reliable earnings contributors – net income fully funds dividend payouts

ERGO

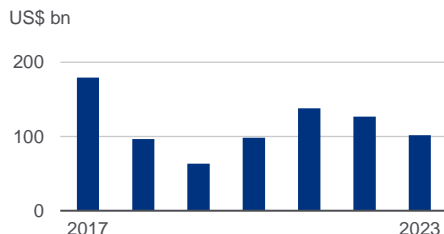
Achieving targets with impressive consistency

04

Core P-C reinsurance

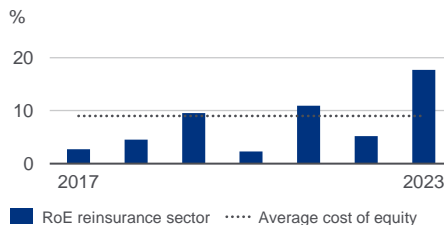
Persistently favourable market conditions

Global insured nat cat losses on the rise¹



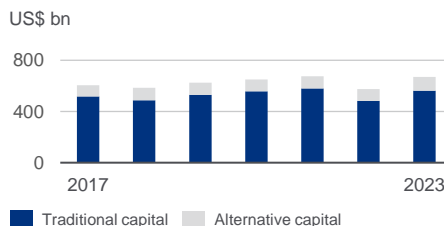
- Losses above US\$100bn seem to be the “new normal”
- H1 2024 losses of US\$ 62bn almost 70% above 10-year average⁴
- Risk-adequate rates needed to compensate for increasing loss trends

Sector RoE below CoE in 4 out of the last 7 years²



- While the reinsurance sector posted particularly strong returns in 2023 ...
- ... as cedents, reinsurers need to sustainably earn cost of capital

Supply and demand in equilibrium³



- Alternative capital: limited net inflow, price discipline prevails
- Traditional: no material new capital, firm t&c remain key

Increasing demand due to exposure inflation and original business growth supports largely stable rates in 2024 renewals, while continued underwriting discipline allows capital suppliers to earn appropriate margins over a cycle

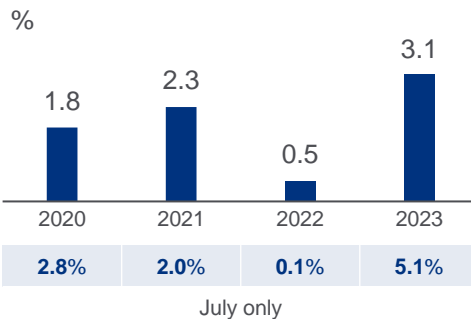
July renewals

Prolonged cycle makes it possible to maintain high profitability

Price change¹



Renewals 2020–2023

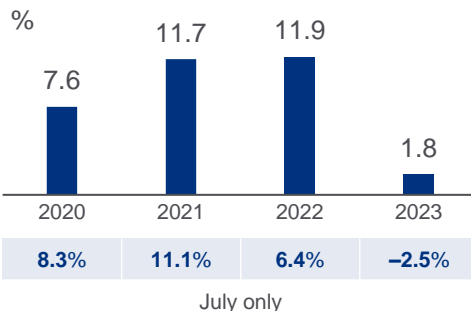


July renewals 2024

+0.6%

Focus on profitable business

Volume change²



-5.4%

Portfolio optimisation and selective growth

Portfolio optimisation and selective growth

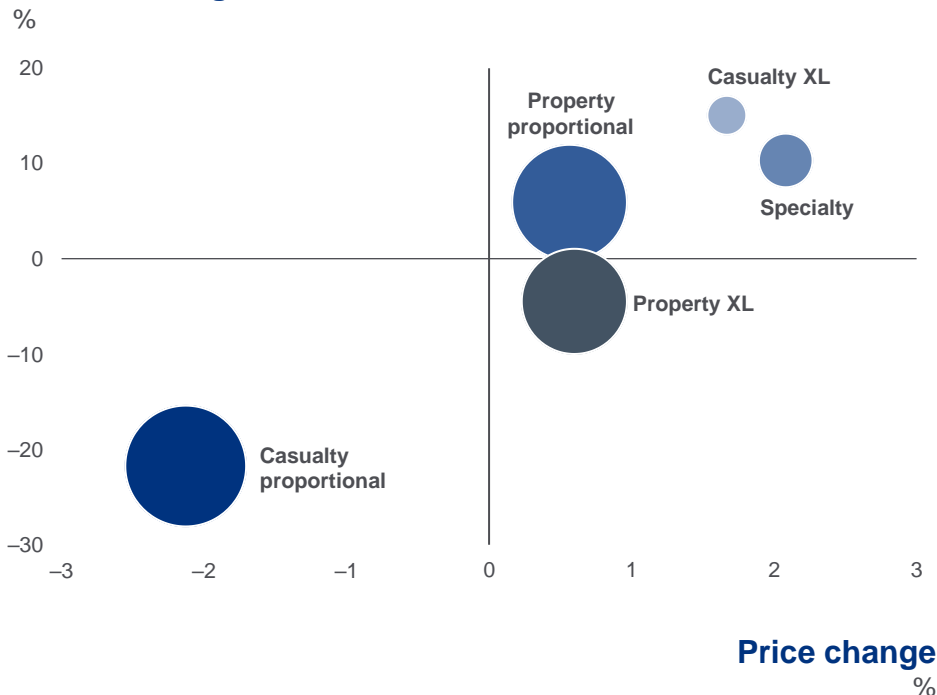
- Another good renewal in an ongoing attractive market environment – strong pricing improvements of past years preserved
- Portfolio quality maintained by defending achieved improvements of terms and conditions (including higher attachment points) or implementing further risk-mitigating measures
- Diligent portfolio management safeguards an optimal risk-reward – volume decline of 5.4% due to significant reduction of proportional casualty business, partly offset by selective growth in other lines
- Excluding these portfolio mix effects, price change amounts to -0.5%

¹ Price change is fully risk-adjusted, accounting for most recent inflation and loss trend assumptions. Calculation based on gross written premium (IFRS 4) until 2023. From 2024 onwards, calculation of price change based on insurance revenue (IFRS 17), i.e. premiums are adjusted for ceding commissions, which leads to shifts in portfolio weights (stronger weighting of non-proportional business) and a smaller denominator. ² Volume change still based on GWP.

July renewals

Strong capacity supports portfolio optimisation

Volume change



Bubble size reflects relative volume up for renewal.

Property XL

Munich Re continues to have capacity within its overall risk appetite for nat cat business, which provides very attractive margins – leveraging our strong balance sheet while benefiting from strong partnerships, but also giving up business where appropriate

Property proportional

Business growth from participation in rate increases in original markets and new business

Casualty proportional

Significant premium reduction in D&O, general liability, cyber etc., with clients who fail to meet our requirements with respect to prices/terms and conditions – in general, rate increases not sufficient to cover elevated claims inflation

Other lines of business

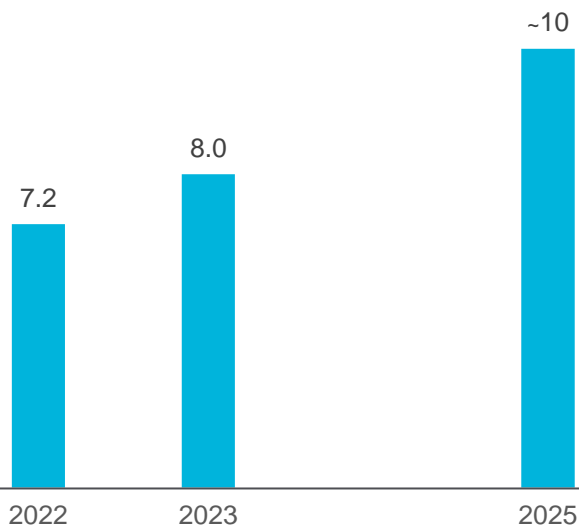
Specialty lines remain highly profitable, development of casualty XL driven by few individual treaties

Global Specialty Insurance

Growth in relatively less volatile and cycle-prone specialty business

Insurance revenue

€bn



Ambition



GSI to become a more powerful player in specialty insurance worldwide

Growth



Pleasing growth across all units

Profitability



Combined ratio target in the low 90s¹

Increasing importance



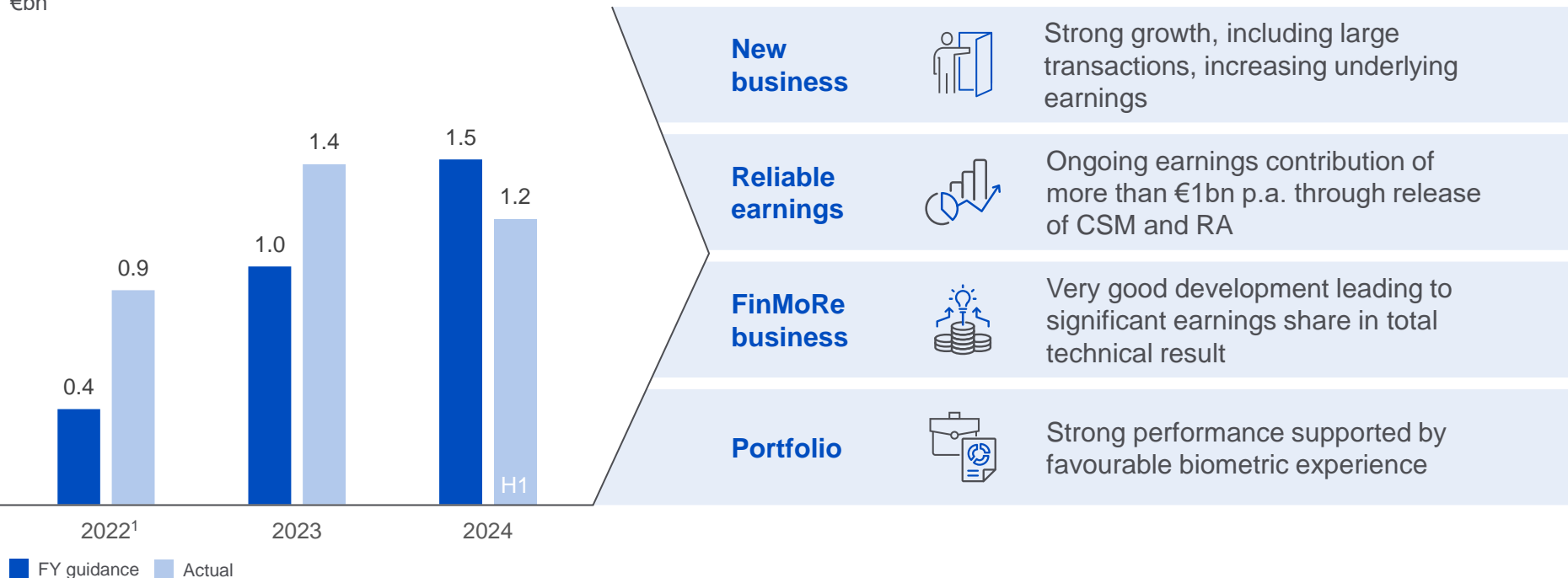
Financial reporting as separate segment from 2025

Life and health reinsurance

Very positive development beyond expectations

Total technical result

€bn



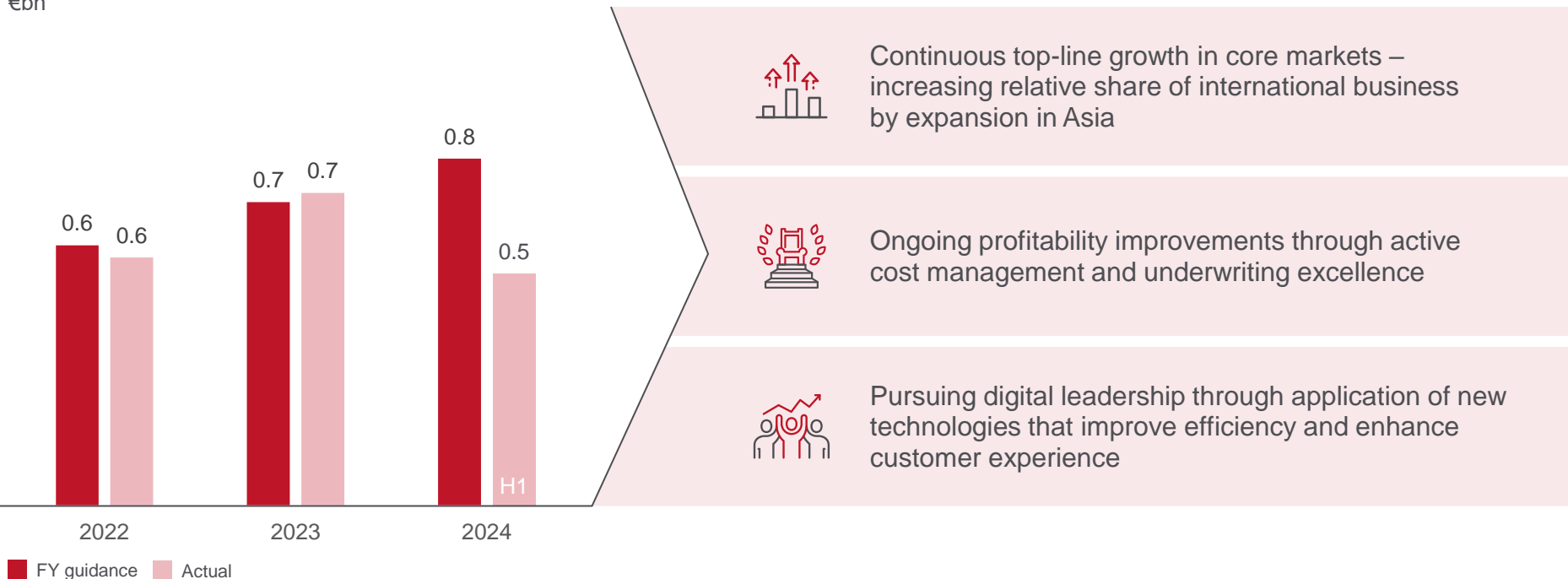
¹ Technical result including fee income based on IFRS 4.

ERGO

Steadily increasing earnings based on healthy underlying performance

Net result

€bn

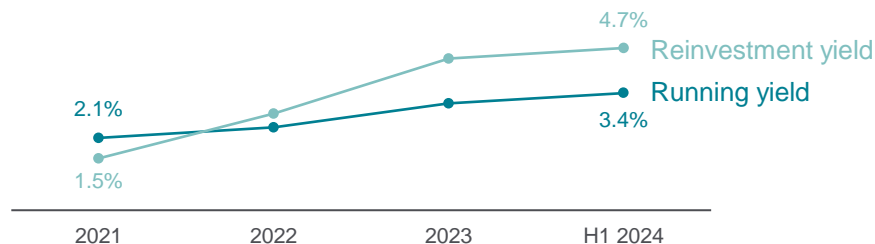


Increasing sustainable investment result

Based on higher interest rates and active investment management

Beneficial market environment

Yield of fixed-income portfolio benefits from higher interest rates



Active investment management



Well-constructed portfolio of alternative assets proves to be very resilient, even in an environment of rising interest rates



Tactical allocations make use of opportunities across different markets and currencies



Best-in-class global asset managers bring in-depth expertise and diversification for asset selection

Running yield expected to increase further

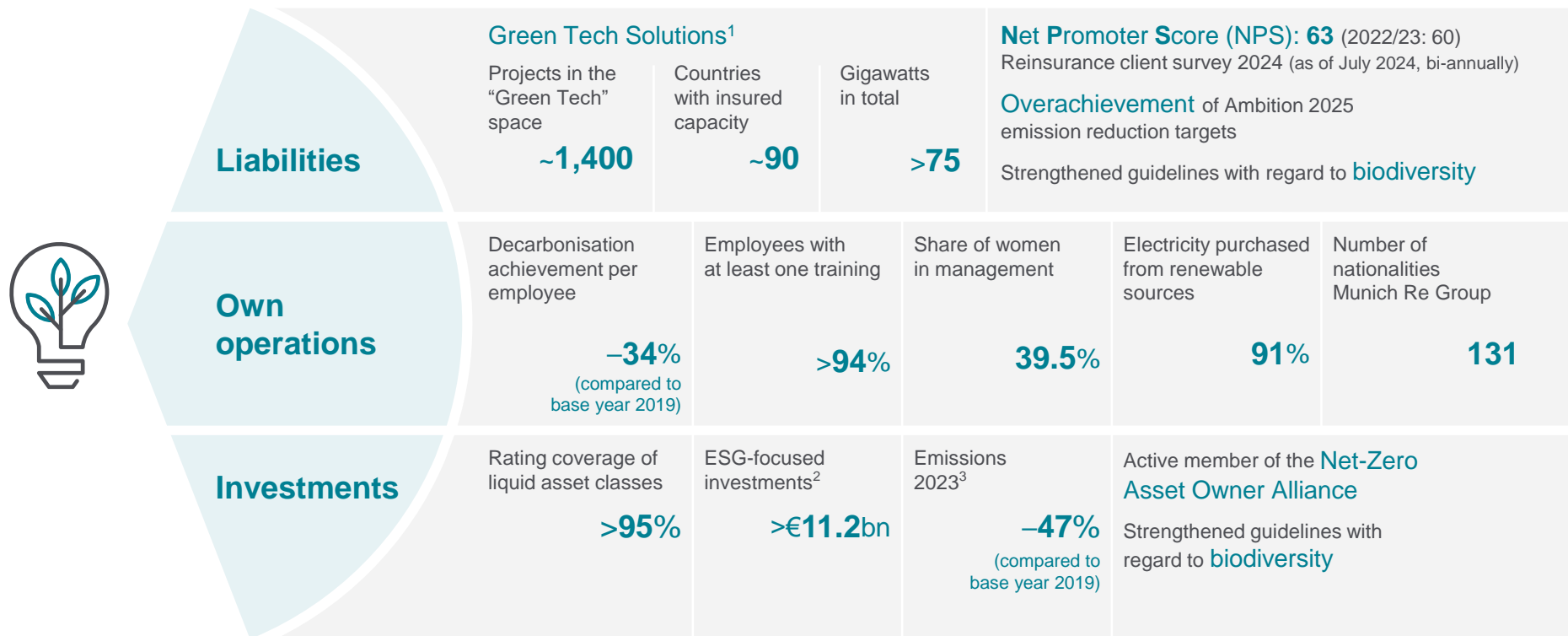
- Reinvestments in fixed-income portfolios benefit from higher yields without changing the risk profile
- Accepting deliberate disposal losses to seize tactical opportunities, accelerating the increase of running yield
- Fixed-income running yield expected to increase by around 20bps in 2024, based on current gap between reinvestment and running yield

Expanding the return contribution – spotlight on alternative investments

- Alternative investments account for ~17% of total investments
- Combining underwriting and investment expertise provides better insight into risk-return profiles of alternative assets
- Strategic build-up of a diversified portfolio with long-term predictable income, making it possible to earn complexity/illiquidity premia

Fully delivering on non-financial targets

ESG highlights



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

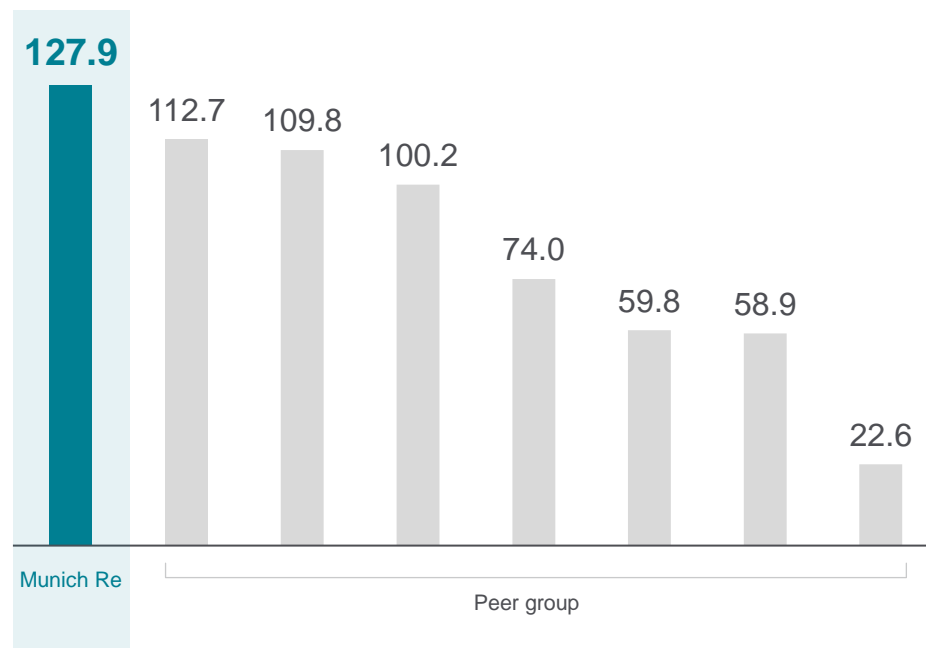


Capital repatriation

Shareholders participate via
growing dividends and share
buy-backs

TSR 1.1.2021 – 30.6.2024¹

%



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

Outlook 2024

Group

Insurance revenue (gross)	Net result	Return on investment	
~€59bn	~€5.0bn	>2.8%	

ERGO

Insurance revenue (gross)	Net result	Combined ratio P-C Germany	Combined ratio International
~€20bn	~€0.8bn	~87%	~90%

Reinsurance

Insurance revenue (gross)	Net result	Combined ratio Property-casualty	Total technical result Life and health
~€39bn	~€4.2bn	~82%	~€1.45bn



agsandrew / Getty Images

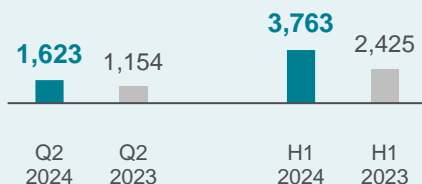
02

Group finance

After strong results in H1 2024, Munich Re well on track to achieving full-year targets

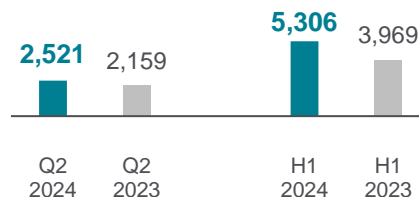
Net result

€m



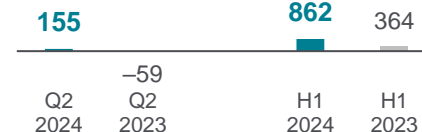
Total technical result

€m



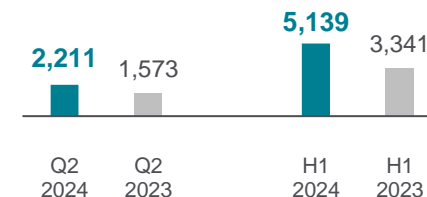
Net financial result

€m



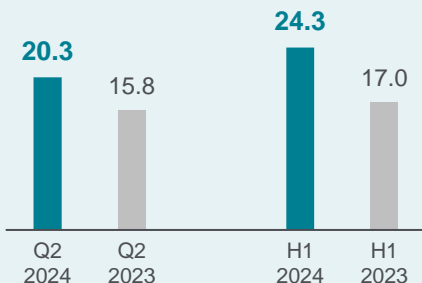
Operating result

€m



Return on equity¹

%



Reinsurance net result Q2 2024 (H1 2024):

€1,339m (€3,227m)

Strong technical result in both segments and solid investment return – RoI¹ 3.1% (3.8%)

Property-casualty: Combined ratio: 79.6% (77.5%) – major-loss ratio: 14.4% (12.2%), reserve releases²: –5.0% (–5.0%) – net result: €786m (€2,122m)

Life and health: Total technical result: €617m (€1,204m) – net result: €553m (€1,105m)

July renewals: Risk-adjusted price change: ~ +0.6%, premium change: –5.4%

ERGO net result Q2 2024 (H1 2024):

€284m (€535m)

Results very strong in L&H Germany and International, subdued in P-C Germany – countervailing, net positive one-off effects

Life and Health Germany: Total technical result: €241m (€467m) – net result: €119m (€154m)

Property-casualty Germany: Combined ratio: 88.4% (86.4%) – net result: €19m (€170m)

International: Combined ratio: 91.7% (90.6%) – net result: €146m (€211m)

Capital position

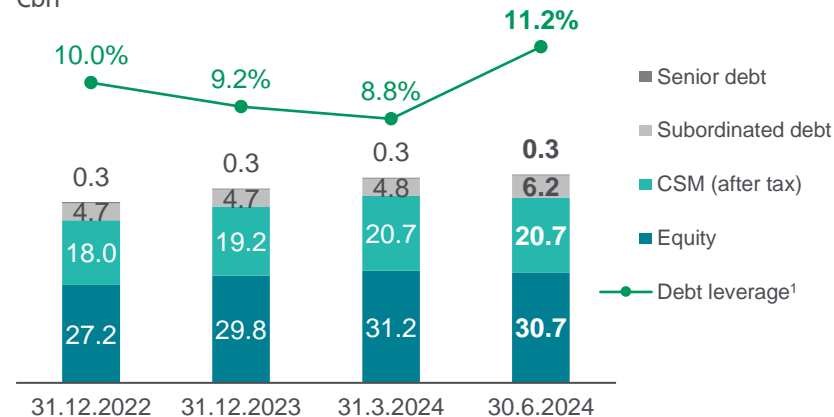
Equity

€m

Equity 31.12.2023	29,772		Change in Q2
Net result	3,763		1,623
Changes			
Dividend	–2,006		–2,006
Share buy-backs	–643		–330
Unrealised gains/losses	–812		–19
Exchange rates	487		95
Other	134		106
Equity 30.6.2024	30,695		–531

Capitalisation

€bn



Change in unrealised gains/losses

	Q2	H1
Investments	–€1,135m	–€1,987m
Insurance contracts	€1,117m	€1,175m

Return on equity

	Q2	H1
Reinsurance	19.9%	24.9%
ERGO	22.4%	21.3%

Solvency II ratio²

287%

¹ Strategic debt (bonds and notes issued, and subordinated debt) divided by total capital (strategic debt + equity + CSM net of tax).

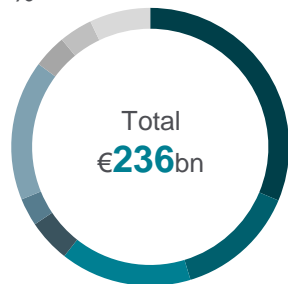
² Does not include transitional measures and any deduction of dividends for the financial year 2024 to be paid in 2025.

Investments

Q2 2024

Investment portfolio¹

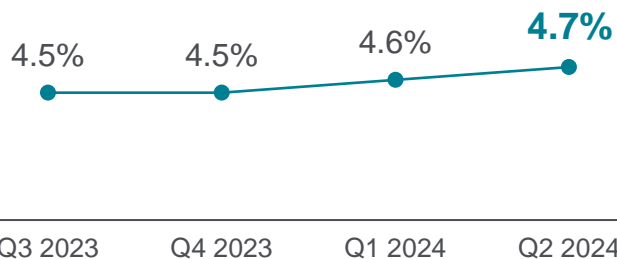
%



Government/Semi-government bonds ²	32 (33)
Covered bonds/Mortgage loans	14 (15)
Corporate bonds	15 (14)
Emerging markets government bonds	5 (5)
ABS/MBS	3 (3)

Alternative investments	17 (16)
Equities ³	4 (5)
Business-related participations	3 (3)
Cash	7 (7)

3-month reinvestment yield



Portfolio management

- Further expansion of illiquid investments
- Equity quota nearly unchanged
- Reinvestment yield remains strong at 4.7%

¹ Management view – not fully comparable with IFRS figures, e.g. including real-estate in own use and cash. Fair values as at 30.6.2024 (31.12.2023).

² Developed markets. ³ Including derivatives: 2.9% (3.7%).

Investment result

€m	Q2 2024	Return ¹	H1 2024	Return ¹	H1 2023	Return ¹
Regular income	2,281	4.0%	4,087	3.6%	3,364	3.1%
Write-ups/write-downs	–62	–0.1%	–110	–0.1%	–39	0.0%
Change in expected credit loss (ECL)	–46	–0.1%	–21	0.0%	–27	0.0%
Disposal gains/losses	–145	–0.3%	–201	–0.2%	–229	–0.2%
Fair value change	–393	–0.7%	193	0.2%	–535	–0.5%
Other income/expenses	–163	–0.3%	–315	–0.3%	–326	–0.3%
Investment result	1,470	2.6%	3,633	3.2%	2,208	2.0%

Q2 2024	Fixed income	Equities	Other	H1 2024	Fixed income	Equities	Other
Write-ups/write-downs	0	0	–62	0	0	–110	
Disposal gains/losses	–235	0	89	–310	0	110	
Fair value change	–421	9	20	–514	584	123	



xijian / iStockphoto / Getty Images

03

ERGO

ERGO Life and Health Germany

Key messages



- Total technical result of life and long-term health business in line with expectation, ...
- ... while it improved in short-term health and travel business
- Net result of €119m, incl. positive one-offs from taxes, first-time consolidation of SBH¹ and temporarily lower project-related costs

Insurance revenue (gross)

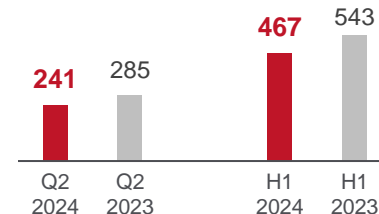
€m

H1 2023	4,916
Foreign exchange	4
Divestments/investments	-64
Organic change	89
H1 2024	4,946

Increase in insurance revenues in short- and long-term health insurance, life new book and travel; decrease in life back book

Total technical result

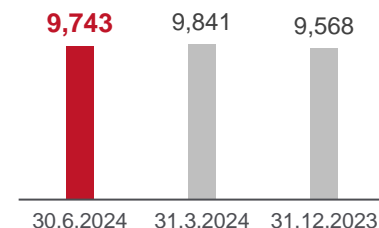
€m



- Q2: CSM release in life and long-term health at €195m (Q2 2023: €222m)
- Q2: Short-term business (PAA) benefitted from tariff adjustments in health and lower claims in health and travel

Contractual service margin (CSM)²

€m



- Change in H1 driven mainly by capital-market-related effects and CSM release
- Reduction in Q2 due to assumption changes

ERGO Property-casualty Germany

Key messages



- Total technical result affected by higher-than-expected major losses and continued pressure on motor result
- Net result of €19m influenced by realisation of losses on fixed-income investments and a high tax rate

Insurance revenue (gross)

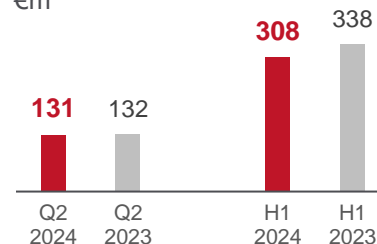
€m

H1 2023	2,246
Foreign exchange	3
Divestments/investments	0
Organic change	69
H1 2024	2,319

Increase mainly driven by fire/property and motor

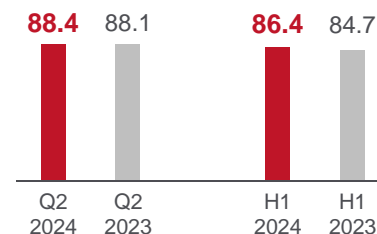
Total technical result

€m



Combined ratio

%



- Total technical result and combined ratio in Q2 driven by
 - higher-than-expected nat cat losses, mainly from floods in Southern Germany (€44m), which were mitigated by lower man-made losses
- operating performance currently on expected level, with timely loss assumption changes in motor
- discount effect in CR of ~3.5pp (H1: ~3pp)
- seasonality of acquisition costs with positive impact
- H1 2023 with exceptionally low major losses

Key messages



- Overall good total technical result in P-C, despite combined ratio above full-year guidance
- Life/health with consistently high profitability
- Extraordinarily strong net result of €146m supported by positive one-off in investment result (first-time consolidation of SBH¹)

Insurance revenue (gross)

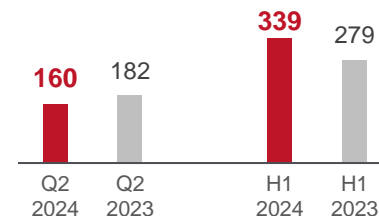
€m

H1 2023		2,753
Foreign exchange		64
Divestments/investments		-74
Organic change		274
H1 2024		3,017

Increase mainly from Poland P-C, Thailand P-C and Spain Health

Total technical result

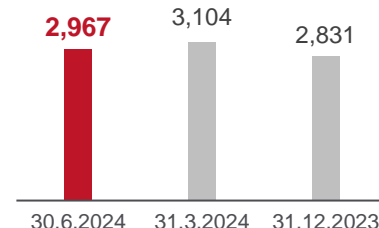
€m



- CR of 91.7% in Q2 (H1: 90.6%) due to:
 - elevated losses in Spain Health, Austria P-C and legal protection
 - good operating performance in Poland, Greece and the Baltic states
- Life/health: CSM release well in line with expectation, in addition positive experience adjustment (claims reserve release in Belgium Health of ~€35m)

Contractual service margin (CSM)²

€m



- Increase in H1 mainly driven by:
 - operating changes, mostly from Belgium Health
 - contribution from new contracts in the Spanish and Belgian health business
- Reduction in Q2 due to capital-market-related effects



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04

Reinsurance

Life and health reinsurance

Key messages



- Very strong total technical result
- Favourable biometric experience and positive FX impact
- Pleasing new business development, especially in North America

Insurance revenue (gross)

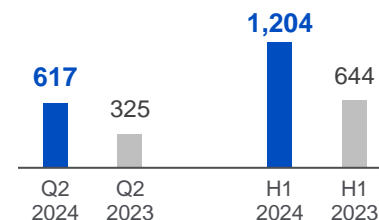
€m

H1 2023	5,340
Foreign exchange	-13
Divestments/investments	0
Organic change	660
H1 2024	5,987

Growth driven by North America and UK

Total technical result

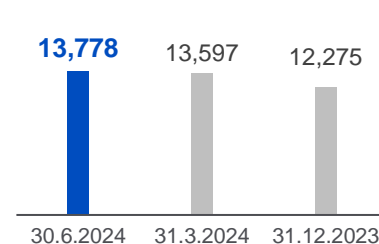
€m



- Insurance service result supported by strong new business and positive experience variances
- High result contribution from FinMoRe business, including positive FX effects

Contractual service margin (CSM)¹

€m



- High contribution from new business, including large transactions in North America

Property-casualty reinsurance

Key messages



- Revenue growth of 4.2% vs. H1 2023
- Very pleasing combined ratio of 79.6% in Q2 2024 supported by good underlying performance
- Normalised combined ratio of 80.5% in Q2 2024 better than full-year guidance

Insurance revenue (gross)

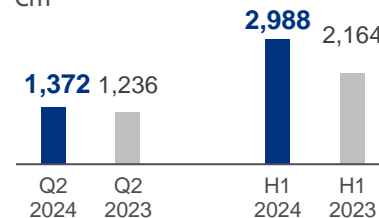
€m

H1 2023	13,192
Foreign exchange	-77
Divestments/investments	0
Organic change	629
H1 2024	13,745

- Global Specialty Insurance: strong growth across all units
- Core P-C: profitable growth driven by non-proportional and facultative business

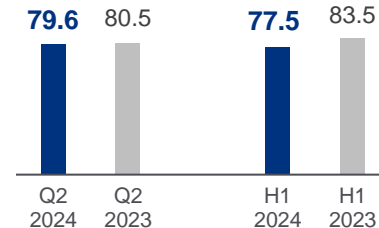
Total technical result

€m



Combined ratio

%



- Major losses of 14.4% in Q2 in line with average expectation
- Flood Southern Germany single biggest event in Q2 (~€200m)
- Expense ratio elevated due to profit participation payments of well-performing business, with the increase offset in basic losses
- Combined ratio includes discount benefit of ~8.5% and tailwind from seasonal loss component release
- Normalised combined ratio better than expected driven by favourable development of basic losses

Q&A

Half-year financial report as at 30 June 2024
8 August 2024



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