Munich Re Group

Balance sheet media conference for 2023 financial statements

27 February 2024

Please note: Presentation based on 2023 preliminary figures

Munich RE

Ditto / Getty Images

Balance sheet media conference

Agenda

01

Munich Re

Munich Re achieved a strong result in 2023

Underwriting excellence and diversification at work

Munich RE

Financial performance

Exceeding guidance with a net result of €**4.6**bn – strong underlying performance across all segments, while strengthening balance sheet and future RoI

Capital repatriation

Rebasing payout to higher earnings level:
DPS lifted to €**15**[1],
€**1.5**bn share buy-back[2]

Macroeconomic and geopolitical environment

High resilience based on diversification and prudent reserving, protecting capital and earnings

Market cycle

Macroeconomic and geopolitical uncertainties, elevated nat cat losses and limited inflow of new capacity support prolonged hard market

1 Subject to the approval of the Annual General Meeting.
2 Subject to the approval of the Supervisory Board's Praesidium and Sustainability Committee.

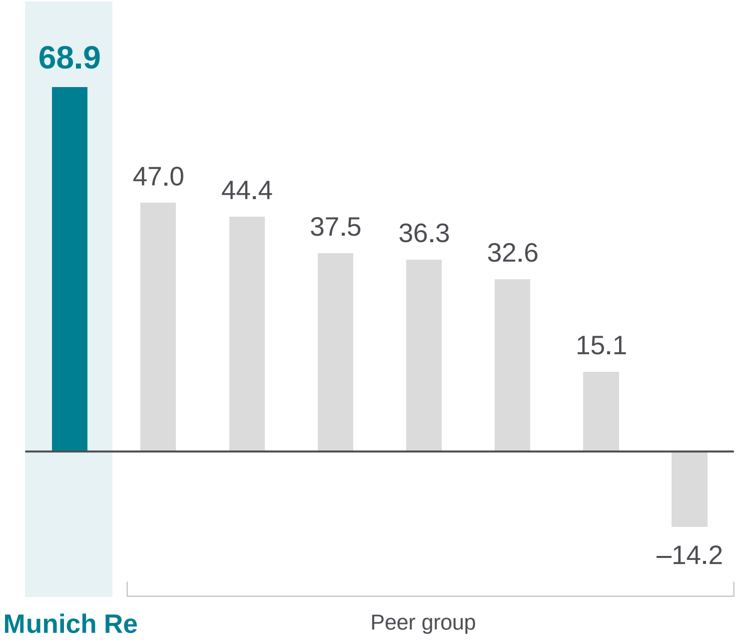
Delivery on our Ambition

Strong business performance reflected in superior total shareholder return

Munich RE

	Ambition 2025	Achievements in 2023
RoE	14–16%	15.7% ✓
EPS growth[1]	≥5%	+37.8%[2] ✓
DPS growth[1]	≥5%	+29.3%[3] ✓
Solvency II ratio	175–220%	267%[4] ✓

Total shareholder return (TSR)[5]
01.01.2020 – 31.12.2023 (%)



1 CAGR – compound annual growth rate 2020–25 (EPS 2020 normalised, based on IFRS 4). 2 Compared to published EPS figure based on IFRS 4. 3 Subject to the approval of the Annual General Meeting. 4 Proposed dividend already deducted. Considering share buy-back the Solvency II ratio stands at ~ 259%. 5 Source: Bloomberg. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich.

Changes in the general environment

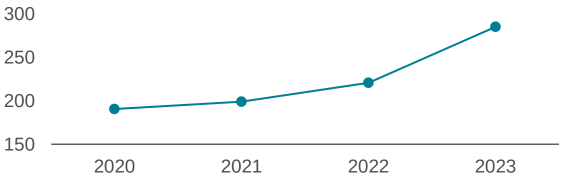
So far provided a net tailwind for achieving our Ambition 2025 targets

Munich RE

Tailwind benefitted earnings

Prolonged hard market

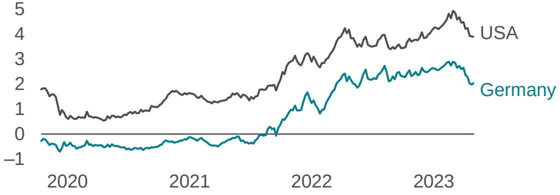
Global Property Catastrophe Rate-On-Line Index[1]



Competitive landscape, nat cat losses and inflation have pushed rates

Increased interest rates

10-year government bond yields (%)[2]



Bond yields sharply increased in response to higher inflation, while reverting recently

Munich Re

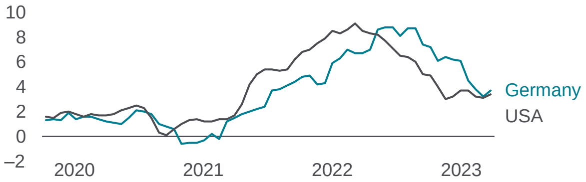
Expanded business in an attractive market with improving profitability

Further improved the already comfortable Solvency II position and seized opportunities for higher reinvestment yields

Headwind well manageable

Inflationary environment

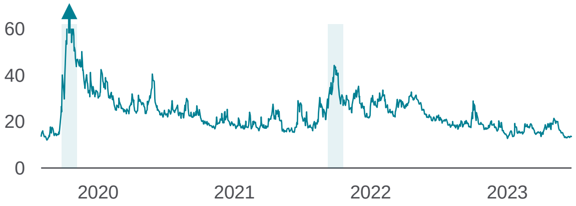
Consumer price inflation (%)[2]



Sharp rise in CPI, expected to remain at an elevated level

Geopolitical uncertainties

VDAX (volatility index)[2]



COVID 19 and war in Ukraine increased volatility in capital markets and induced insurance losses

Munich Re

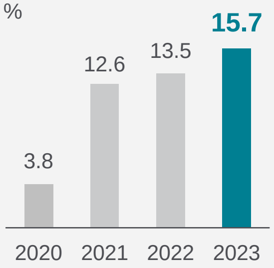
Reflected higher claims costs in pricing and reserved prudently for inflation risks

Protected through broad diversification in investments and insurance business

1 Source: Guy Carpenter. 2 Source: Bloomberg.

Ambition 2025

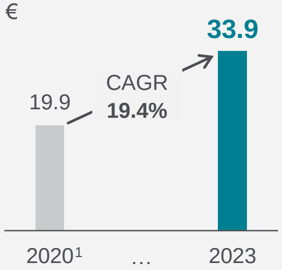
On our way to even beat targets



RoE improvement

Profitability well above cost of capital

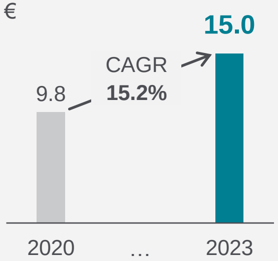
14–16%
Ambition 2025



EPS growth

Profitable expansion across all lines of business

≥5%
Ambition 2025



Capital repatriation

Shareholders participate well above plan in strong earnings growth

DPS growth

≥5%
Ambition 2025

1 Normalised, based on IFRS 4.

Return on Equity improvement

Seizing growth options with a strong balance sheet

Efficient capital management

Leveraging strong market position

Attractive insurance market environment makes it possible to earn returns above cost of equity

Flexibility to allocate capital

Strong balance sheet according to all metrics not imposing any restrictions in terms of business expansion

Aligning growth and capital repatriation

Managing capital efficiency by returning excess capital via growing dividends and share buy-backs

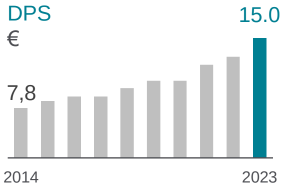
Munich Re successfully expands business, increases RoE and repatriates capital all at once

Capital repatriation

Shareholders participate in Munich Re's earnings growth

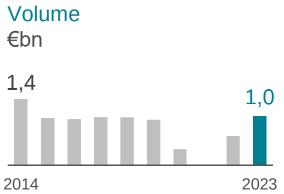
Total payout[1]
2014–2023

Dividends
Profit participation



€14.5bn

Share buy-backs
Reducing excess capital



€8.4bn

Dividends vs. share buy-backs

- Capital repatriation well-funded by high amount of German GAAP distributable earnings and sound solvency position
- More than **85**% of IFRS net earnings paid out to shareholders over the last 10 years
- Strong dividend commitment – rebasing dividend for FY 2023 to new earnings level
- Flexible capital management with focus on shareholder value creation impacting size and frequency of share buy-backs

1 Dividend payout relates to the proposed dividend of the financial year, e.g., for 2023 dividend paid in 2024. Share buy-back is the actual amount purchased in a single year.

EPS growth

Diversification of earnings profile supports Ambition 2025 targets

Munich RE

Core P-C reinsurance

01

Prolonged cycle supports profitable business growth

Global Specialty Insurance (GSI)

02

Powerful player in less cyclical specialty insurance

Life & health reinsurance

03

Strong earnings trajectory beyond expectations

ERGO

04

Achieving targets with impressive consistency

Less cyclical and less volatile business segments are expected to deliver higher earnings contribution to Munich Re Group's result by 2025

January renewals

Prolonged cycle allows for profitable business growth

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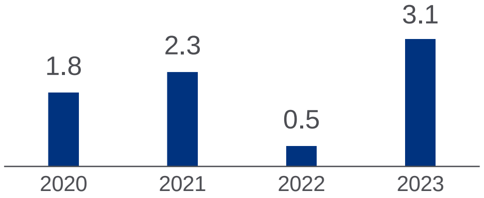
Price change[1]

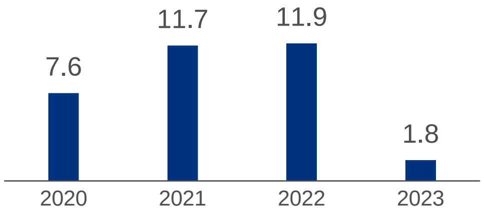
Renewals 2020–2023
%



2020	2021	2022	2023
1.2%	**2.4%**	**0.7%**	**2.3%**

January only

Volume change



2020	2021	2022	2023
4.4%	**10.9%**	**14.5%**	**1.3%**

January only

January renewals 2024[2]

+0.3%
Optimistic about April and July renewals

+3.5%
Well positioned for further business growth

Portfolio profitability remains at the same high level

- Another good renewal in an ongoing attractive market environment – strong pricing improvements achieved in past years fully preserved
- Business growth benefits from original rate increases
- Portfolio mix effects had no material impact on price change

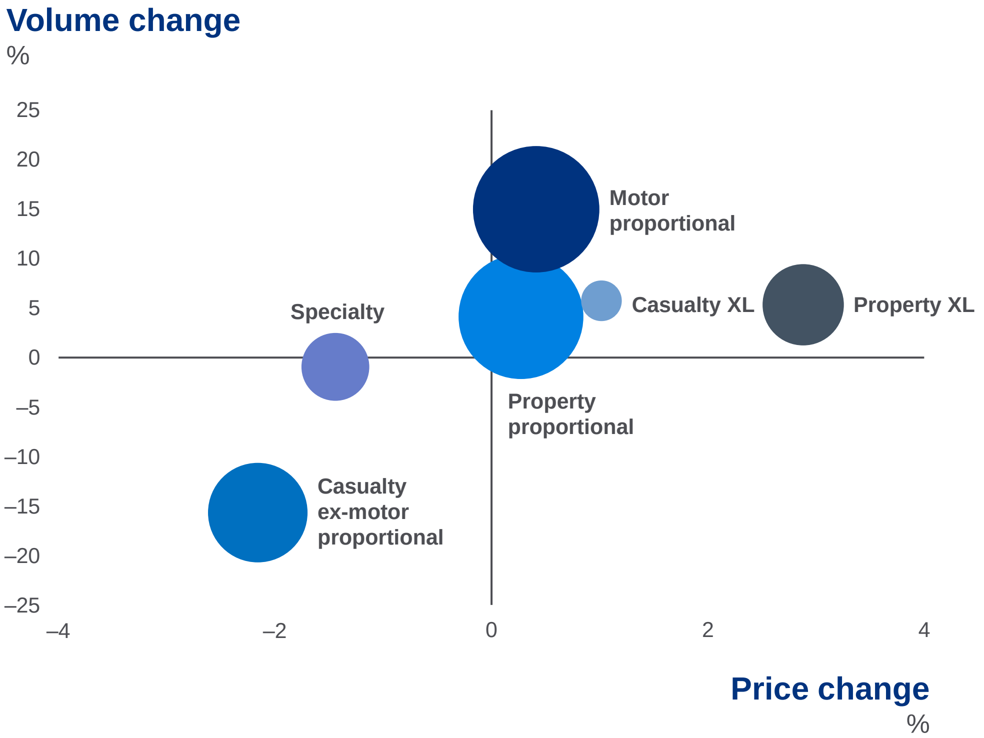
Calculation methodology of price change translates to IFRS 17

- Price change based on insurance revenue, while volume change still based on GWP
- Conservative inflation and other loss-trend assumptions (e.g., nat cat modelling) continue to be fully reflected in risk-adjusted price change
- According to IFRS 4 methodology (based on GWP) price change was flat (0.0%)

1 Calculation until 2023 based on gross written premium (IFRS 4). 2 From 2024 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.

January renewals

Strong capacity supports risk-return optimisation



Property XL

Nat cat continues to provide very attractive margins

- Munich Re continues to have capacity within its overall risk appetite for cat business in a healthy market environment
- Leveraging our strong balance sheet while benefiting from strong partnerships
- Overall price improvements achieved, more pronounced in loss-affected areas, e.g., Turkey

Other lines of business

Sound portfolio quality

- Quality of the portfolio maintained by defending achieved improvements of terms & conditions (including higher attachment points) and implementing further risk-mitigating measures
- Motor proportional business growing due to original rate increases, while we actively reduced exposure in casualty ex-motor proportional – slightly negative price change reflects cautious loss cost assumptions
- Reduction of property proportional business which fails to meet our requirements with respect to prices/terms & conditions, while growing with good prospects
- Specialty lines still highly profitable despite slight decrease

Bubble size reflects relative volume up for renewal. Price and volume changes based on IFRS 4 GWP.

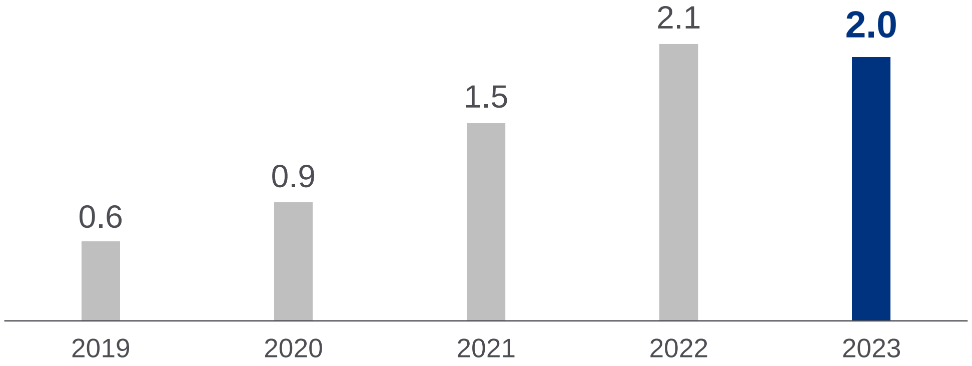
Cyber business: Focus on further improving portfolio quality

Munich RE

Actively addressing challenges of accumulation exposure to drive sustainability

Gross premiums written

US$ bn

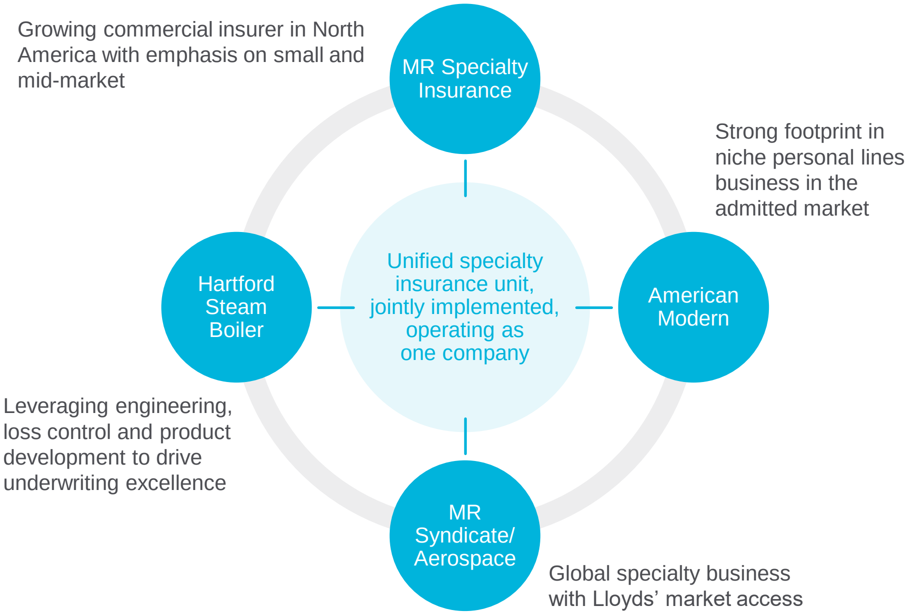


- Largely stable premium compared to 2022 in line with strategy – after strong rate increases in the past, consolidation in some parts of the market
- Cycle management with focus on terms and conditions – stringent adherence to risk appetite ensures profitability and sustainability of the market
- Cyber remains a profitable line of business – robustness of portfolio and diversification, geographically and across insureds' size and industry segment

- Reliable offering of sustainable capacity, demonstrating Munich Re's leadership in an attractive cyber market with long-term growth prospects
- Steadfast and successful implementation of cyber war exclusions to control accumulation exposure
- Extended investments to further deepen risk and accumulation expertise; close collaboration with third- party model vendors and industry stakeholders to promote state-of-the-art modelling
- Stringent execution of cyber data strategy to leverage threat intelligence and effective risk management
- Promotion of a security-focused mindset helps organisations improve their online security, mitigate potential cyber losses and increase resilience
- Active lobbying for pool solutions (governmental backstops) for catastrophic cyber events to tackle systemic tail risks

Growing Global Specialty Insurance

To become a more powerful player in specialty insurance worldwide



Achievements
in 2023

- C-suite positions for underwriting, claims and IT were established
- Bolstering collective steering of the unit as one unified specialty company under a single Board member, to deliver on Ambition 2025 and beyond

Ambition 2025
Based on IFRS 4

Premium growth to ~€**10**bn

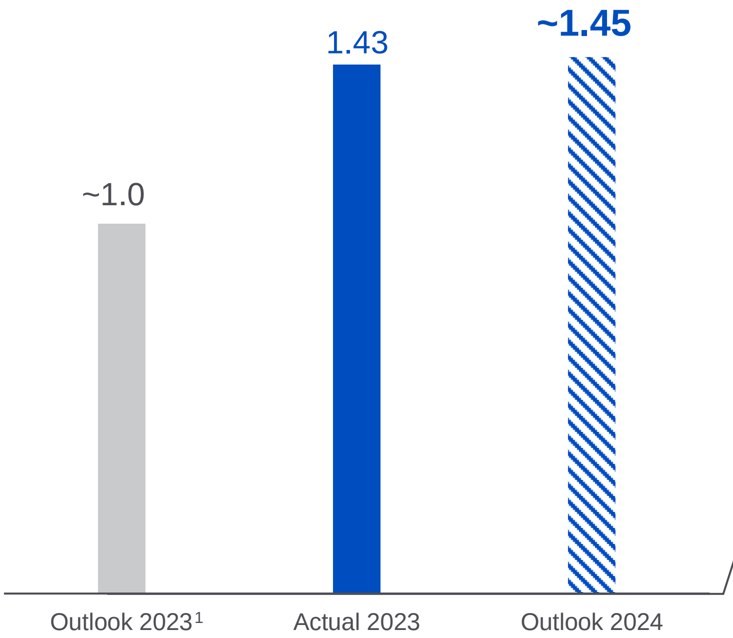
Combined ratio in the **low 90s**

Life and health reinsurance

Very positive development beyond Ambition 2025 expectations

Total technical result

€bn



New business: Profitable new business growth gradually increasing stock of CSM

In-force: High earnings contribution of more than €1bn p.a. through release of CSM and RA

FinMoRe business: Ongoing strong demand leading to significant earnings share in total technical result

Legacy: Successfully managed legacy issues that burdened results in the past

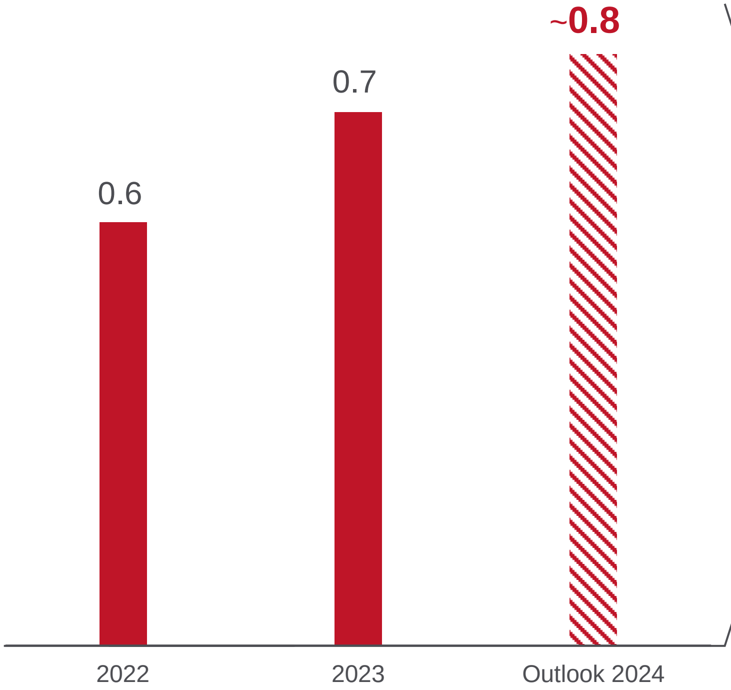
1 Provided at the analysts' conference on 23 February 2023.

ERGO

Steadily increasing earnings based on healthy underlying performance

Net result

€bn



- Continuous top-line growth in core markets
- Underwriting excellence and superior customer experience
- Pursuing digital leadership through application of new technologies

ERGO

Continuing to deliver on Ambition 2025

Munich RE

Continuous top line growth in core markets

- Organic growth in Germany, based on comprehensive omni-channel approach
- Determined tariff adjustments accompanied by growth initiatives, e.g., in Polish and Baltics p-c business as well as Belgian and Spanish health insurance
- Non-organic growth through step-ups in Thailand, the Nordics and China

Underwriting excellence and superior customer experience

- Active cost management and enhanced risk selection to ensure competitive loss and expense ratios despite inflation
- Favourable business mix in Germany mitigates impact of claims inflation in motor on segment combined ratio; price increases in International largely compensate for higher claims expenses
- Improvement of claims handling efficiency (e.g., by further expansion of fully digital processes)

Pursuing digital leadership through application of new technologies

- Stringent roll-out of digital technologies across all ERGO entities
- Approx. 610 active digital applications[1] mainly supporting customer service, pricing, underwriting and claims

1 Active bots, voice use case and AI.

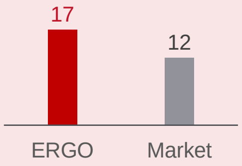
ERGO International

Further expansion in Asian growth markets

Munich RE

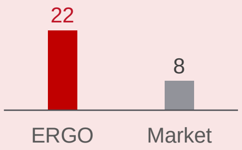
GWP growth[1]
CAGR 2020–2023, %

India non-life



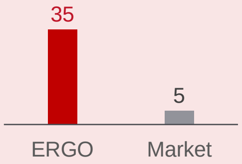
- Profitable growth above market – top 3 market position among private p-c insurers
- Powerful and broad distribution platform including strong bank sales partnership

China life



- Continued strong organic growth and step-up to majority in life in 2023
- Business model extension in China, e.g., regulatory approval for health broker license received end of 2023

Thailand non-life



- Substantial organic growth combined with M&A boosted market position from #17 in 2020 to #8 in 2023
- Strategic ambition: Further improvement of market position

Expansion in Asia is major driver for future growth and profitability of the international segment

1 Based on local currency. ERGO figures based on local GAAP, 100% view. Market figures based on Munich Re estimate.

Increasing sustainable investment result

Based on higher interest rates and active investment management

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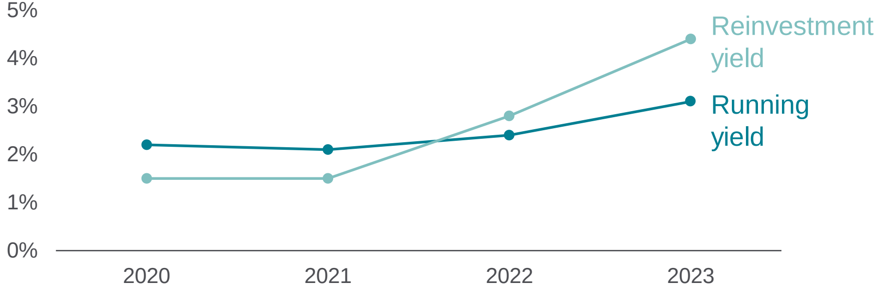
Beneficial market environment

Yield of fixed-income portfolio benefits from higher interest rates

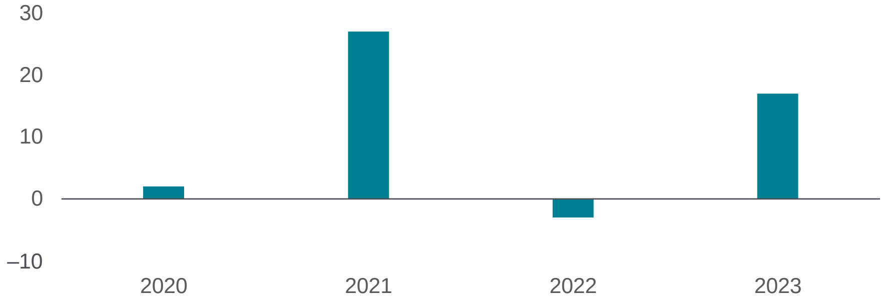


Reinvestments in fixed-income portfolios benefit from higher yields without changing the risk profile

Running yield expected to further increase

Active investment management

Indicative return contribution to Group RoI (bps)



- 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 in-depth expertise and diversification for asset selection

Ambition to noticeably increase return contribution

Delivery on climate ambition through emission reductions

Decarbonisation achievements in 2023 vs. 2019

GHG emission reduction[1]		Ambition 2025	Achievements in 2023	
Assets[2] Financed GHG emmissions[3]	Total	–25 to –29%		–47%
	Thermal coal	–35%		–54% ✓
	Oil and gas	–25%		–55%
Liabilities[4] Insurance-related GHG emmissions[5]	Thermal coal	–35%	Coal-fired power plants	–41%
			Thermal coal mining	–41% ✓
	Oil and gas	–5%		–80%
Own emissions GHG emissions from operational processes[6]	Total per employee	–12%		–34% ✓

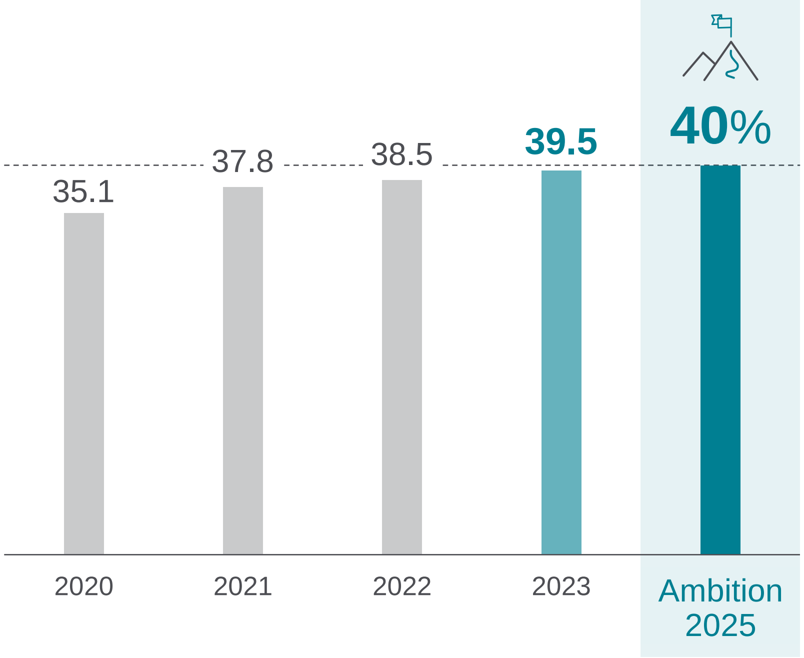
1 Reduction compared to base year 2019, measured in CO_2e. 2 Listed equities, corporate bonds and - for total - direct real estate. For total, if we were to use the nominal value instead of the market value for debt instruments, this would result in a reduction of 43% (instead of 47%). 3 Scope 1 and 2.
4 Applies to primary insurance, direct and facultative (re)insurance. 5 “Tonnes of thermal coal” and “installed operational capacity in MW” of insureds used as proxy for coal emissions. Oil and gas comprises operational property business for exploration and production with self-calculated scope 1–3 GHG life-cycle emissions, utilising the expertise of HSB Solomon, linked to the insurance policy. 6 Scope 1, 2 and 3 (business travel, paper, water, waste).

Gender ambition 2025

Approaching the targeted 40% women in leadership roles

Share of women at management level

Achievements in 2023



Growth

Munich Re Group increased representation from **38.5**% in 2022 to **39.5**% in 2023

Talent

Representation of women in talent programmes has increased from **46.1**% in 2022 to **48.4**% in 2023

Diversity, Equity & Inclusion

Introduction of group-wide DEI Governance, DEI vision statement and additional focus dimension of generations

Outlook 2024

Munich RE

Group	Insurance revenue (gross) ~€59bn	Net result ~€5.0bn	Return on investment >2.8%	
ERGO	Insurance revenue (gross) ~€20bn	Net result ~€0.8bn	Combined ratio P-C Germany ~87%	Combined ratio International ~90%
Reinsurance	Insurance revenue (gross) ~€39bn	Net result ~€4.2bn	Combined ratio Property-casualty ~82%	Total technical result Life and health ~€1.45bn

02

Group finance and risk

Financial results 2023

Strong earnings and capitalisation, while future earnings power further strengthened

Munich RE

IFRS net result

€4.6bn
(€5.3bn)

- Very pleasing performance across all segments contributes to net result above guidance despite significant strengthening of balance sheet
- Better-than-expected investment result (RoI: 2.5%) includes deliberate fixed-income disposal losses in favour of future investment income

IFRS

Solvency II ratio[1]

267%
(260%)

- Well above the upper end of target capitalisation
- Economic earnings[2] of ~€5.6bn driven by strong operating performance and profitable new business growth
- Largely stable required capital reflects well-balanced risk profile

Economic

HGB result

€3.9bn
(€1.1bn)

- Significantly higher investment result
- Distributable earnings remain high, supporting Ambition 2025 capital management strategy

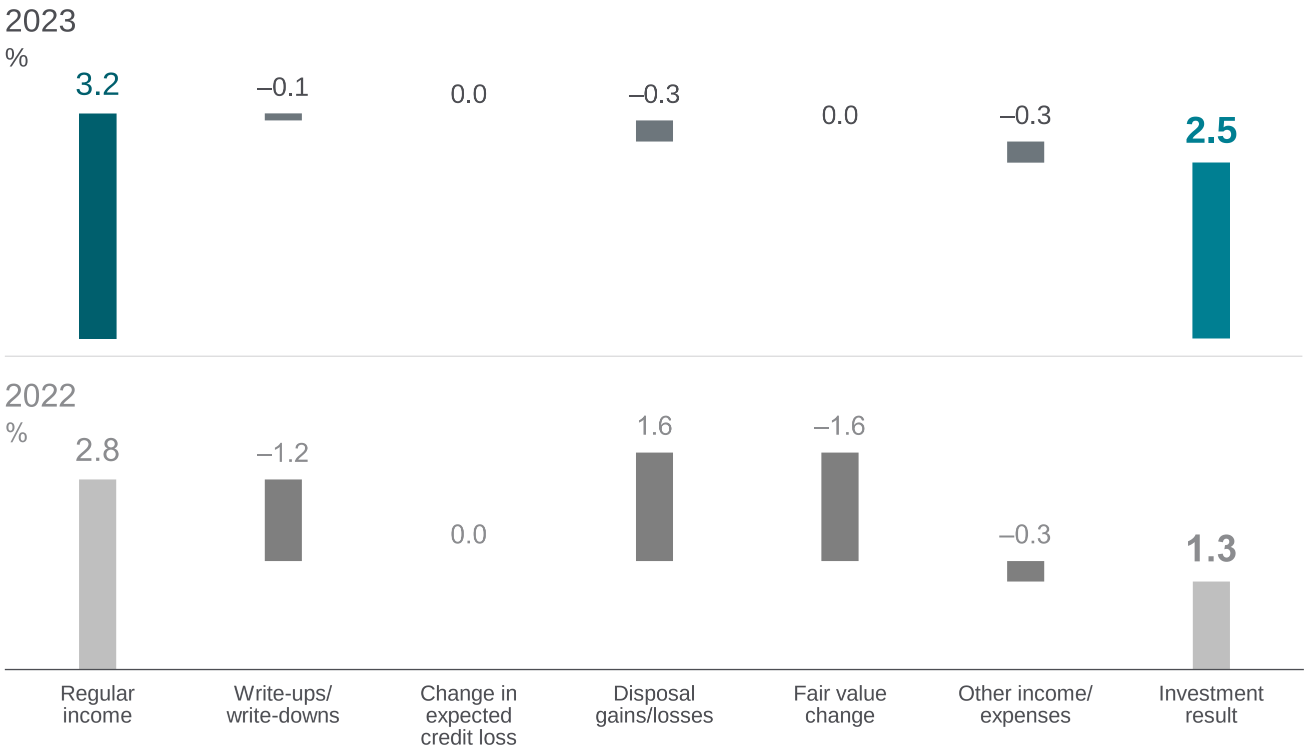
Capital

Figures as at 31.12.2023 (31.12.2022).
1 Proposed dividend already deducted. Considering the share buy-back, the Solvency II ratio stands at ~ 259%.
2 Comprehensive disclosure on economic earnings will be available on 14 March 2024.

Investment result

Higher interest rate levels benefit regular income

IFRS



Regular income

Increase driven by higher interest rates

Write-downs

Benign capital market environment

Disposal gains/losses

Accepting losses on fixed-income investments (Reinsurance ~€600m, ERGO ~€400m) to accelerate trajectory of increasing regular income

Fair value change

Intra-year volatility offset on an annual basis

ERGO – IFRS key financials 2023

Significant insurance revenue growth across all segments and strong net result

Munich RE

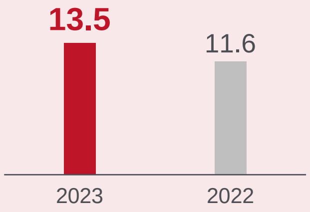
IFRS

ERGO

Insurance revenue **€20.1**bn (€18.9bn)

Net result **€721**m (€572m)

Return on equity
%

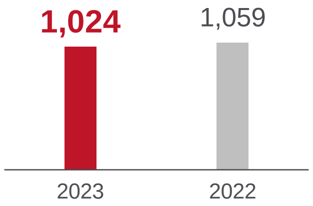


L&H Germany

€9.9bn (€9.8bn)
Continued growth in long- and short-term health (e.g., dental cover) as well as travel

€183m (€307m)
Decline mainly driven by reduced CSM release due to lower interest rates; high contribution from short-term health and travel business

Total technical result
€m

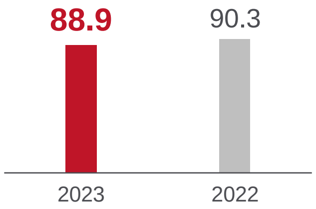


P-C Germany

€4.5bn (€4.2bn)
Strong business growth in almost all lines of business

€252m (€173m)
Strong technical result due to good operating performance and increased investment result

Combined ratio
%

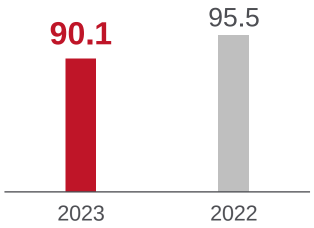


International

€5.6bn (€4.9bn)
Increase mainly driven by Poland p-c, Spain and Belgium health as well as full consolidation of ERGO Thailand

€286m (€92m)
Very good result based on profitable growth and significantly improved technical performance; negative one-offs in prior year

Combined ratio
%



Figures as at 31.12.2023 (31.12.2022).

Reinsurance – IFRS key financials 2023

Ongoing profitable growth in P-C, exceptionally good result in L&H

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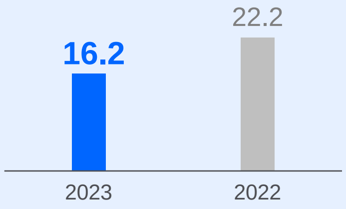
IFRS

Reinsurance

Insurance revenue
€37.8bn (€36.5bn)

Net result
€3,876m (€4,737m)

Return on equity

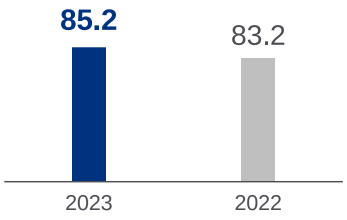


P-C reinsurance

€27.1bn (€25.3bn)
Significant growth in nat cat and Global Specialty Insurance, taking advantage of attractive market conditions

€2,448m (€3,423m)
Major losses slightly better than expected, discounting effects of ~8pp – unlike previous year, higher-than-expected discount benefit more than offset by prudent reflection of claims uncertainty in basic losses of ~€0.9bn, normalised CR of 86.5%

Combined ratio
%

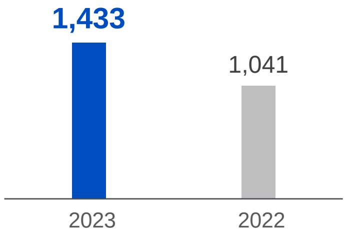


L&H reinsurance

€10.7bn (€11.2bn)
Decline driven by currency – organic growth in North America and UK offset by decline in Continental Europe and Asia

€1,428m (€1,314m)
Very strong performance – release of CSM and RA in line with expectation, strong new business and in-force management, very good development of FinMoRe business

Total technical result
€m

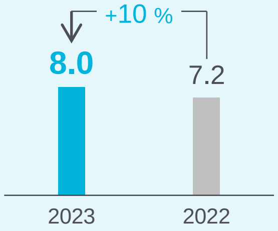


Global Specialty Insurance – IFRS key financials 2023

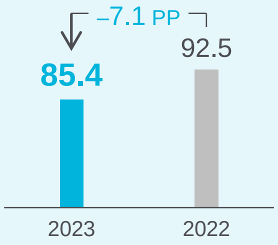
Ongoing growth under attractive market conditions, benefit from benign major losses

IFRS

Insurance revenue
€bn



Combined ratio
%



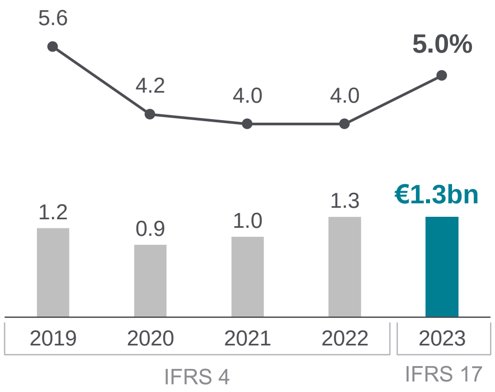
		MR Specialty Insurance	Hartford Steam Boiler	American Modern	Munich Re Syndicate
Insurance revenue	Strong organic growth across all units, taking advantage of profitable business opportunities and rate increases for existing business	On track with growth strategy in all segments	Very profitable growth across multiple lines of business	Substantial top-line growth driven mainly by rate increases	Favourable market conditions and ongoing diversification in specialty lines supporting sustainably strong growth path
Combined ratio	Significant increase in profitability driven by benign major cat losses and profitable growth	On track and much improved over 2022, benign cat losses and leveraging of favourable market conditions drive improvement	Commercial book and cyber continue to drive very pleasing performance	Frequency of cat events affected residential insurance lines, while further rate increases and non-renewals will improve future profitability	Another excellent year supported by growth and diversification of the book

Overall strengthened reserve prudency protects balance sheet against unexpected developments

IFRS

Managing industry hot spots	Munich Re measures
US liability High litigation and ongoing social inflation trends driving up loss emergence; first signs of catch-up effects as court activity is picking up after pandemic slow-down	Reserve position further strengthened as prudent reaction to mixed experience regarding elevated loss emergence for soft market years; losses in less mature years still below expectation but due to immaturity of the loss development, very cautious reaction to provide additional resilience
Economic inflation Inflation has come down in 2023 but remains elevated, with continued uncertainty about future inflation developments and its impact on reserve position	Impact of inflation mainly in line with expectation; thorough assessment of inflation impact and maintaining conservative prudence level
Major latent loss Emerging litigation risks characterised by complex litigation, changes in legal and regulatory environment increase major latent loss risk	Prudent reserving approach using our in-depth expertise across underwriting, claims and reserving to assess various exposure scenarios

Ongoing reserve releases[1]



Significant reserve releases despite cautious reaction to loss trends like US liability and inflation – reserve position (including additional €0.9bn prudency for basic losses) considered to be even stronger compared to 2022

1 Property-casualty reinsurance. Until 2022: in % of net earned premiums, basic losses after offsetting result-dependent conditions. From 2023: in % of net insurance revenue, discounted basic losses after offsetting result-dependent conditions.

Solvency II ratio

Strong capitalisation supports growth and attractive capital repatriation

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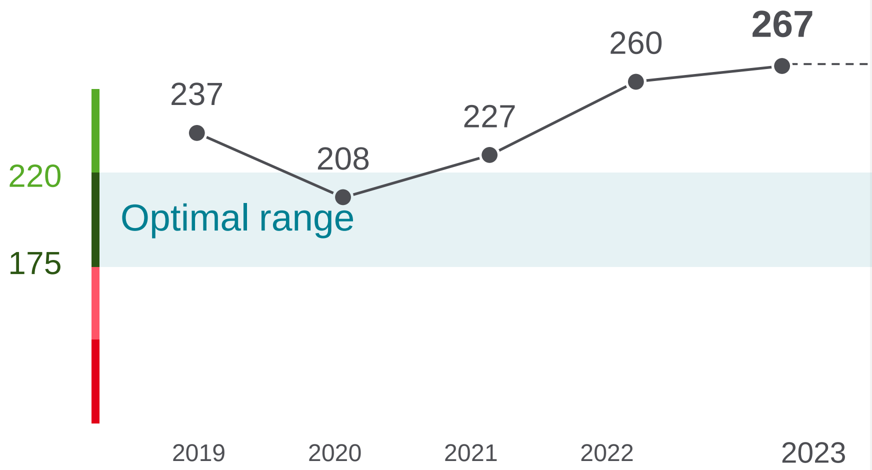
Economic

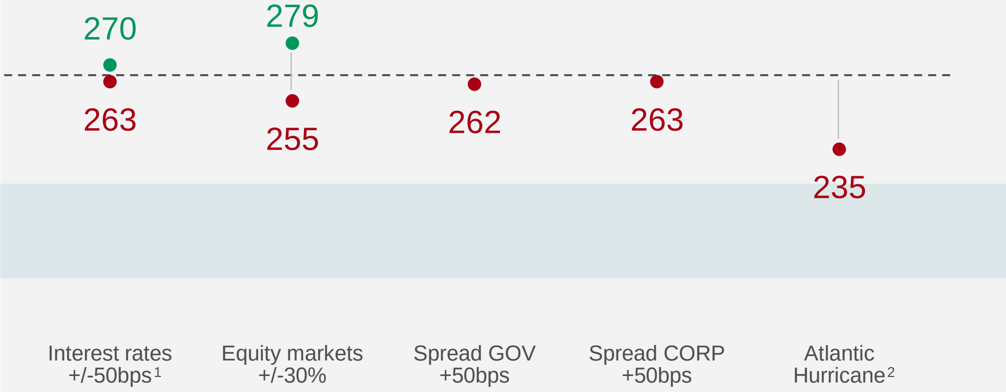
Development of the Solvency II ratio

%



SII sensitivities

%



	2019	2020	2021	2022	2023
EOF	41.5	39.9	46.6	46.0	€**48.0**bn
SCR	17.5	19.2	20.5	17.7	€**18.0**bn

Developments 2023 vs. 2022

- EOF growth mainly due to strong operating earnings, partially offset by the deduction of foreseeable dividends. Adjusted for share buy-back to be deducted in Q1 2024, the SII ratio stands at ~259%
- SCR increase driven by strong new business growth in life & health reinsurance and lower interest rates, partially compensated for by FX

1 Parallel shift until last liquid point, extrapolation to unchanged UFR. 2 Based on EOF stress in 200-year event.

Maintaining an overall well-balanced risk profile

Moderate increase of risk on both sides of the balance sheet

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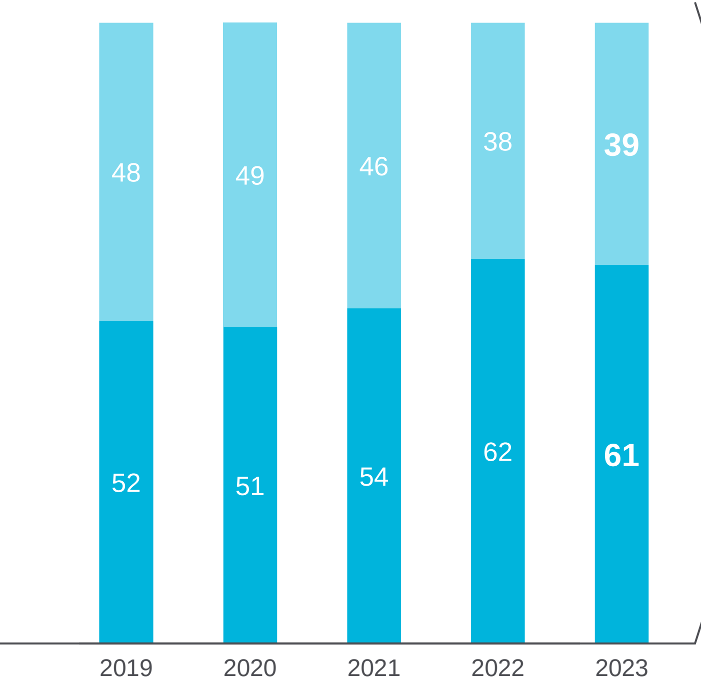
Economic

SCR composition of investment and insurance risks

%



Investment risks

Increase driven by lower interest rates and a modest increase in credit risk exposure

Insurance risks

Overall balanced business growth in line with risk-bearing capacity

Diversification benefit between risk categories of >**30%**

Disclaimer

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