



Balance sheet media conference for 2019 financial statements

Good progress towards 2020 ambition – Exploiting opportunities in an improving market environment

28 February 2020



Please note: Presentation based on 2019 preliminary figures

Image: Klaus Ohlenschläger / dpa Picture Alliance

Balance sheet media conference for 2019 financial statements



1 Good progress
towards 2020 ambition
Joachim Wenning



2 Group finance
and risk
Christoph Jurecka



3 ERGO
Markus Rieß



4 Reinsurance
Torsten Jeworrek

Strong performance in 2019

IFRS net income

€2.7bn (€2.3bn)

Exceeds initial guidance of €2.5bn

Return on Equity

9.2% (8.4%)

Above cost of capital



Solvency II ratio

237% (245%)

Well above target capitalisation

Dividend per share

€9.80¹ (€9.25)

High pay-out to shareholders

Ongoing business and earnings growth supports 2020 ambition

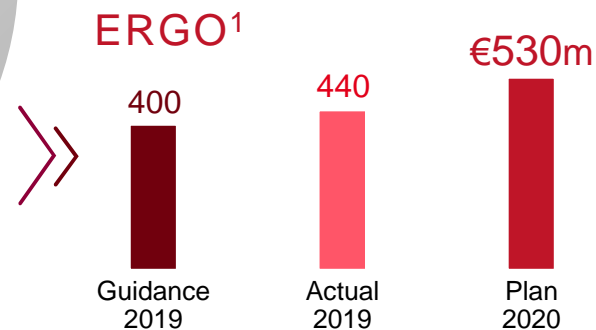
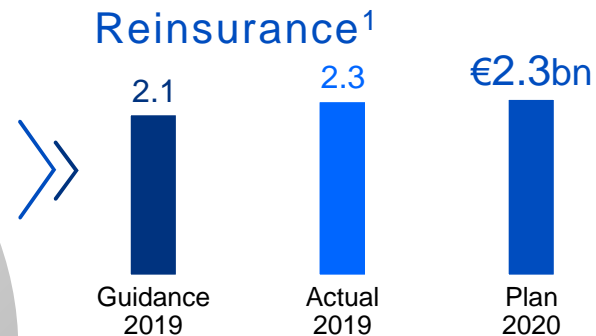
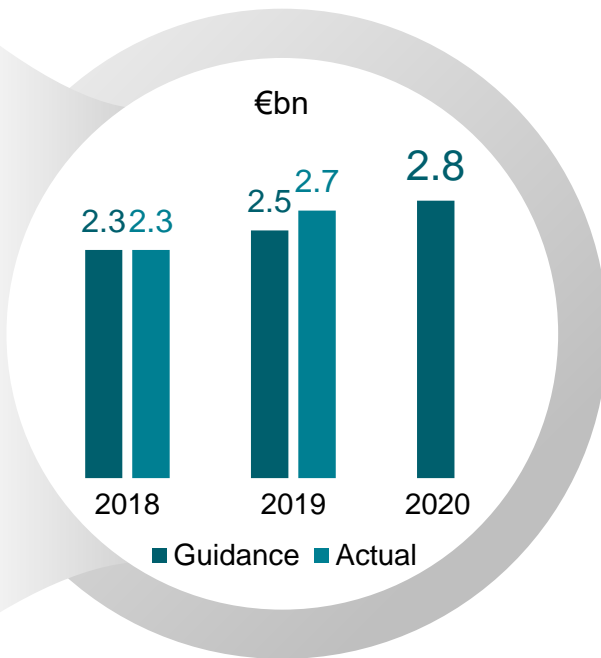
Increase earnings¹



Reduce complexity



Digital transformation



Reinsurance – Strategic growth initiatives well on track

2018



- Consolidate top position in mature markets
- Smart growth in select emerging markets



- Launch of voluntary programme – reduction of ~350 FTEs
- Cost savings of ~€200m by 2020
- Disposal of MSP Underwriting and Ellipse



- Push new business models – relayr acquisition to strengthen IoT offering
- Data-driven solutions, e.g. Realytix
- InsurTech platform via Digital Partners

2019

- Growth initiatives in P-C paying off (esp. in the US and Asia) – GWP +8%¹
- Strong new business generation in Life and Health continues
- MR Specialty Insurance established

- Voluntary programme successfully completed, cost savings on track
- Re-engineering and automation of accounting processes (~100 FTEs)
- Global single-risk unit established, pooling together ~560 employees

- Create new income streams in the Canadian group insurance market
- Cyber insurance premiums up 27%¹
- Digital Partners premiums doubled

2020

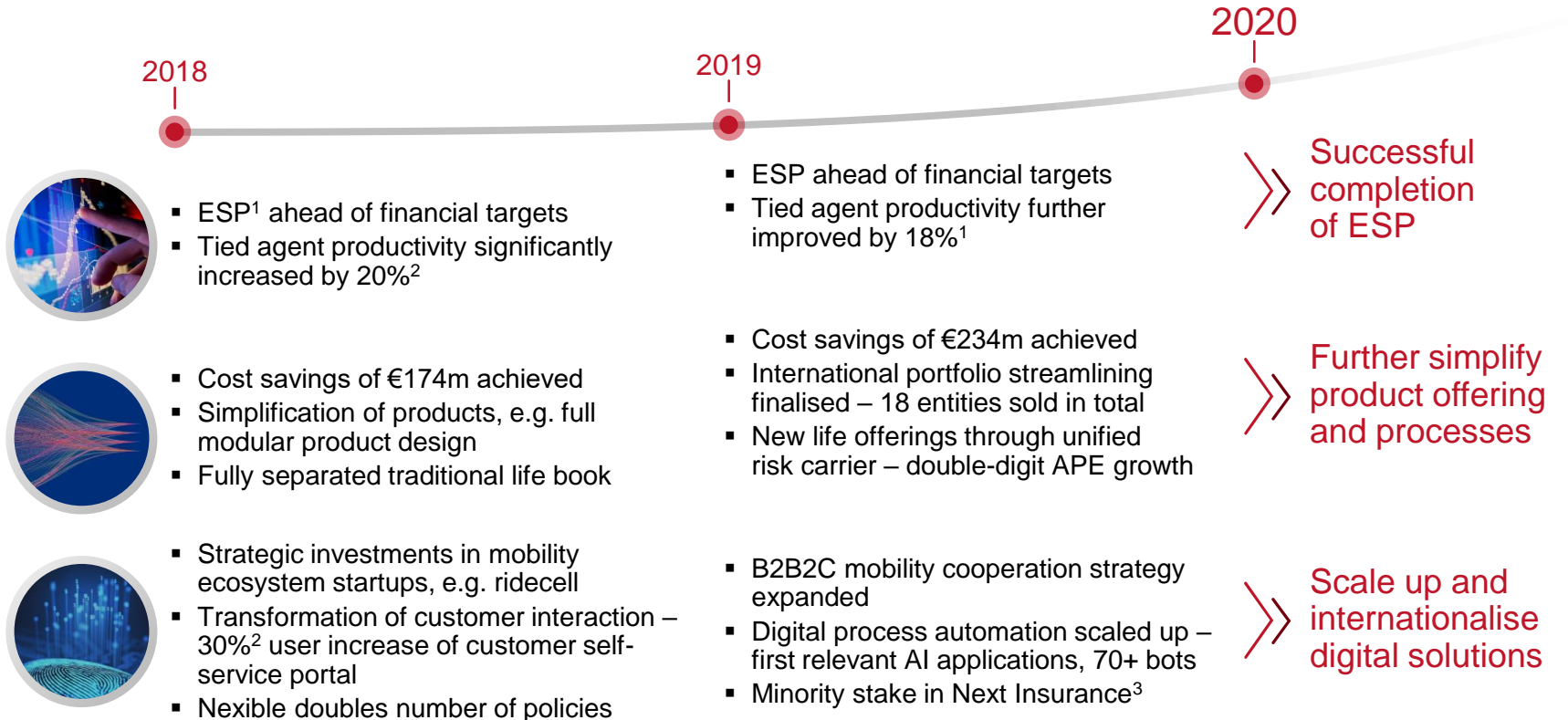
Continue profitable growth path

Streamline processes towards business and execution

Scale up successful initiatives, push new business models

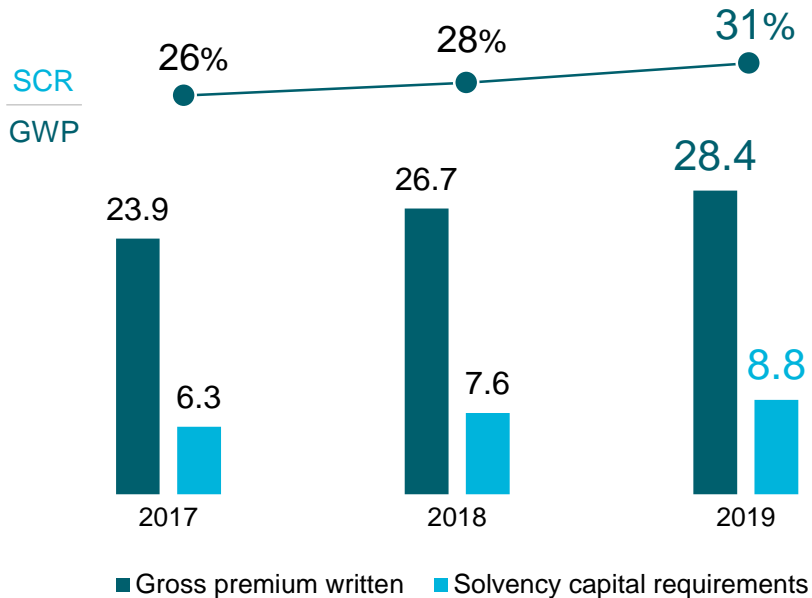
¹ Compared to previous year.

ERGO – Sustainably increasing profitability



Business and earnings focus – Gradually increasing risk appetite in underwriting where opportunities are good

Balancing growth and risk in property-casualty¹



- Disciplined growth in P-C Re in select mature/emerging markets and business lines with unchanged risk limits and in line with risk-bearing capacity (EOF) ...
- ... taking advantage of rising rates in – more capital intensive but increasingly profitable – nat cat lines
- Expansion of Risk Solutions business with favourable risk/return profile
- Positive earnings trajectory in L/H Re to stabilise tendency towards higher volatility in P-C
- Further diversification due to ERGO's growing German P-C and international operations
- Risk management is key: cautious expansion of new lines of business (e.g. cyber) while managing hot-spot areas (e.g. US casualty)

» Continued diversification of our global footprint provides flexibility and increases competitiveness

New organisational set-up in investments aims to generate higher returns

Streamlining the organisation

Group approach


One consistent investment strategy across the Group

Best ownership

Assigning investment mandates either in-house or to specialised third parties

Close to business

Combining investment and underwriting expertise

 Well on track towards best-practice investment processes

Improving risk-return profile

Strategic level

Further expand asset classes that still have attractive returns, e.g. illiquid assets such as infrastructure and private equity/debt

Tactical allocation

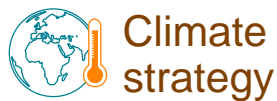
Actively managing our portfolio by using trading ranges and incorporating external managers

Further diversification

Continuously improving the risk-return profile to limit downside

Identify untapped return potential without changing the overall risk 

Systematically integrating sustainability criteria when creating value – Key achievements in 2019



Climate strategy

Enabling new technologies for a low-carbon economy

- Strong growth in innovative insurance solutions for new technologies, e.g. battery storage
- Invested capital in renewable energies: €1.6bn (targeting €2.8bn)
- Increase in green bonds to €1.3bn

Climate-neutral investment portfolio by 2050

- Munich Re joins the UN-convened Net-zero Asset Owner Alliance



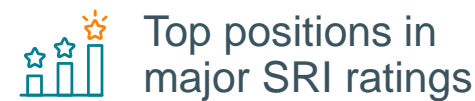
Sustainability risk management

Consequently improving risk assessment also for the industry, e.g.

- Munich Re's Wildfire Risk Score supports clients in evaluating wildfire risks in North America
- Driving industry standards for climate risk management via UNEP FI PSI¹ Working Group on TCFD² recommendations

Sustainability risk assessment across all asset classes at Munich Re

- Sustainability ratio well above 80%



Top positions in major SRI ratings

DVFA Scorecard for Corporate Governance
Second among DAX companies "Outstanding"



ISS ESG



MSCI



SAM



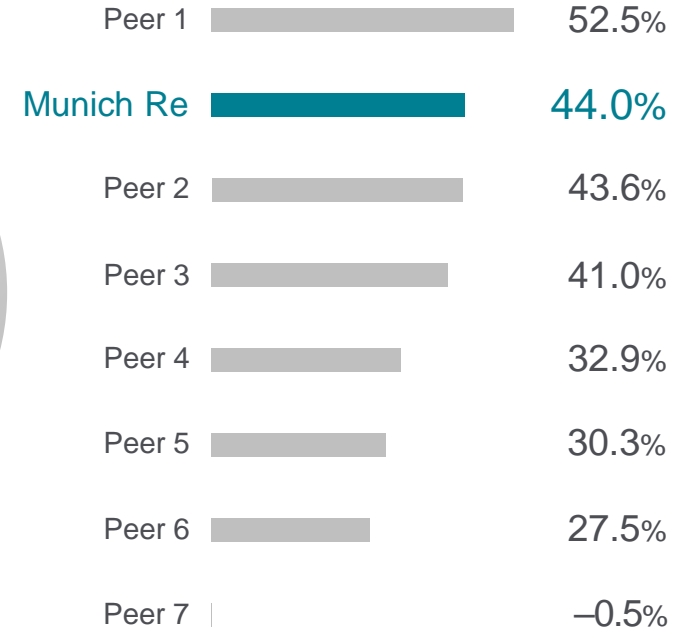
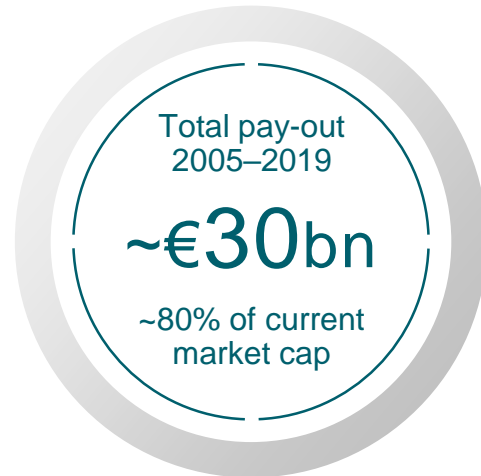
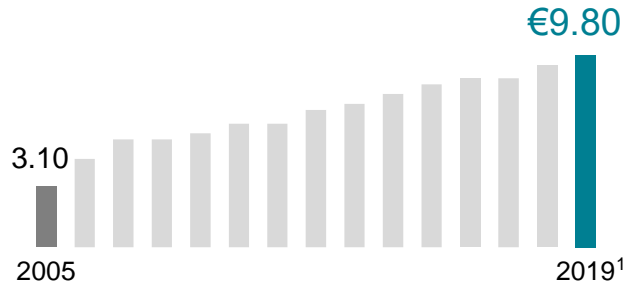
Sustainalytics



Shareholders participate in our earnings growth

Sustainable dividend-per-share growth ...

... supports attractive shareholder returns²



Ongoing share buy-backs



¹ Subject to the approval of the Supervisory Board and the Annual General Meeting.

² Total shareholder return 1.1. – 31.12.2019. Peers: Allianz, Axa, Generali, Hannover Re, Scor, Swiss Re, Zurich. Source: Datastream.

Outlook 2020



Group

Gross premiums written

~€52bn

Net result

~€2.8bn

Return on investment

~3%

ERGO

Gross premiums written

~>€17.5bn

Net result

~€530m

Combined ratio

P-C Germany

~92%

International

~94%

Reinsurance

Gross premiums written

~€34bn

Net result

~€2.3bn

Combined ratio
Property-casualty

~97%

Technical result, incl. fee income
Life and Health

~€550m

Based on new calculation
method of cost allocation



Munich Re Media Briefing
**Presentation of business ambition
beyond 2020**

8 December 2020



2



Financial results 2019 – Strong earnings despite high large losses and low/negative interest rates

IFRS net income

€2.7bn (€2.3bn)

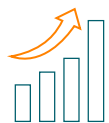
HGB result

€1.5bn (€2.2bn)

Solvency II ratio

237% (245%)

- Earnings growth in Reinsurance despite challenging Q4 – improved underlying C/R of ~98-99%
- ERGO contributing €440m – ahead of its ESP targets
- High investment result (RoI: 3.2%) and low tax expenses
- Decline in HGB result due to lower underwriting result and higher tax expenses ...
- ... partially offset by strong investment result
- Distributable earnings support continuation of attractive capital management returns
- Well above target capitalisation
- High economic earnings¹ of >€7bn compensate for ...
- ... increase of required capital due to business growth and further decline of interest rates



IFRS result Q4 2019 – Major drivers

Net income
€217m
(€238m)

Reinsurance: €116m
High large losses in P-C and strengthening of disability assumptions in Australian life business (approx. –€200m)

ERGO: €101m
Fully in line with run-rate of FY guidance

FX losses:
–€241m

Technical result
–€225m
(€335m)

P-C Re C/R: 112.5% –
Major-loss ratio: 27.4%
Reserve releases¹: 7.1%

ERGO P-C Germany
C/R: 93.2%

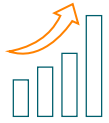
L/H Re technical result
including fee income: €70m

ERGO International
C/R: 94.8%

Investment result
€1,965m
(€1,661m)

Return on investment
3.1%

Disposal gains overcompensate for derivative losses
Reinvestment yield slightly down to 1.9% due to investments in shorter maturities in Q4



IFRS result FY 2019 – Operating performance supported by strong balance sheet



Reserving



Investments



Taxes



Strong balance sheet



Resilience to adverse development, e.g. US casualty – unchanged reserve strength

Valuation reserves increased to €33bn

Ongoing prudent setting of reserves



Earnings support in 2019



Ongoing high reserve releases for basic losses – 2019: 5.6%

ALM and ZZR-driven realisations overcompensate derivate losses from equity- and interest-rate hedging

Some tax releases – tax rate of 15.1%



Prudent reserving protecting balance sheet against negative surprises while continuously contributing to earnings strength



Managing industry hot spots



Asbestos

Complex litigation, changes in legal and regulatory environment

US workers' comp.

High losses for reinsurers in business underwritten during late 90s; significant late-loss emergence

US liability

High litigation risk and increasing social-inflation trends

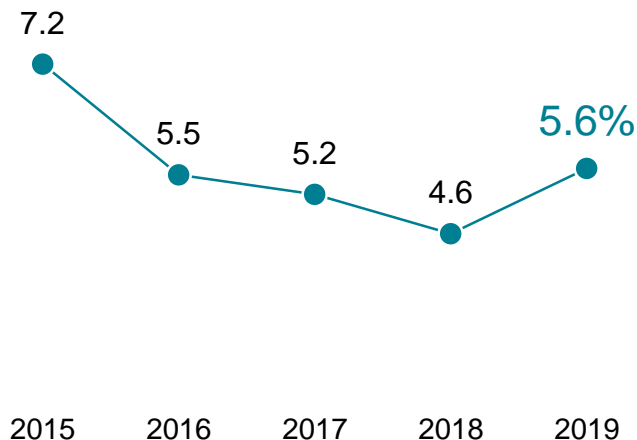
Munich Re impact

De-risking with large claims settlements in the past and very strong survival ratio

Prudent reserving situation allowed for reserve releases again in 2019

Worsening loss trends in selected portfolios, continuous and pro-active strengthening of reserves to ensure prudence level

Ongoing reserve releases¹

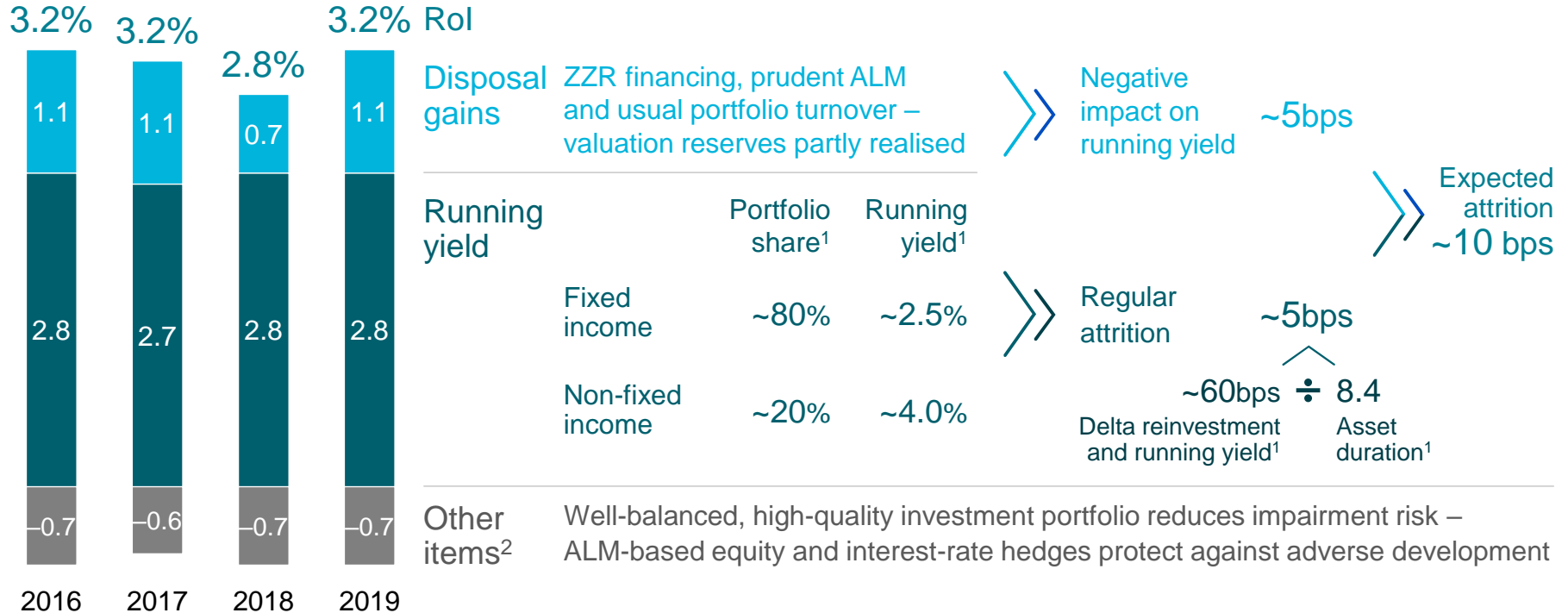


Positive claims experience by far exceeding adverse development in selected hot-spot areas

¹ Reinsurance Property-casualty, in % of net earned premium, basic losses after sliding scale commissions.



Investment return – Resilience to low interest rates expected to persist



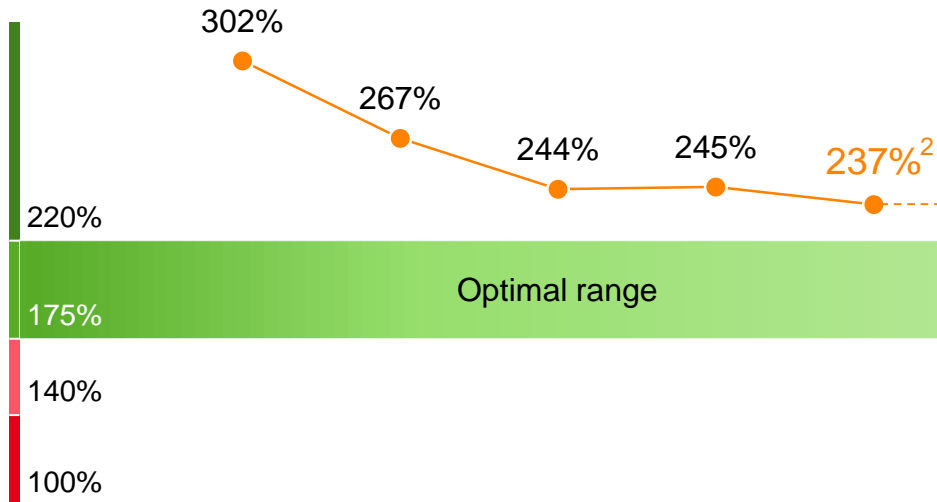
1 Munich Re, as at 31.12.2019. 2 Write-ups/write-downs, derivatives, other income/expenses.



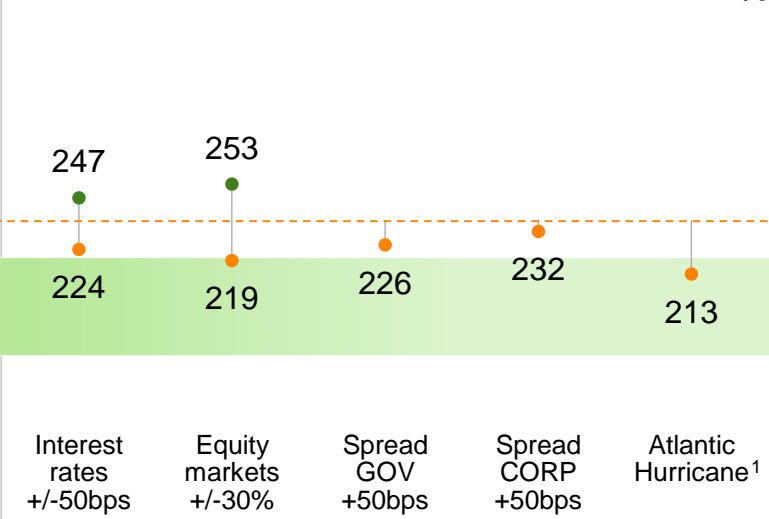
Sound economic capitalisation continues to support our capital-management strategy – First-time application of VA for four ERGO entities



Development of Solvency II ratio



SII sensitivities



	2015	2016	2017	2018	2019
EOF	40.7	40.7	35.1	36.0	€41.5bn
SCR	13.5	15.3	14.4	14.7	€17.5bn



2015 – 2019: Economic earnings cover capital repatriation, while business growth and low interest rates have driven the increase of required capital

1 Based on 200-year event. 2 SII ratio includes volatility adjustment for ERGO Leben, Victoria Leben, ERGO Belgium and DKV Belgium. VA impact in 2019 -6%-pts.

3

ERGO Strategy Programme (ESP) – On track to deliver targets 2020

	Actual 2018	Guidance 2019	Actual 2019	ESP guidance 2020 ²
Total premiums	€18.7bn	~€18.5bn ¹	€18.9bn	~€18.5bn
Net profit	€412m	~€400m ¹	€440m	~€530m
Investments (net, accumulated)	€597m	€908m ²	€770m	€1,008m
Total cost savings (net, accumulated)	€174m	€227m ²	€234m	€279m
Combined ratio P-C Germany	96.0%	~93% ¹	92.3%	92%

ERGO Strategy Programme – Progress in focus areas

Germany

- Product portfolio optimisation continued, simplified product approach shows first results
- Sales increased by ~6%¹; tied-agent productivity further improved (~18%^{1,2})
- Progress in hybrid customer business model:
 - ERGO Direkt, ERV and D.A.S. Germany unified in one brand ERGO; modern OneWebsite “Ergo.de” launched
 - Integrated campaigns performed based on new CRM analytics – tied agents significantly increased (>230k, +330%¹)
 - Registered customer portal users reached one million (2018: 900k users)

Digital Ventures

- nexible
 - Growth continued (~62k policies; +23%¹; ~100k risks insured)
 - Focus on process optimization after successful launch
- ERGO Mobility Solutions
 - Cooperation strategy successfully expanded
 - SAP platform for B2B2C mobility business launched
- Robotics and Artificial Intelligence (AI): Process automation scaled up; more than 70 Bots and first AI applications in operation

International

- High earnings contribution and profitability in core markets continued
- Top 5 positions in core markets maintained
- Footprint in emerging markets expanding, e.g. regional expansion in China; merger in India leading to increasing business opportunities
- International portfolio streamlining finalised while maintaining strong earnings level; sale of 18 subsidiaries completed³

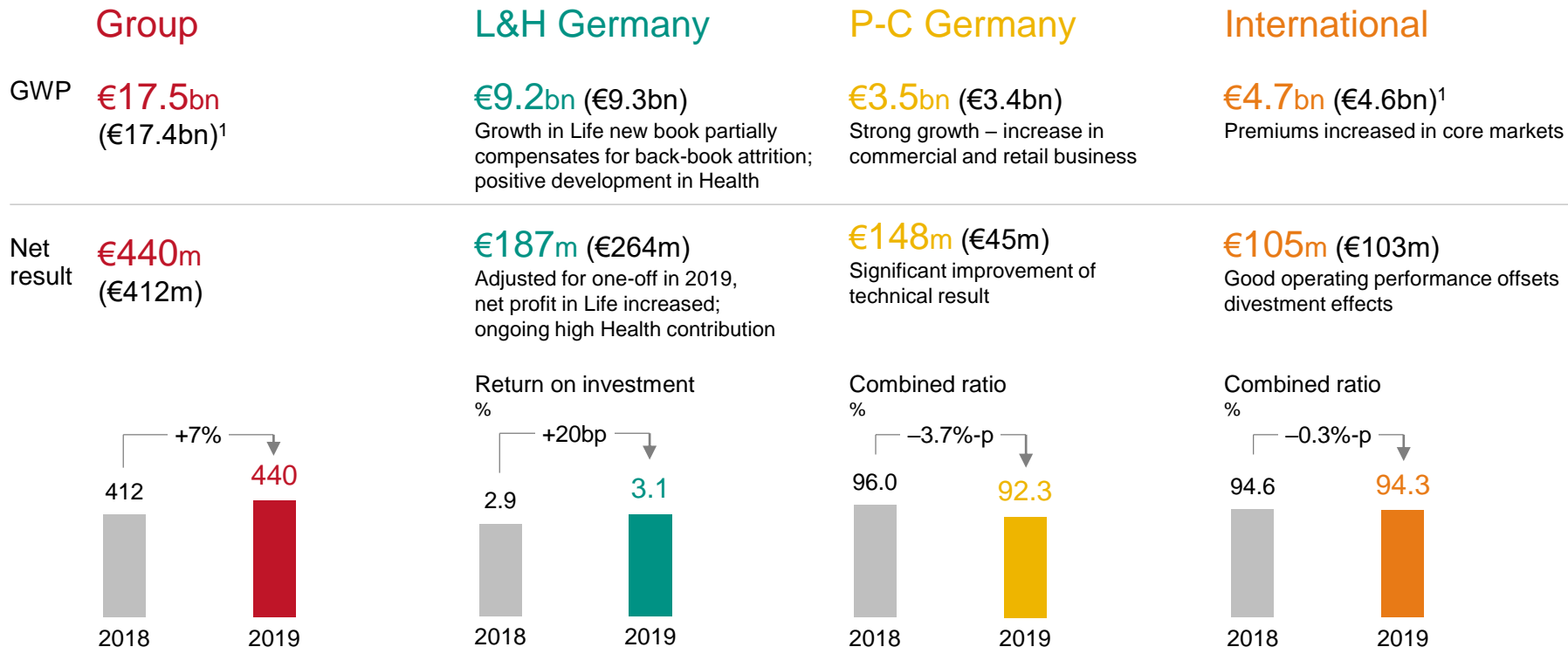
Technology

Unlocking further business potential through continued technical integration of products into omni-channel sales system (e.g. health)

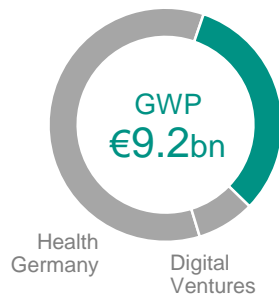
Delivery volume of Digital IT significantly increased while improving efficiency and time-to-market (e.g. OneWebsite, new KPI cockpit for tied agents)

Integrated target IT architecture across ERGO brands currently in implementation

ERGO Group – Key financials 2019



Life and Health Germany – Addressing low-interest-rate environment in Life



Life
Germany
€2.9bn
(32%)

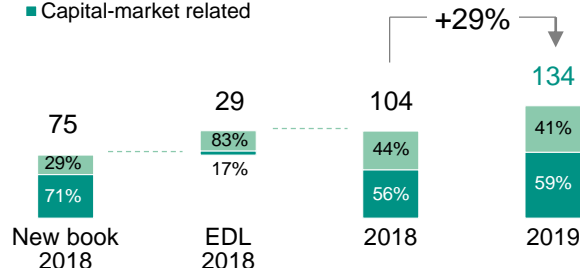
New book

- ERGO Vorsorge as unified risk carrier for new product offering through merger¹
- Profitable new business concentrating on biometric offers and products with significantly reduced market risk
- Double-digit APE growth, mainly driven by capital-market related² products
- Already substantial share of Life Germany premiums (~20%)

New business (APE)

€m

- Biometric
- Capital-market related

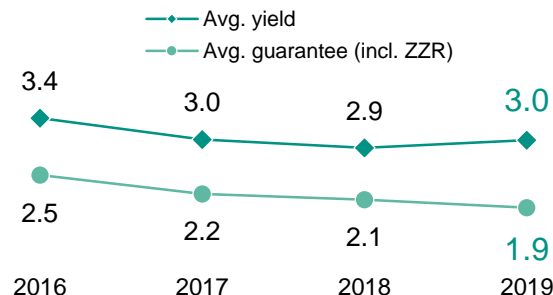


Back book

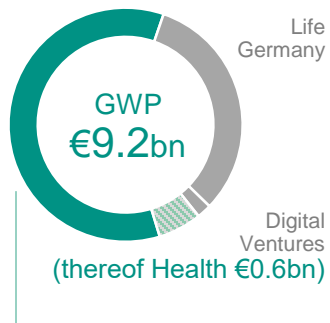
- Progress in portfolio migration onto new IT platform
- Foundation for TPA business model set through additional sales joint venture with IBM
- Resilient investment yields exceeding guarantee obligations (incl. ZZR), total yield even higher
- Measures to mitigate interest-rate risks continued, e.g. hedging and interest-rate reinsurance

Investment margins

%



Life and Health Germany – Maintaining leading positions in Health

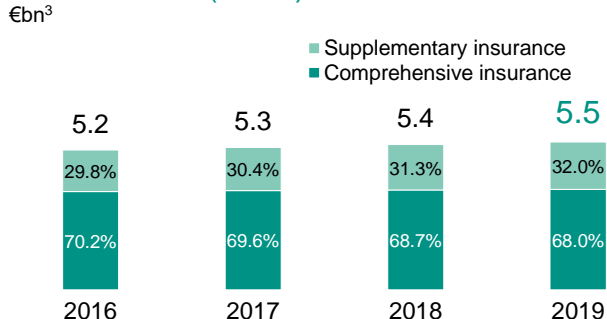


Health Germany
€5.6bn¹
(60%)

Business development on track

- Strong and sustainable earnings contribution
- Focus on profitable and low-risk supplementary insurance without ageing reserves
- Launch of integrated mobile application “Meine DKV”

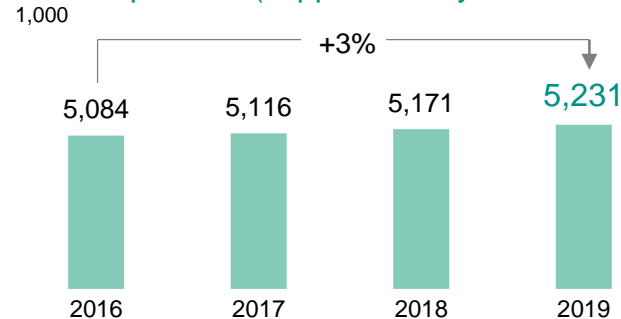
Business mix (GWP)



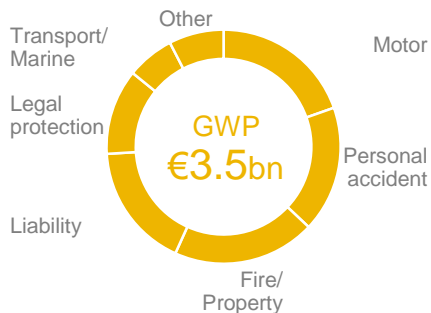
Extension of market leading position in supplementary insurance

- Market leader with >20% market share²; strong new business development
- Expansion in long-term care and dental insurance
- Further integration of on- and offline sales channels with positive impact on new business

Insured persons (supplementary insurance)



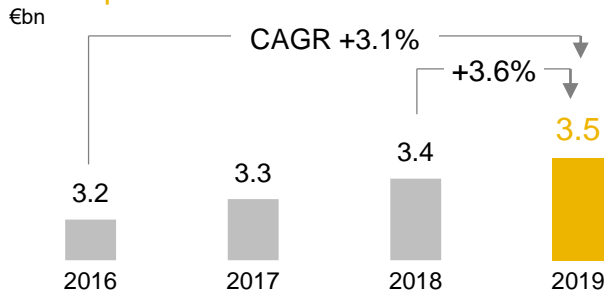
Property-casualty Germany – Ongoing profitable premium growth



Business development on track

- Strong premium growth in 2019 – increases in commercial and retail
- Simplified product approach and process optimisation with first successes:
 - Successful renewal of new motor insurance – simplified product approach continued with legal protection and business content insurance
 - Digitalisation of claims processes with focus on speed and improved efficiency in motor completed; customer satisfaction increased

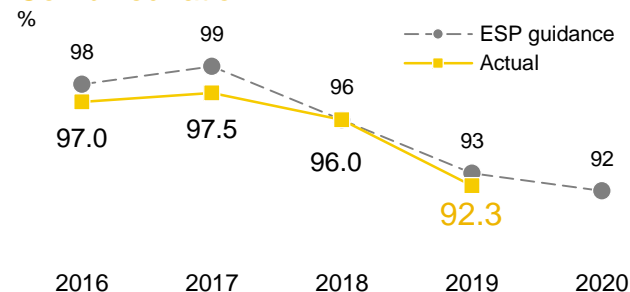
Gross premiums written



2020 level already almost achieved in 2019

- Sustainable improvement in 2019 driven by
 - Reduction of claims ratio: favourable claims development in basic losses driven by improved underwriting (esp. commercial lines) and claims management (esp. motor) as well as lower nat-cat and man-made losses
 - Improvement of cost ratio: stable cost development despite strong growth and supported by reduced fixed cost level
- Lowest combined ratio since 2011

Combined ratio



International – Sustainable increase of profitability



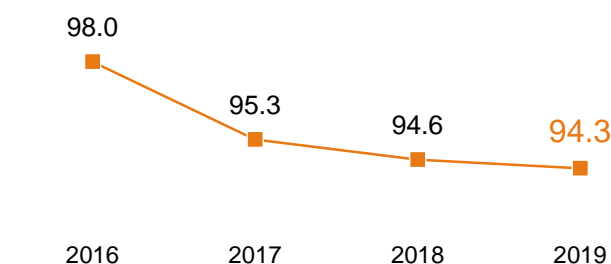
Core markets
€3.9bn
(82%)

in addition (JVs):
Growth markets
€0.7bn

Consolidated portfolio with leading positions in core markets

- Premium increase¹ in both core and growth markets
- Strong earnings level continued despite of disposal effects
- Continuous improvement of combined ratio supported by already achieved sustainable cost savings of €35m (net, accumulated)

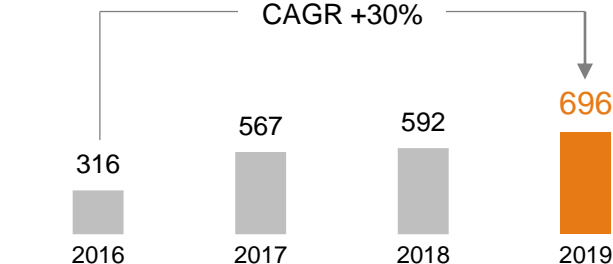
Combined ratio



Successful expansion in selected growth markets

- India (P-C, Health): HDFC ERGO with substantial premium growth (+8%³); announced merger with Apollo Munich Health will create second-largest private accident/health insurer
- China (Life): Significant premium increase (+48%³); regional presence expanded to Hebei in 2019, third province after Shandong and Jiangsu

Gross premiums written in growth markets⁴



4

Property-casualty – Earnings growth fully supports the 2020 ambition

Net result **€1,562m** (€1,135m)

- Strong volume increase by almost €2bn – earnings trajectory supported by growth from renewals and strategic initiatives
- Overall sound underlying profitability of portfolio – comfortably exceeding cost of capital
- High nat cat (esp. typhoons in Japan) and man-made claims, particularly in Q4
- Strong investment result, incl. disposal gains
- Normalised for single large events (e.g. aerospace) positive development of profitability in Risk Solutions business
- Support from low tax expenses



Combined ratio **101.0%** (99.4%)

- Major losses (15.2%) above average
- Underlying combined ratio ~98–99%, slightly elevated due to non-outlier losses, higher admin expenses and cautious loss picks

Reserve releases¹ **5.6%** (4.6%)

- Sustained favourable reserve development – releases exceed last year's level in absolute and relative terms
- Confidence level preserved – showing resilience as positive claims experience exceeds adverse development in selected hot-spot areas

Life and Health – Result below guidance on strain from Australia – Favourable experience in other markets

Technical result¹ **€456m** (€584m)

- On aggregate positive claims experience
- Strong contribution from new business and positive impact from restructuring of certain large treaties
- Negative impact from reserve review in Australia; overall global reserve position considered strong
- Strain on technical result from restructuring of asset portfolio in Canada
- Positive 2020 outlook: vital new business proposition and earnings stabilisation from 2019 inforce management and reserve review



Net result **€706m** (€729m)

- Decline of technical result
- High investment result driven by restructuring of assets in Canada, overcompensating strain on technical result

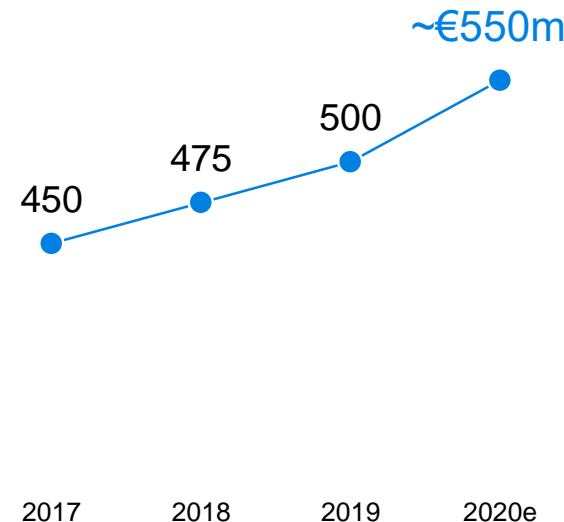
New business contribution **~€1.3bn** (€1.1bn)

- Again high level
- Strong traditional business development in North America and Asia
- FinMoRe with ongoing strong demand

Strong new business generation continues – Portfolio composition fosters steady earnings growth



Ambition²
Technical result, incl. fee income

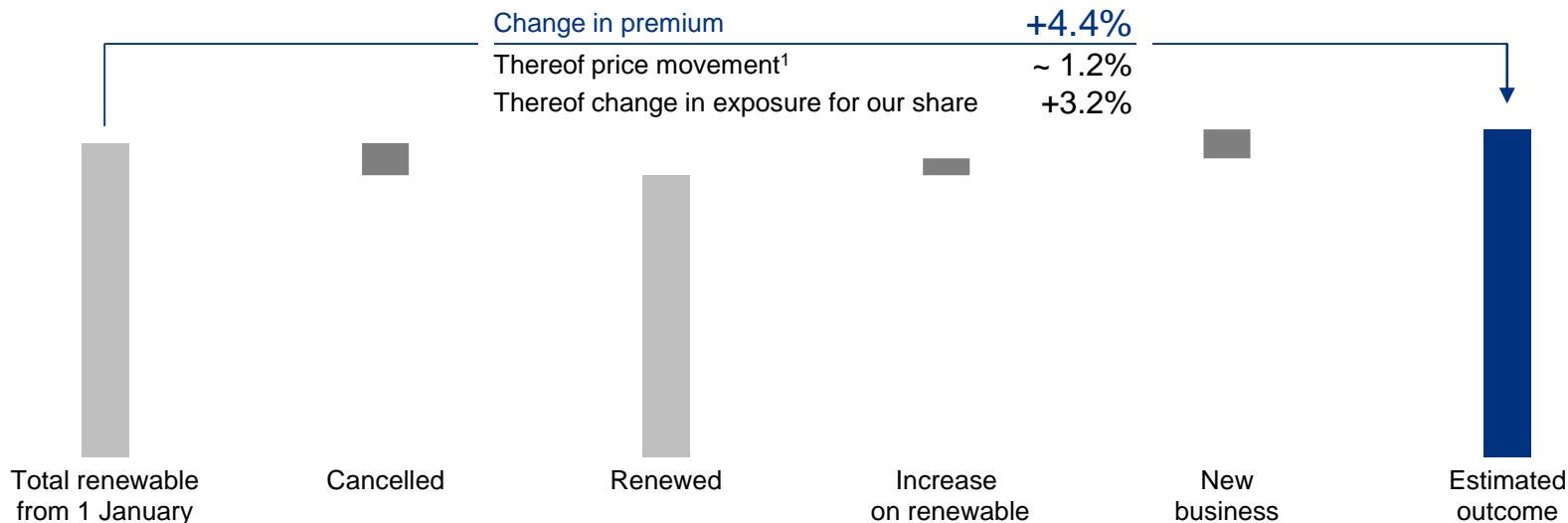


¹ FinMoRe, Asia, USA, longevity and financial markets. ² Ambition assumes claims in the range of expectation and no major one-offs from inforce management.

Select growth in firming market environment

January renewals 2020

%	100	-10.3	89.7	+5.3	+9.3	104.4
€m	10,205	-1,046	9,159	+545	+950	10,655

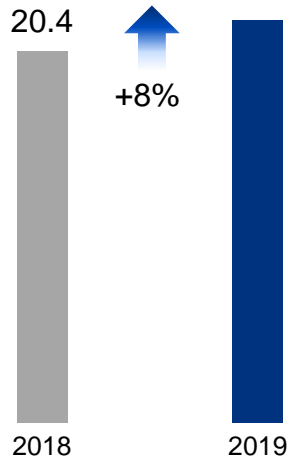


¹ Price movement is risk-adjusted, i.e. includes claims inflation/loss trend and is adjusted for portfolio mix effects. Furthermore, price movement is calculated on a wing-to-wing basis (including cancelled and new business).

Growth initiatives gaining traction – Profitable business expansion

Gross premiums written¹

€bn



Mature markets²

+4%

France: Successful re-entry and already ahead of plan, further strengthened as at 1.1.2020, now >€300m premiums

Global Clients: Growth in long-standing relationships, focus on balanced portfolios and adequate reflection of client strength

US: Selective expansion in local or regional business, when pricing and risk relation deemed good, cautious on casualty

Japan: Expansion of nat cat business reacting to increasing rates in wake of recent typhoons

Emerging markets²

+21%

India: Executing growth strategy and broadening offer successful, leading to diversified portfolio now >€300m premiums

Latin America: Growing in line with our ambition and market position with existing partners and new business

Risk Solutions business²

+14%

F&C: Direct Property and Energy business seizing market opportunities to write more business at hardening terms and better rates

AMIG: Transformation efforts bearing fruit and permitting growth of 17%, well above market average

Expansion of nat cat business...

Underlying combined ratio
~99% ~98–99%

Risk Solutions – 2019 with another step back to target profitability

Gross premiums written



€5.0bn (€4.3bn)

Capturing profitable growth opportunities

Combined ratio



100.7% (103.4%)

Normalised for large losses (aerospace)
C/R in line with mid-nineties ambition (elevated prior to 2019 due to attritional losses)

American Modern

- Transformation investments bearing fruit with growth of 17%¹, showing attractiveness of new product suite
- One-off IT costs and business run-off partly impact the result
- Combined ratio of 88% confirms earnings potential of the unit

Facultative & Corporate

- Good and profitable market position confirmed by a 93% C/R in 2019 – following a period affected by severe outlier events
- Premiums with strong growth above expectation, particularly in property, leading to an increase of 35%¹

Aerospace

- Unusual accumulation of large-loss events for Space and Aviation business leading to a C/R of 166%. Market materially reshaped after these events allowing for positive outlook
- Growing premium due to better market conditions and an improving competitive landscape by 20% in 2019 already. Further improvement expected for 2020

We focus on tangible business impact – Innovative and more disruptive offerings are gaining traction

Munich Re strategic advantages ...

Domain expertise in underwriting, claims, risk management

Efficient access to new solutions

Global presence

Financial strength

Strong brand and reputation

No IT legacy

... foster creation of new strategic options

Reshuffling the value chain



- Digital cooperation models (e.g. Digital Partners)
- IoT¹ applications and services (e.g. MHP/ Porsche cooperation)
- Munich Re New Ventures – Parachute platform

Details next slides

Expanding the boundaries of insurability



- Cyber (re)insurance: GWP 2019 US\$ 604m, good profitability, accumulation control
- Cyber embedded service solutions and growing cooperation network (e.g. DXC Technology)
- Insurance of AI technology

Details next slides

Data-driven solutions



- Newly developed risk scores (e.g. climate risk)
- Digitally augmented underwriting/claims solutions for our cedants (e.g. Munich Engine, Realytix, Improvex)

Levers

Investments in technology and people

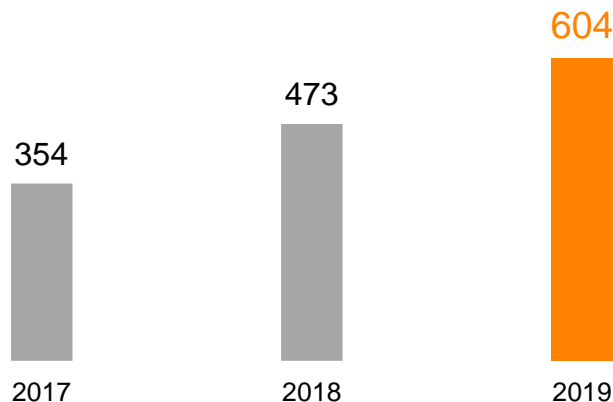


Strategic investments in partnerships

Cyber insurance – Continuously one of Munich Re's main strategic growth areas

Gross premiums written cyber portfolio¹

US\$ m



- Profitable growth in line with strategy and ambition
- Cautious participation in a further growing market balancing growth and stringent risk management – market share of up to 10%

- Early and full commitment to cyber allows us to shape the market and results in a lead position
- Good profitability of the cyber insurance book
- Competitive knowledge advantage and further investments in leading cyber expertise (~100 FTE)
- Further establishing relevant and efficient partnerships and detecting new distribution channels
- Actively addressing the topic silent cyber, managing our own exposure and creating new business by supporting clients
- Accumulation management is constantly challenged, further refined and state of the art

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 the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments.