Half-Year Financial Report
Munich Re

2/2021

WE DRIVE BUSINESS AS ONE

Munich RE

Key figures (IFRS)[1, 2]

Munich Re at a glance

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Consolidated result	€m	1,695	800	111.8	1,106	579	91.0
Thereof attributable to non-controlling interests	€m	–4	–1	–198.8	0	–1	–
Earnings per share	€	12.13	5.71	112.5	7.89	4.14	90.6
Return on equity (RoE)	%	15.0	7.1		19.2	10.4	
Return on investment (RoI)	%	2.9	2.9		3.1	2.7	
					30.6.2021	31.12.2020	
Share price	€				230.95	242.80	–4.9
Munich Reinsurance Company's market capitalisation	€bn				32.4	34.0	–4.9
Carrying amount per share	€				212.87	213.38	–0.2
Investments	€m				233,961	232,950	0.4
Insurance-related investments	€m				11,780	11,033	6.8
Equity	€m				29,920	29,994	–0.2
Off-balance-sheet unrealised gains and losses[3]	€m				18,123	21,298	–14.9
Net technical provisions	€m				227,287	221,480	2.6
Balance sheet total	€m				303,980	297,946	2.0
Number of staff					40,607	39,642	2.4

Reinsurance

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	19,688	18,091	8.8	10,299	8,856	16.3
Combined ratio property-casualty	%	94.3	103.0		90.1	99.9	
Investment result	€m	1,455	1,588	–8.4	787	659	19.4
Consolidated result	€m	1,361	555	145.2	951	407	133.9
Thereof: Reinsurance – Life and health	€m	145	67	116.9	93	59	57.7
Thereof: Reinsurance – Property-casualty	€m	1,217	488	149.1	858	348	146.8
Return on equity (RoE)[4]	%	16.4	6.7		22.2	9.9	

ERGO

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	9,506	9,021	5.4	4,343	3,971	9.4
Combined ratio Property-casualty Germany	%	93.4	92.9		92.6	92.5	
Combined ratio International	%	93.0	92.7		92.2	90.1	
Investment result	€m	2,169	2,029	6.9	1,146	1,038	10.4
Consolidated result	€m	334	245	36.2	155	173	–10.1
Thereof: Life and Health Germany	€m	126	69	83.2	33	63	–48.8
Thereof: Property-casualty Germany	€m	106	71	49.1	81	50	62.3
Thereof: International	€m	102	105	–3.4	41	59	–29.9
Return on equity (RoE)[4]	%	11.1	8.4		10.4	11.8	

1 You can download this information as an Excel file; please refer to the Financial Supplement under www.munichre.com/results-reports.
2 Previous year's figures adjusted; see section Recognition and measurement in the condensed interim consolidated financial statements.
3 Including those apportionable to minority interests and policyholders.
4 With the publication of our Ambition 2025 in December 2020, RoE has now become a target figure for our fields of business. Further information can be found in the Group Annual Report 2020 in the section entitled Tools of corporate management and strategic financial objectives. Information on the calculation of the annualised RoE can be found in the condensed interim consolidated financial statements in the section entitled Segment reporting – Notes on determining the annualised return on equity (RoE).

Contents

This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

Interim management report

Business environment

In the first half of 2021, the global economy continued to recover from the recession triggered in 2020 by the COVID-19 pandemic. However, the performance of major economies varied considerably. In Europe, economic output fell in Q1 due to new waves of infections and more stringent measures implemented to counteract the pandemic. Economic activity in Europe did not pick up again until Q2. By contrast, the US economy posted robust growth throughout the first six months of 2021. Many pandemic-related restrictions were discontinued as early as Q1 in the United States, where the economy was further boosted by substantial stimulus packages. While the upturn in China continued, several other emerging markets – such as India and Brazil – were afflicted by the economic repercussions of new waves of the coronavirus. Vaccination campaigns in emerging countries proceeded more slowly than in industrialised countries.

Many central banks continued to deploy far-reaching measures in an effort to facilitate favourable financing conditions and promote economic recovery. The Federal Reserve in the United States maintained its policy rate corridor of 0–0.25%, and the European Central Bank similarly kept its interest rate for main refinancing operations at 0%. Both the Fed and the ECB carried on with their large-scale bond-buying programmes.

In Q1, yields on ten-year government bonds in the United States and Germany continued their upward trend that had started in late 2020, driven by a recovering global economy and rising inflation rates. Yields then decreased slightly over the course of Q2.

As at 30 June 2021, yields on US bonds were still at a low average compared to the previous several years. In addition, yields on ten-year German government bonds remained in negative territory.

Yields on ten-year government bonds

%	30.6.2021	31.12.2020
USA	1.5	0.9
Germany	–0.2	–0.6

Volatility in international financial markets decreased. Important equity indices, such as the US Dow Jones and the EURO STOXX 50, continued their upward trend in HY1 2021 – resulting in gains of more than 10% as at 30 June 2021 (compared with 31 December 2020).

Equity markets

	30.6.2021	31.12.2020
EURO STOXX 50	4,064	3,553
Dow Jones Index	34,503	30,606

Fluctuations in currency markets were less pronounced in the first half of 2021, with the US dollar staying within a narrow range between €0.81 and €0.85. At the end of June, the US dollar, Canadian dollar and pound sterling were higher against the euro compared with the end of 2020. The average value of the US dollar in the first half of 2021 was, at €0.83, far lower than 12 months earlier (€0.91). On average, the year-on-year value of the pound sterling in the first half of 2021 was somewhat higher against the euro, and the average value of the Canadian dollar was roughly the same.

Exchange rates

One foreign currency unit is equivalent to €:	30.6.2021	31.12.2020	Q2 2021	Q2 2020
Australian dollar	0.63305	0.63068	0.63899	0.59654
Canadian dollar	0.68097	0.64152	0.67558	0.65541
Pound sterling	1.16489	1.11719	1.16024	1.12723
Polish zloty	0.22150	0.21935	0.22078	0.22194
Swiss franc	0.91224	0.92460	0.91091	0.94237
US dollar	0.84324	0.81729	0.82967	0.90788
Yen	0.00760	0.00792	0.00758	0.00844
Yuan renminbi	0.13050	0.12497	0.12846	0.12809

Business performance of the Group and overview of investment performance

Key figures[1]

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	29,193	27,112	7.7	14,642	12,827	14.2
Technical result	€m	1,554	540	187.8	1,074	423	154.0
Investment result	€m	3,624	3,617	0.2	1,933	1,697	13.9
Insurance-related investment result	€m	765	–549	–	352	596	–40.9
Operating result	€m	2,352	1,153	104.0	1,554	755	105.7
Currency result	€m	–140	167	–	–117	23	–
Taxes on income	€m	–384	–393	2.2	–270	–138	–95.3
Return on equity (RoE)[2]							
Group	%	15.0	7.1		19.2	10.4	
Reinsurance	%	16.4	6.7		22.2	9.9	
ERGO	%	11.1	8.4		10.4	11.8	
Consolidated result	€m	1,695	800	111.8	1,106	579	91.0
					30.6.2021	31.12.2020	Change
							%
Solvency II ratio	%				224.5	208.1	
Equity	€bn				29.9	30.0	–0.2

1 Previous year's figures adjusted; see section Recognition and measurement in the condensed interim consolidated financial statements.
2 Further information on the RoE can be found in the Group Annual Report 2020 under Tools of corporate management and strategic financial objectives, and in the condensed interim consolidated financial statements under Segment reporting – Notes on determining the annualised return on equity (RoE).

Munich Re's consolidated result for the first six months of 2021 was gratifying. In the first half-year, claims costs for major losses in property-casualty reinsurance – at 11.0% (18.0%) of net earned premiums – were below the long-term average expected value of 12%. Following considerable claims costs for major losses in Q1, chiefly due to a cold snap in the USA, there were fewer major losses in Q2 than on average. The technical result in life and health reinsurance continued to be impacted by higher mortality in the USA, South Africa and India in connection with COVID-19. In reinsurance overall, we incurred COVID-19-related losses totalling around €505m (1,500m) in the first half of the year.

At ERGO, COVID-19 had very little impact on the result in the first half-year, as losses from the joint venture in India were offset by positive effects, such as lower claims payments in travel insurance and in motor.

The investment result was at the same level as in the previous year and benefited from gains on disposal. In contrast, losses on equity and interest-rate derivatives held for hedging purposes produced negative effects. Changes in exchange rates during the first half of the year led to a currency loss. The tax burden in the first half of the year, with an effective tax rate of 18.5% (32.9%) owing to various one-off effects, was below our anticipated range.

Our premium income increased considerably year on year. This was mainly due to substantial organic growth in property-casualty reinsurance and at ERGO.

Group equity was slightly lower at the end of the reporting period than at the start of the year, primarily due to the dividend payout in April and lower valuation reserves resulting from higher interest rates. Our debt-to-equity ratio was 12.4% (15.1%), which is low by industry comparison.

Investment mix

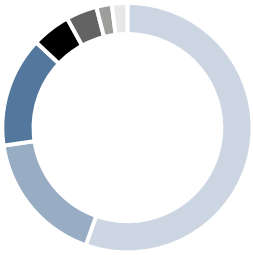
	Carrying amounts		Unrealised gains/losses[1]		Fair values	
€m	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Land and buildings, including buildings on third-party land	6,558	6,539	5,629	5,592	12,186	12,131
Investments in affiliated companies associates and joint ventures	3,464	3,372	1,650	1,584	4,968	4,841
Loans	50,565	51,944	9,503	12,778	60,068	64,722
Other securities available for sale	157,417	155,389	14,335	17,293	157,417	155,389
Thereof: Fixed-interest	135,300	138,404	9,766	14,426	135,300	138,404
Thereof: Non-fixed-interest	22,116	16,985	4,569	2,866	22,116	16,985
Other securities at fair value through profit or loss	2,726	2,927	0	0	2,726	2,927
Thereof: Derivatives	1,969	2,339	0	0	1,969	2,339
Deposits retained on assumed reinsurance	8,537	7,980	0	0	8,537	7,980
Other investments	4,695	4,800	0	0	4,695	4,800
Total	**233,961**	**232,950**	**31,116**	**37,247**	**250,597**	**252,789**

1 Including on- and off-balance-sheet unrealised gains and losses.

The fair value of our investment portfolio decreased in the first half of the year, largely due to rising interest rates. This was particularly offset by higher prices on the stock markets. Our portfolio continues to be dominated by fixed-interest securities and loans.

Fixed-interest portfolio by economic category[1]

Total: €207bn (215bn)



Government bonds[2]	55%	(55%)
Thereof: Inflation-linked bonds	8%	(7%)
Pfandbriefs/Covered bonds	17%	(18%)
Corporate bonds	14%	(14%)
Cash positions/Other	5%	(5%)
Policy and mortgage loans	4%	(4%)
Bank bonds	2%	(2%)
Structured products (credit structures)	2%	(2%)

1 Presentation essentially shows fixed-interest securities and loans, including deposits and cash at banks, at fair value.
2 Including other public-sector issuers and government-guaranteed bank bonds.

A total of 55% of our portfolio of fixed-interest securities was invested in government bonds at the end of the reporting period. In the first six months, our new investments were mainly made in US and Australian government bonds. Reductions focused on our holdings of bonds from German issuers. The vast majority of our government bonds continue to come from countries with a high credit rating.

Our investment in bank bonds is limited and at the end of the reporting period amounted to 2% (2%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors totalled 14% (14%).

The carrying amount of our equity portfolio increased due to the purchase of equities and the overall positive market development. The equity-backing ratio climbed to 8.1% (6.4%). The equity-backing ratio including derivatives was 7.5% (6.0%). To hedge against accelerating inflation, we held inflation-linked bonds in the amount of €8.9bn (8.5bn) (at fair values). Real assets such as shares, property, commodities, and investments in infrastructure, renewable energies and new technologies also serve to guard against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Investment result[1]

	Q1–2 2021	Return[2]	Q1–2 2020	Return[2]	Q2 2021	Q2 2020
	€m	%	€m	%	€m	€m
Regular income	3,073	2.5	3,265	2.6	1,645	1,721
Write-ups/write-downs of non-derivative investments	–248	–0.2	–1,567	–1.3	–77	–108
Gains/losses on the disposal of non-derivative investments	1,610	1.3	1,566	1.3	627	1,189
Net balance of derivatives	–458	–0.4	694	0.6	–90	–906
Other income/expenses	–353	–0.3	–342	–0.3	–172	–200
Total	**3,624**	**2.9**	**3,617**	**2.9**	**1,933**	**1,697**

1 Details of the result by type of investment can be found in the condensed interim consolidated financial statements in the section Notes to the consolidated income statement.
2 Annualised return in % p.a. on the average fair value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (2.9%) for the first six months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2020 (€232,950m), 31 March 2021 (€231,565m) and 30 June 2021 (€233,961m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property and insurance-based loans) as at 31 December 2020 (€19,839m), 31 March 2021 (€17,142m) and 30 June 2021 (€16,636m).

Regular income in the first half of the year and in Q2 was down year on year, primarily due to lower interest income from fixed-interest securities.

For the period from April to June, the yield on reinvestment for our fixed-interest investments averaged 1.7% (1.6%).

We posted considerably lower net write-downs of non-derivative investments, in particular on our equity portfolio, in the first six months of the year because the first half of 2020 had been marked by the impact of the coronavirus pandemic on the capital markets. In Q2, net write-downs were also below the previous year's level.

From January to June, the result from the disposal of non-derivative investments was slightly higher than in the same period last year. This was mainly due to gains on the disposal of associates and higher gains on the disposal of equities. The lower gains on disposal in Q2 were primarily due to a significantly lower volume of equities sold in primary insurance, and to a lower amount of fixed-interest securities sold to finance the additional interest reserve.

The net balance of derivatives declined markedly compared with the first half of 2020, mainly due to losses on equity derivatives in primary insurance and losses on interest-rate derivatives, particularly from ERGO's interest-rate hedging programme. In Q2, the net balance of derivatives was significantly higher than in the same period last year. This was mainly due to lower losses on equity and credit derivatives held for hedging purposes.

Business performance of the segments

Reinsurance – Life and health

Key figures

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	6,202	6,411	–3.3	3,144	3,332	–5.6
Share of gross premiums written in reinsurance	%	31.5	35.4		30.5	37.6	
Technical result, including the result from reinsurance treaties with non-significant risk transfer	€m	115	104	10.6	64	48	31.9
Investment result	€m	411	400	2.8	166	174	–4.7
Operating result	€m	184	118	56.2	78	51	52.8
Consolidated result	€m	145	67	116.9	93	59	57.7

Premium

Negative currency translation effects had a significant impact on the development of premiums in the first half-year.

We write the majority of our business in non-euro currencies (around 85%). Exchange-rate fluctuations therefore have a significant impact on premium development.

If exchange rates had remained unchanged, gross premiums written would have seen a year-on-year decrease of 0.2% in the first half of the year and 3.4% in Q2. The decline is attributable to our business in Europe and Asia, where a number of treaties were terminated or not renewed. In terms of the first half-year, growth in North America largely compensated for the decrease. The stronger reduction in Q2 was due to a catch-up effect in the same period last year.

Result

At €5m (21m), the technical result for the first half-year was lower than in the same period last year, when it was also low.

This was mainly due, as expected, to continued significant claims expenditure attributable to COVID-19 totalling €302m (105m), of which €140m was incurred in Q2.

COVID-19-related expenditure was dominated by expenses for mortality covers in the USA, whereby Q2 demonstrated a clear downward trend. In addition, we sustained material losses in South Africa and in Q2 also in India. Claims expenditure in Canada, Europe and Latin America was comparatively low. In Australia, we were able to release provisions for IBNR claims from the previous year. Overall, we have not been notified of significant expenditure in Australia to date.

Without the exceptional expenditure attributable to COVID-19, the first half-year was better than expected overall, mainly owing to retroactive increases in premium for the Australian disability business, as well as a one-off effect pertaining to a large North American reinsurance treaty. Furthermore, increased interest rates had a positive influence on our claims reserves. Claims experience was somewhat higher than expected, owing to an accumulation of high individual losses in the USA. This was largely compensated for by positive experience in Europe and Asia.

The result from reinsurance treaties with non-significant risk transfer continued to perform very favourably. At €110m (83m), the result in the first half of the year was significantly higher than in the same period last year as a consequence of business growth in Asia and the USA in particular. Those treaties have thereby reaffirmed their stabilising impact on the overall result.

The investment result for the first half-year and for Q2 was nearly at the same level overall as in the previous year. In the first half of the year, the decline in regular investment income was compensated for above all by higher gains on disposal whereas in Q2 the increase in the net balance of derivatives had an offsetting effect.

Reinsurance – Property-casualty

Key figures

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	13,486	11,680	15.5	7,155	5,524	29.5
Share of gross premiums written in reinsurance	%	68.5	64.6		69.5	62.4	
Loss ratio	%	65.0	72.4		60.5	68.9	
Thereof: Major losses	Percentage points	11.0	18.0		6.8	14.8	
Expense ratio	%	29.3	30.5		29.6	31.0	
Combined ratio	%	94.3	103.0		90.1	99.9	
Technical result	€m	1,110	217	411.0	845	291	190.0
Investment result	€m	1,043	1,188	–12.2	621	485	28.1
Operating result	€m	1,648	645	155.4	1,196	414	189.0
Consolidated result	€m	1,217	488	149.1	858	348	146.8

Premium

Gross premiums written chiefly benefited from new business and increased shares, in particular at Munich Reinsurance America Inc. Currency translation effects, by contrast, had an adverse effect. If exchange rates had remained unchanged, premium income would have seen a year-on-year increase of 22.6% for the first six months and 37.4% for the second quarter.

In the reinsurance renewals as at 1 January 2021, Munich Re was able to increase the volume of business written to €11.6bn (+10.9%). Around half of property-casualty business was renewed, with a focus on Europe, the USA (mainly excluding hurricane cover) and global business. Prices, terms, and conditions improved, with some substantial rate increases in non-proportional business, in particular. Prices improved to varying degrees around the world. All in all, prices for the Munich Re portfolio increased by 2.4%.

In the renewals as at 1 April 2021, Munich Re was able to increase the volume of business written to €2.3bn (+17.1%). It was possible to tap into growth opportunities, especially with global clients and in Asia – particularly in Japan and India. By contrast, Munich Re once again selectively discontinued business that no longer met risk/return expectations. Prices were up overall in the sectional markets, with considerably different trends dependent upon claims experience and the situation in each individual market. Prices for reinsurance cover rose considerably in some places, including Japan. By contrast, prices rose only slightly in regions and classes of business with low claims experience, such as Europe. Overall, prices increased by 2.4% in the April renewals.

Result

The technical result improved appreciably in the first half of the year, mainly owing to significantly decreased major-loss expenditure. The same applies to Q2 on a standalone basis. Claims pertaining to COVID-19 had had a major impact on the first six months of the previous year.

From January to June, we posted major-loss expenditure totalling €1,324m (1,980m), of which €432m (799m) was attributable to Q2, in each case after retrocessions to reinsurers and before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 11.0% of net earned premium in the first half of the year and 6.8% in Q2. This expenditure was below the volume of major claims to be expected, i.e. 12% of net earned premium, both for the first half of the year and for Q2.

Claims costs from natural catastrophes amounted to €848m (375m) for the first half of the year and €203m (167m) for Q2. The largest losses were caused by a cold spell in the USA, especially in Texas, in February, with anticipated claims expenditure in the region of €510m.

Expenditure for man-made losses, including COVID-19 losses of €203m (1,395m), came to €475m (1,605m) for the first half of the year and €229m (632m) for Q2.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims notifications we receive. As claims notifications continued to remain appreciably below the expected level, we made reserve releases in the first half-year. After adjustments for commissions, these releases amounted to around €480m, or 4.0% of net earned premium. We continue to aim to set the amount of provisions for newly emerging claims at the top end of the estimation range.

The combined ratio amounted to 94.3% (103.0%) of net earned premiums for the first six months of the year and 90.1% (99.9%) for Q2. Thus, the figure for the first half-year is lower than our target of 96% projected at the beginning of the year for the full year 2021.

In the first half-year, the investment result was slightly down year on year, in particular owing to a lower net balance of derivatives and a decline in regular income. In Q2, the investment result was higher than in the same period last year, mainly owing to a significantly improved result from equity, interest-rate and commodity derivatives.

ERGO Life and Health Germany

Key figures

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Total premium income[1]	€m	4,935	4,820	2.4	2,522	2,356	7.0
Gross premiums written	€m	4,569	4,464	2.3	2,304	2,149	7.2
Share of gross premiums written by ERGO	%	48.1	49.5		53.0	54.1	
Technical result	€m	188	46	310.5	72	–36	–
Investment result	€m	1,863	1,757	6.0	964	917	5.1
Operating result	€m	218	135	62.1	83	146	–43.3
Consolidated result	€m	126	69	83.2	33	63	–48.8

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

The segment's gross premiums written were up year on year both for the first six months of 2021 and in Q2. Positive development in the Health Germany division and growth from the new products in the Life Germany division more than offset the COVID-19-related decline in travel insurance. Total premium income in the first half-year and in Q2 was also up compared with the same periods last year.

In the Life Germany division, gross premiums written climbed to €1,435m (1,345m) in the first half-year. The figure for Q2 was €721m (658m). The increase was partly attributable to strong premium growth from the new products. Total premium income amounted to €1,801m (1,701m) in the first six months, and €939m (865m) in Q2. We posted premium income of €97m (82m) in regular-premium new business and €349m (223m) in single-premium new business. The increase in single premiums partly resulted from strong new business growth in company pension products. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume increased by 26.5% to €132m (104m).

Gross premiums written in the Health Germany division, which also includes travel insurance business, fell slightly by 0.5% year on year to €2,711m (2,726m) for the first half-year, and came to €1,371m (1,304m) in Q2. Premium income grew by 3.6% in supplementary health insurance and remained at the previous year's level in comprehensive health insurance. The growth in supplementary insurance was attributable to business not similar to life insurance, which increased by 8.5%. Premium growth was offset by a COVID-19-related decline in travel insurance, where gross premiums written dropped by 15.1% compared with the first six months of the previous year.

Gross premiums written in the Digital Ventures division rose by 7.3% year on year to €423m (394m) for the first half-year, and came to €212m (187m) in Q2. The increase was partly attributable to health insurance business, which grew by 6.2%, chiefly driven by supplementary dental insurance. In property-casualty business, gross premiums written were also up year on year, by 10.6%.

Result

The technical result generated in the first half-year and in Q2 rose significantly compared with the same periods last year. The increase in the first half-year was mainly attributable to the Health Germany division, where this year's good operational performance stood out against a highly volatile technical result due to COVID-19 during the previous year. In Q2 2020, the technical result had decreased significantly because of the close dependency between the technical result and the investment result. The result of travel insurance business improved compared with the previous year.

The investment result was up year on year in the first half-year and Q2; the increase in the first half-year was mainly due to much lower impairment losses on equities, above all in the Health Germany division. In Q2, an improved net balance of derivatives and lower impairment losses more than offset lower net gains on disposals. To finance the additional interest reserve in the Life Germany division, we realised reserves at approximately the same level as in the first half of the previous year.

ERGO Property-casualty Germany

Key figures

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Gross premiums written	€m	2,341	2,135	9.7	805	696	15.8
Share of gross premiums written by ERGO	%	24.6	23.7		18.5	17.5	
Loss ratio	%	63.2	61.5		63.4	62.0	
Expense ratio	%	30.1	31.5		29.1	30.5	
Combined ratio	%	93.4	92.9		92.6	92.5	
Technical result	€m	121	145	–16.3	70	85	–17.8
Investment result	€m	140	93	50.2	110	42	163.0
Operating result	€m	163	125	30.2	126	70	80.5
Consolidated result	€m	106	71	49.1	81	50	62.3

Premium

Gross premiums written saw a significant increase year on year both in the first half-year and Q2. The increase in the first six months of 2021 was mainly driven by growth in third-party liability insurance (+18.6%), other classes of business (+26.1%), and fire and property insurance (+9.3%). Growth in gross premiums written was also posted in marine insurance (+21.7%), motor insurance (+4.7%) and legal protection insurance (+1.4%). By contrast, we recorded a 2.4% decrease in gross premiums written in personal accident insurance.

Result

The technical result for the first half-year and for Q2 was down year on year. The development in the first half-year was mainly driven by major losses from natural catastrophes as well as man-made losses, which were partly offset by good organic premium growth, lower losses in personal lines – especially motor – business, and favourable cost development.

The combined ratio for the first six months was slightly up by 0.4 percentage points year on year, thus remaining at a very good level despite higher losses from natural catastrophes as well as man-made losses. The figure for Q2 was up slightly by 0.1 percentage points, and thus approximately at the previous year's level.

The investment result for the first half-year and for Q2 was up significantly compared with the 2020 figures. In the first half-year, the increase was chiefly attributable to higher regular income and lower impairment losses on equities. In Q2, the result was influenced in particular by high dividend payouts from alternative investments.

ERGO International

Key figures

		Q1–2 2021	Q1–2 2020	Change	Q2 2021	Q2 2020	Change
				%			%
Total premium income[1]	€m	2,702	2,526	7.0	1,290	1,176	9.6
Gross premiums written	€m	2,596	2,422	7.2	1,234	1,126	9.6
Share of gross premiums written by ERGO	%	27.3	26.8		28.4	28.4	
Loss ratio	%	63.5	62.6		62.4	59.8	
Expense ratio	%	29.5	30.1		29.7	30.4	
Combined ratio	%	93.0	92.7		92.2	90.1	
Technical result	€m	129	111	16.3	78	75	4.4
Investment result	€m	167	179	–6.7	72	79	–8.9
Operating result	€m	139	130	6.8	72	75	–3.9
Consolidated result	€m	102	105	–3.4	41	59	–29.9

1 Total premium income includes not only gross premiums written but also savings premiums for unit-linked life insurance and capitalisation products in accordance with the applicable statutory accounting guidelines.

Premium

Compared with the same periods last year, for the first six months and Q2 we posted an overall increase in gross premiums written, mainly thanks to strong premium growth in Poland and positive development in health business. Adjusted to eliminate negative currency translation effects, gross premiums written by ERGO International would have increased by 8.2% compared with the first half of the previous year. The segment's total premium income in the first half-year and in Q2 was also up compared with the same periods last year.

In international property-casualty business, gross premiums written rose year on year by 10.4% to €1,472m (1,333m) in the first half-year, and by 12.4% to €709m (631m) in Q2. We posted significantly higher premiums particularly in Poland and in international legal protection business. In Poland, premiums grew across nearly all classes of business.

As a result of organic growth in our Spanish and Belgian markets, gross premiums written were up in international health business, increasing by 5.7% to €818m (774m) in the first six months, with Q2 accounting for €371m (351m).

In international life insurance, gross premiums written for the first half-year amounted to €307m (315m), a 2.6% decrease compared to the same period last year. The figure for Q2 was €154m (145m). This was partly due to reduced premiums in Belgium, where we stopped writing new business already in 2017. Total premium income in the first six months was down by 1.7% year on year to €413m (420m). The figure for Q2 was €210m (195m).

Result

The technical result for the first six months and for Q2 improved compared with the same periods last year. The positive development in the first six months was chiefly attributable to operational improvements in international life insurance business in Belgium and Austria, and the improved performance of Polish and Greek property-casualty business and Spanish health business.

The slightly higher combined ratio in international property-casualty business in the first half-year was partly due to higher losses from weather events in Austria and major losses in the Baltic states. In international health insurance, the combined ratio improved by 0.2 percentage points year on year.

The investment result both for the first half-year and for Q2 was down slightly on the same periods last year. In the first half-year, higher net gains on disposals and higher write-ups did not fully compensate for a lower net balance of derivatives and lower income from equity investments.

Prospects

This section contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. We do not accept any responsibility or liability in the event that they are not realised in part or in full.

It is not only the obvious fluctuations in the incidence of major losses that make an accurate forecast of IFRS results impossible. Despite the fact that our assets are geared to the characteristics of our liabilities, forecasts are also made more difficult by the pronounced volatility of the capital markets and exchange rates. In addition, there is increased uncertainty with regard to potential claims in connection with the coronavirus pandemic.

Outlook for the Munich Re Group 2021

		As at 30.6.2021	From Q1 2021	From Annual Report 2020
Gross premiums written	€bn	58	57	55
Technical result – Life and health reinsurance[1]	€m	400	400	400
Combined ratio – Property-casualty reinsurance	%	96	96	96
Combined ratio – ERGO Property-casualty Germany	%	92	92	92
Combined ratio – ERGO Property-casualty International	%	93	93	93
Return on investment[2]	%	Over 2.5	Over 2.5	Over 2.5
Consolidated result	€bn	2.8	2.8	2.8
Economic earnings	€bn	Over 2.8	Over 2.8	Over 2.8

1 Including the result from reinsurance treaties with non-significant risk transfer.
2 Excluding insurance-related investments.

Compared with our forecasts made in the Annual Report 2020, and in the Quarterly Statement for Q1/2021, we anticipate the following changes to these key figures relevant for Munich Re after the first half of 2021:

Munich Re anticipates further COVID-19 losses in 2021, though to a much lesser degree than in the 2020 financial year.

At the beginning of the year, we projected COVID-19 losses of around €500m for reinsurance – including around €200m in life and health reinsurance, and around €300m in property-casualty reinsurance. In light of significant claims expenditure attributable to COVID-19 in the first half of 2021, we have now raised our forecast for the segment life and health reinsurance to around €400m and, consequently, for the reinsurance field of business to around €700m.

For the ERGO field of business, we projected in the Annual Report 2020 a negative impact on the result of between €90m and €100m after taxes in connection with COVID-19. As a result of more positive trends in the first half of 2021, for the year as a whole we now project a negative impact on the result of between €40m and €50m after taxes.

At the beginning of the year, we projected gross premium of around €37bn for reinsurance. Upon publication of the Q1 results in May, we raised our forecast for this field of business to €39bn, and the forecast for the Group as a whole to €57bn on account of positive business opportunities in reinsurance. Due to the continuing positive business development, we have now raised our forecast for reinsurance by €1bn to €40bn, for the ERGO field of business by €0.5bn to €18bn, and for the Group as a whole to €58bn.

In the forecast released at the beginning of 2021, we projected a technical result, including the result from reinsurance treaties with non-significant risk transfer, of around €400m in life and health reinsurance. Given the losses in connection with COVID-19, the likelihood of not achieving this goal has increased.

In the Annual Report 2020, we projected a combined ratio of around 92% for ERGO Property-casualty Germany. Owing to the flooding in July 2021, there is increased uncertainty as to whether that target can be reached.

Munich Re is still aiming for a consolidated result of around €2.8bn for the 2021 financial year.

The other targets communicated for 2021 in Munich Re's Group Annual Report 2020 remain unchanged.

At 1 July 2021, a volume of around €3.5bn, or around 21% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. About 26% of this volume was from North America, 24% from Australia and 26% was attributable to worldwide business. These renewals comprised a significant percentage of natural catastrophe business – around 21% of premium worldwide. Premium volume rose by approximately 11% to around €3.9bn. Of the increase, 66% pertains to property and 36% to casualty insurance – with a moderate decline in special lines. The trend toward higher reinsurance prices continues, owing to claims in various markets and lines of business, including COVID-19 claims. Primary insurance prices are also increasing in many markets. When selecting a reinsurer, quality continues to play an important role. This allows financially solid reinsurers to position themselves as reliable long-term partners. These factors explain the considerable increase in the price level of around 2.0%.

In all other respects, the statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2020 apply unchanged. Munich Re continues to enjoy a very solid capital base, and the solvency ratio (without the application of transitional measures) is slightly above the communicated optimal range of 175–220%.

Condensed interim consolidated financial statements

Consolidated balance sheet
as at 30 June 2021

Assets

			30.6.2021	31.12.2020		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,024		2,782	242	8.7
II. Other intangible assets		1,255		1,223	32	2.6
			4,279	**4,005**	**274**	**6.8**
B. Investments						
I. Land and buildings, including buildings on third-party land		6,558		6,539	19	0.3
II. Investments in affiliated companies, associates and joint ventures		3,464		3,372	93	2.7
Thereof: Associates and joint ventures accounted for using the equity method		3,073		3,104	–31	–1.0
III. Loans		50,565		51,944	–1,379	–2.7
IV. Other securities						
1. Available for sale	157,417			155,389	2,028	1.3
2. At fair value through profit or loss	2,726			2,927	–200	–6.8
		160,143		158,316	1,827	1.2
V. Deposits retained on assumed reinsurance		8,537		7,980	557	7.0
VI. Other investments		4,695		4,800	–106	–2.2
			233,961	**232,950**	**1,012**	**0.4**
C. Insurance-related investments			**11,780**	**11,033**	**748**	**6.8**
D. Ceded share of technical provisions			**5,801**	**5,321**	**480**	**9.0**
E. Receivables						
I. Current tax receivables		726		765	–40	–5.2
II. Other receivables		28,034		25,431	2,603	10.2
			28,759	**26,196**	**2,564**	**9.8**
F. Cash at banks, cheques and cash in hand			**5,598**	**5,615**	**–17**	**–0.3**
G. Deferred acquisition costs						
Gross		10,055		9,617	437	4.5
Ceded share		–547		–498	–49	–9.8
Net			9,507	9,119	388	4.3
H. Deferred tax assets			**382**	**278**	**104**	**37.3**
I. Other assets			**3,090**	**3,215**	**–125**	**–3.9**
J. Non-current assets held for sale			**822**	**215**	**606**	**281.6**
Total assets			**303,980**	**297,946**	**6,033**	**2.0**

Equity and liabilities

		30.6.2021	31.12.2020		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,432		7,432	0	0.0
II. Retained earnings	13,738		13,568	170	1.3
III. Other reserves	6,954		7,683	–729	–9.5
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,699		1,211	488	40.3
V. Non-controlling interests	97		100	–3	–2.5
		29,920	**29,994**	**–74**	**–0.2**
B. Subordinated liabilities		**3,970**	**5,047**	**–1,078**	**–21.3**
C. Gross technical provisions					
I. Unearned premiums	12,885		10,964	1,921	17.5
II. Provision for future policy benefits	114,087		112,928	1,159	1.0
III. Provision for outstanding claims	76,174		72,475	3,699	5.1
IV. Other technical provisions	21,351		22,478	–1,127	–5.0
		224,497	**218,846**	**5,652**	**2.6**
D. Gross technical provisions for unit-linked life insurance		**8,591**	**7,955**	**636**	**8.0**
E. Other provisions		**4,915**	**5,438**	**–523**	**–9.6**
F. Liabilities					
I. Bonds and notes issued	281		272	9	3.2
II. Deposits retained on ceded business	1,416		1,261	155	12.3
III. Current tax liabilities	1,716		1,823	–107	–5.9
IV. Other liabilities	25,884		24,895	990	4.0
		29,297	**28,251**	**1,046**	**3.7**
G. Deferred tax liabilities		**2,336**	**2,293**	**43**	**1.9**
H. Liabilities related to non-current assets held for sale		**453**	**123**	**330**	**269.4**
Total equity and liabilities		**303,980**	**297,946**	**6,033**	**2.0**

Consolidated income statement[1]
1 January to 30 June 2021

			Q1–2 2021	Q1–2 2020		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**29,193**			**27,112**	**2,082**	**7.7**
1. Earned premiums						
Gross	27,510			26,427	1,083	4.1
Ceded	–1,111			–1,266	155	12.2
Net		26,399		25,161	1,238	4.9
2. Income from technical interest		**3,140**		**2,006**	**1,134**	**56.5**
3. Expenses for claims and benefits						
Gross	–22,405			–21,201	–1,205	–5.7
Ceded	726			820	–95	–11.6
Net		–21,680		–20,381	–1,299	–6.4
4. Operating expenses						
Gross	–6,516			–6,528	11	0.2
Ceded	212			281	–69	–24.7
Net		–6,305		–6,247	–58	–0.9
5. Technical result (1–4)			**1,554**	**540**	**1,014**	**187.8**
6. Investment result		**3,624**		**3,617**	**7**	**0.2**
Thereof: Income from associates and joint ventures accounted for using the equity method		132		29	103	356.0
7. Insurance-related investment result		**765**		**–549**	**1,314**	**–**
8. Other operating income		**467**		**476**	**–10**	**–2.0**
9. Other operating expenses		**–918**		**–925**	**7**	**0.8**
10. Deduction of income from technical interest		**–3,140**		**–2,006**	**–1,134**	**–56.5**
11. Non-technical result (6–10)			**798**	**613**	**185**	**30.2**
12. Operating result (5+11)			**2,352**	**1,153**	**1,199**	**104.0**
13. Other non-operating result			**–21**	**–17**	**–4**	**–22.0**
14. Currency result			**–140**	**167**	**–307**	**–**
15. Net finance costs			**–112**	**–110**	**–2**	**–2.2**
16. Taxes on income			**–384**	**–393**	**9**	**2.2**
17. Consolidated result (12–16)			**1,695**	**800**	**895**	**111.8**
Thereof: Attributable to Munich Reinsurance Company equity holders			1,699	802	898	112.0
Attributable to non-controlling interests			–4	–1	–3	–198.8
			€	€	€	%
Earnings per share			**12.13**	**5.71**	**6.42**	**112.5**

1 Previous year's figures adjusted; see section Recognition and measurement.

Consolidated income statement[1]
1 April to 30 June 2021

			Q2 2021	Q2 2020		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**14,642**			**12,827**	**1,815**	**14.2**
1. Earned premiums						
Gross	14,251			13,198	1,053	8.0
Ceded	-623			-683	60	8.8
Net		13,628		12,515	1,113	8.9
2. Income from technical interest		**1,574**		**1,750**	**-177**	**-10.1**
3. Expenses for claims and benefits						
Gross	-11,254			-11,182	-72	-0.6
Ceded	363			433	-69	-16.1
Net		-10,890		-10,749	-141	-1.3
4. Operating expenses						
Gross	-3,342			-3,242	-100	-3.1
Ceded	105			149	-44	-29.5
Net		-3,238		-3,094	-144	-4.6
5. Technical result (1–4)			**1,074**	**423**	**651**	**154.0**
6. Investment result		**1,933**		**1,697**	**236**	**13.9**
Thereof:						
Income from associates and joint ventures accounted for using the equity method		86		17	69	414.9
7. Insurance-related investment result		**352**		**596**	**-244**	**-40.9**
8. Other operating income		**226**		**249**	**-24**	**-9.4**
9. Other operating expenses		**-457**		**-459**	**2**	**0.5**
10. Deduction of income from technical interest		**-1,574**		**-1,750**	**177**	**10.1**
11. Non-technical result (6–10)			**481**	**333**	**148**	**44.4**
12. Operating result (5+11)			**1,554**	**755**	**799**	**105.7**
13. Other non-operating result			**-9**	**-6**	**-3**	**-46.8**
14. Currency result			**-117**	**23**	**-140**	**-**
15. Net finance costs			**-53**	**-55**	**2**	**4.3**
16. Taxes on income			**-270**	**-138**	**-132**	**-95.3**
17. Consolidated result (12–16)			**1,106**	**579**	**527**	**91.0**
Thereof:						
Attributable to Munich Reinsurance Company equity holders			1,106	580	526	90.6
Attributable to non-controlling interests			0	-1	1	-
			€	€	€	%
Earnings per share			**7.89**	**4.14**	**3.75**	**90.6**

1 Previous year's figures adjusted; see section Recognition and measurement.

Consolidated income statement[1]
(quarterly breakdown)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	€m	€m	€m	€m	€m	€m
Gross premiums written	**14,642**	**14,551**	**13,629**	**14,150**	**12,827**	**14,284**
1. Earned premiums						
Gross	14,251	13,258	13,882	13,480	13,198	13,229
Ceded	–623	–488	–647	–653	–683	–583
Net	13,628	12,771	13,235	12,827	12,515	12,646
2. Income from technical interest	**1,574**	**1,566**	**1,819**	**1,444**	**1,750**	**256**
3. Expenses for claims and benefits						
Gross	–11,254	–11,152	–11,979	–11,455	–11,182	–10,019
Ceded	363	362	354	383	433	388
Net	–10,890	–10,790	–11,625	–11,072	–10,749	–9,632
4. Operating expenses						
Gross	–3,342	–3,174	–3,566	–3,285	–3,242	–3,285
Ceded	105	107	135	149	149	133
Net	–3,238	–3,067	–3,431	–3,137	–3,094	–3,153
5. Technical result (1–4)	**1,074**	**480**	**–1**	**62**	**423**	**117**
6. Investment result	**1,933**	**1,691**	**2,090**	**1,691**	**1,697**	**1,920**
Thereof: Income from associates and joint ventures accounted for using the equity method	86	46	96	31	17	12
7. Insurance-related investment result	**352**	**413**	**479**	**175**	**596**	**–1,145**
8. Other operating income	**226**	**241**	**378**	**314**	**249**	**227**
9. Other operating expenses	**–457**	**–461**	**–646**	**–445**	**–459**	**–466**
10. Deduction of income from technical interest	**–1,574**	**–1,566**	**–1,819**	**–1,444**	**–1,750**	**–256**
11. Non-technical result (6–10)	**481**	**318**	**482**	**291**	**333**	**280**
12. Operating result (5+11)	**1,554**	**798**	**481**	**353**	**755**	**397**
13. Other non-operating result	**–9**	**–12**	**–34**	**–31**	**–6**	**–11**
14. Currency result	**–117**	**–23**	**–266**	**–100**	**23**	**144**
15. Net finance costs	**–53**	**–59**	**–59**	**–54**	**–55**	**–55**
16. Taxes on income	**–270**	**–114**	**91**	**32**	**–138**	**–255**
17. Consolidated result (12–16)	**1,106**	**589**	**212**	**199**	**579**	**221**
Thereof: Attributable to Munich Reinsurance Company equity holders	1,106	594	208	202	580	222
Attributable to non-controlling interests	0	–5	4	–3	–1	–1
	€	€	€	€	€	€
Earnings per share	**7.89**	**4.24**	**1.48**	**1.44**	**4.14**	**1.57**

1 Previous year's figures adjusted; see section Recognition and measurement.

Statement of recognised income and expense
1 January to 30 June 2021

€m		Q1–2 2021	Q1–2 2020
Consolidated result		**1,695**	**800**
Currency translation			
Gains (losses) recognised in equity	528		–280
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	–780		1,346
Recognised in the consolidated income statement	–482		–560
Change resulting from equity method measurement			
Gains (losses) recognised in equity	–47		0
Recognised in the consolidated income statement	0		–71
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	–1		–1
Recognised in the consolidated income statement	0		0
Other changes	7		0
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	–774		436
Remeasurements of defined benefit plans	383		–298
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	383		–298
Income and expense recognised directly in equity (I + II)		**–392**	**138**
Total recognised income and expense		**1,303**	**938**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,302	938
Attributable to non-controlling interests		1	0

Statement of recognised income and expense
1 April to 30 June 2021

€m		Q2 2021	Q2 2020
Consolidated result		**1,106**	**579**
Currency translation			
Gains (losses) recognised in equity	–113		–175
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	959		2,062
Recognised in the consolidated income statement	–130		–155
Change resulting from equity method measurement			
Gains (losses) recognised in equity	–40		6
Recognised in the consolidated income statement	0		–71
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	0		0
Recognised in the consolidated income statement	0		0
Other changes	4		0
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	680		1,667
Remeasurements of defined benefit plans	120		–209
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	120		–209
Income and expense recognised directly in equity (I + II)		**799**	**1,459**
Total recognised income and expense		**1,906**	**2,038**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,898	2,034
Attributable to non-controlling interests		6	4

Group statement of changes in equity

€m	Issued capital	Capital reserve
Balance at 31.12.2019	**576**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase of own shares	–6	0
Retirement of own shares	17	0
Balance at 30.6.2020	**588**	**6,845**
Balance at 31.12.2020	**588**	**6,845**
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase of own shares	0	0
Retirement of own shares	0	0
Balance at 30.6.2021	**588**	**6,845**

Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
Retained earnings			Other reserves		Consolidated result		
Retained earnings before deduction of own shares	Treasury shares	Unrealised gains and losses	Currency translation reserve	Remeasurement gains/losses from cash flow hedges			
13,445	**-641**	**6,362**	**1,131**	**17**	**2,724**	**117**	**30,576**
1,351	0	0	0	0	-1,351	0	0
0	0	0	0	0	802	-1	800
-290	0	713	-280	-6	0	1	138
0	0	0	-280	0	0	0	-280
0	0	786	0	0	0	1	787
8	0	-73	0	-6	0	0	-70
0	0	0	0	-1	0	0	-1
-298	0	0	0	0	0	0	-298
0	0	0	0	0	0	0	0
-290	0	713	-280	-6	802	0	938
0	0	0	0	0	0	0	0
0	0	0	0	0	0	-1	-1
0	0	0	0	0	-1,373	-15	-1,388
0	-354	0	0	0	0	0	-359
-1,012	995	0	0	0	0	0	0
13,494	**0**	**7,076**	**851**	**10**	**802**	**101**	**29,766**
13,568	**0**	**7,936**	**-262**	**9**	**1,211**	**100**	**29,994**
-162	0	0	0	0	162	0	0
0	0	0	0	0	1,699	-4	1,695
332	0	-1,258	527	1	0	6	-392
0	0	0	527	0	0	0	528
0	0	-1,262	0	0	0	0	-1,262
-53	0	4	0	2	0	0	-47
0	0	0	0	-1	0	0	-1
383	0	0	0	0	0	0	383
2	0	0	0	0	0	5	7
332	0	-1,258	527	1	1,699	1	1,303
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	-1,373	-4	-1,377
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
13,738	**0**	**6,678**	**266**	**10**	**1,699**	**97**	**29,920**

Condensed consolidated cash flow statement
1 January to 30 June 2021

€m	Q1–2 2021	Q1–2 2020
Consolidated result	**1,695**	**800**
Net change in technical provisions	6,179	1,186
Change in deferred acquisition costs	–353	141
Change in deposits retained on assumed and ceded business	–390	236
Change in other receivables and liabilities	–1,697	1,090
Gains and losses on the disposal of investments and insurance-related investments	–1,422	–2,016
Change in securities at fair value through profit or loss	–269	47
Change in other balance sheet items	–960	323
Other non-cash income and expenses	–312	2,567
I. Cash flows from operating activities	2,471	4,374
Change from losing control of consolidated subsidiaries	0	0
Change from obtaining control of consolidated subsidiaries	–133	–2
Change from the acquisition, sale and maturity of investments	261	–115
Change from the acquisition, sale and maturity of insurance-related investments	–204	–1,984
Other	76	–265
II. Cash flows from investing activities	0	–2,367
Inflows from increases in capital and from non-controlling interests	0	0
Outflows to ownership interests and non-controlling interests	0	–359
Dividend payments	–1,377	–1,388
Change from other financing activities	–1,136	566
III. Cash flows from financing activities	–2,513	–1,181
Cash flows for the financial year (I + II + III)[1]	**–42**	**826**
Effect of exchange-rate changes on cash and cash equivalents	50	19
Cash at the beginning of the financial year	5,615	4,994
Cash at 30 June of the financial year	5,622	5,838
Thereof:		
Cash not attributable to disposal group	5,598	5,831
Cash attributable to disposal group	24	7

1 Cash mainly comprises cash at banks.

Selected notes to the consolidated financial statements

Recognition and measurement

This Half-Year Financial Report as at 30 June 2021 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and interpretations from the IFRS Interpretations Committee whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2021. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2020, with the exception of the changes mentioned below.

As of the 2021 financial year, application of the following new or amended IFRSs is mandatory for the first time:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (rev. 8/2020) with regard to the effects of the IBOR reform (Phase 2)
- Amendments to IFRS 4 (rev. 6/2020), Extension of the Temporary Exemption from Applying IFRS 9

Munich Re is exercising the option to defer application of IFRS 9, Financial Instruments, until the introduction of IFRS 17, Insurance Contracts, in order to prevent accounting mismatches arising from the measurement of underwriting liabilities and investments. As a consequence of deferring the introduction of IFRS 9, we must make additional disclosures until we apply the standard for the first time. This will make it possible to compare our presentation of investments and other financial instruments with those of companies that already apply IFRS 9.

Postponing the first-time application of IFRS 9 required evidence on the basis of the financial statements as at 31 December 2015 that most of the Group's activity is in insurance. Insurance business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. At Munich Re, liabilities related to insurance business accounted for a share of around 96.5% of total liabilities as at 31 December 2015.

In the meantime, there have been no changes to our business activities that would necessitate a reassessment.

The measurement of our financial assets under IFRS 9 is partly geared to their contractual cash flows. If these only comprise the payment of principal and interest on the nominal amount outstanding, measurement is based either on amortised cost or – outside profit or loss – on the fair value, depending on the business model. By contrast, equities, derivatives and complex structured products are measured at fair value through profit or loss. The change in the classification criteria as a result of the introduction of IFRS 9 results in a change in the measurement of our financial assets. The following table provides an overview of how we would present these under IFRS 9. The financial assets that meet the cash flow requirement do not include those that are held for trading under IFRS 9 or managed on the basis of their fair value. These are included in the columns that show the instruments which do not meet the cash flow requirement.

Disclosures relating to fair value

	Cash flow requirement met			Cash flow requirement not met		
€m	30.6.2021	31.12.2020	Change	30.6.2021	31.12.2020	Change
Loans						
Mortgage loans	8,215	8,188	27	0	0	0
Other loans	45,079	48,328	–3,249	6,584	8,005	–1,421
Other securities available for sale						
Fixed-interest securities						
Government bonds						
Germany	7,468	7,349	119	18	11	7
Rest of EU	25,212	28,341	–3,129	26	83	–56
USA	19,317	18,582	735	0	0	0
Other	27,920	25,491	2,429	36	38	–2
Corporate debt securities	**44,049**	**47,971**	**–3,922**	**1,088**	**1,131**	**–44**
Other	**9,954**	**9,087**	**867**	**213**	**320**	**–107**
Non-fixed-interest securities						
Equities	**0**	**0**	**0**	**14,404**	**10,484**	**3,920**
Investment funds						
Equity funds	0	0	0	803	660	144
Bond funds	0	0	0	1,757	1,677	80
Real estate funds	0	0	0	321	334	–13
Other	**2**	**9**	**–7**	**4,828**	**3,821**	**1,007**
Other securities at fair value through profit or loss						
Held for trading	14	15	–1	2,061	2,434	–373
Securities designated as at fair value through profit and loss	245	116	129	420	381	39
Other investments, deposits with banks	3,343	3,441	–98	0	0	0
Insurance-related investments						
Investments for unit-linked life insurance contracts	0	0	0	8,177	7,544	633
Reinsurance treaties with non-significant risk transfer	0	0	0	3,267	10,405	–7,139
Other insurance-related investments	0	0	0	3,606	3,489	117
Other receivables, miscellaneous financial receivables	**3,423**	**4,065**	**–642**	**0**	**0**	**0**
Cash at banks, cheques and cash in hand	**5,598**	**5,615**	**–17**	**0**	**0**	**0**

The following table provides for an assessment of the quality of our investments that will not be measured at fair value through profit or loss in line with IFRS 9 as their contractual cash flows only comprise the payment of principal and interest on the nominal amount outstanding. The amounts shown are the carrying amounts of these investments pursuant to IAS 39, Financial Instruments: Recognition and Measurement.

The table does not include cash with banks, cheques, cash in hand or other receivables. However, these mainly comprise business with counterparties of first-class financial strength with a rating of at least BBB.

Ratings for investments that meet the cash flow requirement

€m	30.6.2021	31.12.2020
AAA	62,849	65,159
AA	52,328	54,636
A	23,638	24,433
BBB	26,965	26,692
Lower	8,980	7,981
No rating	8,624	8,228
Total	**183,385**	**187,129**

From the Group's perspective, financial assets with a higher credit risk – i.e. rated BB or lower, and measured at amortised cost under IAS 39 – were immaterial.

Financial assets held by subsidiaries already required to use IFRS 9 under national law were also immaterial from the Group's perspective.

For several associates and joint ventures that already use IFRS 9 and accounted for in Munich Re's consolidated financial statements using the equity method, we applied the exemption from IAS 28.36 provided in IFRS 4.20O(b) and retained the financial statements of these associates

and joint ventures prepared under IFRS 9 when applying the equity method.

The previous year's figures of the consolidated income statement were adjusted owing to changes in determining the income from technical interest in the ERGO Life Germany division in Q4 2020. The adjustment amounted to €21m for the period from 1 January 2020 to 30 June 2020, and €23m for the period from 1 April 2020 to 30 June 2020. The adjustment did not have an impact on the result.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (rev. 8/2020) with regard to the effects of the IBOR reform (Phase 2) must be applied starting in 2021. In particular, they include rules on how to recognise the adjustments to contractual cash flows that must be made as a result of the reform. We expect the impact from the reference rate reform to be minor, as all of our contracts affected by these rules already include clauses that guarantee a transition in line with market conditions, or will be adapted as at the transition date to reflect then prevailing market conditions. The following table provides an overview of our financial assets still based on legacy reference rates. The table includes the most important reference rates only.

Reference rates

€m	Non-derivative financial assets – Carrying amount	Non-derivative financial liabilities – Carrying amount	Derivatives (assets) – Carrying amount	Derivatives (liabilities) – Carrying amount
	30.6.2021	30.6.2021	30.6.2021	30.6.2021
GBP LIBOR: Pound Sterling London InterBank Offered Rate	552	8	58	38
JPY-LIBOR: Japanese Yen London InterBank Offered Rate	0	0	851	458
USD-LIBOR: USD London InterBank Offered Rate	1,541	48	299	16
CAD CDOR: Canadian Dollar Offered Rate	0	0	0	240
EURIBOR: Euro Interbank Offered Rate	3,167	12	377	162
Euro Steepener Constant Maturity Swap Rate	760	0	0	0
Euro Constant Maturity Swap Rate	1,910	0	0	0
GBP Steepener Constant Maturity Swap Rate	232	0	0	0
HKD-HIBOR: Hong Kong Interbank Offered Rate	397	0	0	0

Material effects on Munich Re as a result of the COVID-19 pandemic are mentioned in the Notes under segment reporting and in the management report in the results for the respective segments and in the prospects. We have subjected all relevant items to an appropriate test, including in particular goodwill and fixed-interest securities. With regard to the effects on the technical provisions, please refer to the section Segment reporting. The analyses conducted did not identify any further material impact on the balance sheet.

Changes in the consolidated group

In Q1 2021, the transaction to sell DAS Legal Protection Inc., Toronto, and MEAG Pacific Star Holding Ltd., Hong Kong, was completed.

In Q2 2021, the transaction to sell T-Solar Global Operating Assets S. L., Madrid, was completed; see Other information – Non-current assets held for sale.

On 17 March 2021, via its subsidiary Munich Re New Ventures Inc., Toronto, Munich Re acquired an additional 60% of the voting shares in GHGH Holdings Inc., Surrey (GroupHEALTH). Munich Re thereby increased its total shareholding to 100% and obtained control over GroupHEALTH and its owned subsidiaries.

The purchase price for the 60% shareholding amounted to €125m and was settled in cash and cash equivalents.

GroupHEALTH operates as a third-party administrator (TPA) and distributor of group health insurance policies, group health insurance broker services, group pension management services and disability management services. As one of the largest third-party group insurance administrators in Canada, GroupHEALTH delivers innovative plan designs and administration solutions to Canadian businesses.

The fair value of Munich Re's equity interest in GroupHEALTH immediately prior to the acquisition was €84m. A profit of €55m from the remeasurement of this share was recognised as investment income.

The transaction resulted in intangible assets of €59m and goodwill of €162m mainly attributable to the expertise of GroupHEALTH employees and expected synergies from servicing reinsurance clients to improve market reach, customer experiences and operations.

The provisional fair values of the assets and liabilities at the time of acquisition are as follows:

Investments of €54m, cash at banks, cheques and cash in hand of €12m, receivables of €10m, deferred tax assets of

€2m and other asset items of €32m, other provisions and liabilities of €95m, and deferred tax liabilities of €22m.

The fair value of the receivables acquired as part of the transaction largely corresponds to the carrying amount. No material defaults were expected at the acquisition date.

No significant contingent liabilities exist at the acquisition date.

The revenue contributed by GroupHEALTH and its consolidated result are immaterial in the context of the Munich Re Group.

On 30 April 2021, via its subsidiary 11658573 Canada Inc., Surrey, Munich Re acquired 100% of the voting shares in Canadian Benefits Investment & Insurance Group Inc. (CBIG), Prince George, and its owned subsidiaries. CBIG's principal business activity is brokering group benefits sales. The intent of acquisition of CBIG is to add and protect distribution, improve product range and to leverage the licensing model to optimise operations of 11658573 Canada Inc. On 7 May 2021, 25% of the voting shares of CBIG were sold to WEXL Ventures Inc., Prince George.

Foreign currency translation

Munich Re's presentation currency is the euro (€). The exchange rates of the most important currencies for our business are shown in the "Business environment" section of the interim management report.

Segment reporting

In accordance with the management approach, the segmentation of our business operations is based on way in which Munich Re is managed internally.

We have identified five segments to be reported:

- Life and health reinsurance (global life and health reinsurance business)
- Property-casualty reinsurance (global property-casualty reinsurance business)
- ERGO Life and Health Germany (German life and health primary insurance business, global travel insurance business and Digital Ventures business)
- ERGO Property-casualty Germany (German property-casualty primary insurance business, excluding Digital Ventures)
- ERGO International (ERGO's primary insurance business outside Germany)

Certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. We therefore transact their business from within reinsurance and consequently allocate them to the reinsurance segments.

The IFRS result contributions are the basis of planning and strategy in all segments, hence the IFRS segment result is the uniform assessment basis for internal control.

Income and expenses from intra-Group loans are shown unconsolidated under "Other non-operating result" for the segments concerned. These are otherwise shown after elimination of intra-Group transactions and shareholdings.

Segment assets

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2021	31.12.2020	30.6.2021	31.12.2020
A. Intangible assets	**522**	**280**	**2,127**	**2,099**
B. Investments				
I. Land and buildings, including buildings on third-party land	226	183	3,005	2,937
II. Investments in affiliated companies, associates and joint ventures	44	48	1,812	1,848
Thereof:				
Associates and joint ventures accounted for using the equity method	0	25	1,651	1,749
III. Loans	532	518	557	595
IV. Other securities				
1. Available for sale	22,773	22,806	51,348	50,496
2. At fair value through profit or loss	148	84	955	990
	22,921	22,890	52,303	51,486
V. Deposits retained on assumed reinsurance	4,961	4,835	3,548	3,111
VI. Other investments	579	416	2,832	2,381
	29,262	**28,890**	**64,057**	**62,358**
C. Insurance-related investments	**2,758**	**2,921**	**755**	**461**
D. Ceded share of technical provisions	**2,393**	**2,074**	**2,659**	**2,557**
E. Non-current assets held for sale	**11**	**1**	**111**	**17**
F. Other segment assets	**19,240**	**17,865**	**16,377**	**14,368**
Total segment assets	**54,186**	**52,031**	**86,086**	**81,860**

Segment equity and liabilities

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2021	31.12.2020	30.6.2021	31.12.2020
A. Subordinated liabilities	**915**	**1,202**	**3,042**	**3,832**
B. Gross technical provisions				
I. Unearned premiums	354	341	9,325	8,042
II. Provision for future policy benefits	12,941	12,464	0	0
III. Provision for outstanding claims	10,714	9,962	54,172	51,392
IV. Other technical provisions	207	391	214	230
	24,217	**23,158**	**63,711**	**59,664**
C. Gross technical provisions for unit-linked life insurance contracts	**0**	**0**	**0**	**0**
D. Other provisions	**182**	**190**	**624**	**690**
E. Liabilities related to non-current assets held for sale	**12**	**0**	**46**	**0**
F. Other segment liabilities	**15,170**	**14,381**	**9,539**	**9,020**
Total segment liabilities	**40,496**	**38,932**	**76,963**	**73,206**

						ERGO		Total
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
	168	**173**	**1,292**	**1,279**	**170**	**174**	**4,279**	**4,005**
	2,994	3,088	204	205	129	126	6,558	6,539
	432	408	100	94	1,076	974	3,464	3,372
	324	331	40	43	1,059	956	3,073	3,104
	47,598	49,002	1,381	1,365	496	464	50,565	51,944
	61,223	59,233	5,567	5,337	16,506	17,517	157,417	155,389
	1,214	1,422	29	51	380	379	2,726	2,927
	62,437	60,656	5,596	5,388	16,886	17,896	160,143	158,316
	20	21	8	12	0	0	8,537	7,980
	902	1,734	265	123	117	145	4,695	4,800
	114,384	**114,909**	**7,554**	**7,188**	**18,705**	**19,605**	**233,961**	**232,950**
	5,750	**5,259**	**0**	**0**	**2,517**	**2,391**	**11,780**	**11,033**
	10	**12**	**173**	**102**	**566**	**575**	**5,801**	**5,321**
	100	**16**	**1**	**23**	**598**	**159**	**822**	**215**
	7,067	**7,957**	**2,067**	**1,706**	**2,585**	**2,528**	**47,336**	**44,423**
	127,479	**128,325**	**11,088**	**10,298**	**25,141**	**25,432**	**303,980**	**297,946**

						ERGO		Total
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
	0	**0**	**0**	**0**	**13**	**13**	**3,970**	**5,047**
	276	241	974	522	1,954	1,817	12,885	10,964
	91,211	90,474	378	387	9,557	9,603	114,087	112,928
	2,942	3,018	5,358	5,083	2,988	3,021	76,174	72,475
	20,156	20,889	126	125	648	843	21,351	22,478
	114,585	**114,622**	**6,837**	**6,117**	**15,148**	**15,285**	**224,497**	**218,846**
	6,069	**5,554**	**0**	**0**	**2,522**	**2,401**	**8,591**	**7,955**
	1,862	**2,135**	**1,121**	**1,146**	**1,125**	**1,277**	**4,915**	**5,438**
	0	**0**	**0**	**0**	**395**	**123**	**453**	**123**
	4,835	**5,090**	**647**	**540**	**1,443**	**1,513**	**31,634**	**30,544**
	127,350	**127,400**	**8,605**	**7,803**	**20,645**	**20,611**	**274,059**	**267,952**
						Equity	**29,920**	**29,994**
						Total equity and liabilities	**303,980**	**297,946**

Segment income statement 1.1.–30.6.2021

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Gross premiums written	**6,202**	**6,411**	**13,486**	**11,680**
1. Net earned premiums	5,602	5,732	12,082	10,988
2. Income from technical interest	312	331	426	552
3. Net expenses for claims and benefits	–4,965	–4,987	–7,862	–7,967
4. Net operating expenses	–943	–1,055	–3,536	–3,355
5. Technical result (1–4)	**5**	**21**	**1,110**	**217**
6. Investment result	411	400	1,043	1,188
7. Insurance-related investment result	54	10	85	–32
8. Other operating result	25	18	–164	–176
9. Deduction of income from technical interest	–312	–331	–426	–552
10. Non-technical result (6–9)	**178**	**96**	**538**	**428**
11. Operating result (5+10)	184	118	1,648	645
12. Other non-operating result	0	0	–10	–8
13. Currency result	–24	14	–88	191
14. Net finance costs	–20	–20	–65	–63
15. Taxes on income	5	–44	–269	–277
16. Consolidated result (11–15)	145	67	1,217	488

In reinsurance, we incurred COVID-19-related losses particularly owing to the cancellation or postponement of major events and higher mortality. The effects of the pandemic on ERGO were immaterial in all segments. In the Property-casualty Germany segment, losses from business closure and event cancellation insurance were partly offset by lower losses in personal lines business, particularly in motor. Losses were spread across the different segments as follows: life and health reinsurance €302m (105m) and property-casualty reinsurance €203m (1,395m).

Segment income statement 1.4.–30.6.2021

	Reinsurance			
	Life and health		Property-casualty	
€m	Q2 2021	Q2 2020	Q2 2021	Q2 2020
Gross premiums written	**3,144**	**3,332**	**7,155**	**5,524**
1. Net earned premiums	2,828	2,955	6,339	5,401
2. Income from technical interest	156	160	221	289
3. Net expenses for claims and benefits	–2,543	–2,590	–3,840	–3,725
4. Net operating expenses	–432	–518	–1,875	–1,673
5. Technical result (1–4)	**9**	**7**	**845**	**291**
6. Investment result	166	174	621	485
7. Insurance-related investment result	44	23	24	9
8. Other operating result	15	7	–73	–82
9. Deduction of income from technical interest	–156	–160	–221	–289
10. Non-technical result (6–9)	**69**	**44**	**351**	**122**
11. Operating result (5+10)	78	51	1,196	414
12. Other non-operating result	0	0	–4	–7
13. Currency result	–16	20	–55	57
14. Net finance costs	–9	–10	–30	–31
15. Taxes on income	40	–3	–249	–84
16. Consolidated result (11–15)	93	59	858	348

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
	4,569	**4,464**	**2,341**	**2,135**	**2,596**	**2,422**	**29,193**	**27,112**
	4,532	4,489	1,837	1,718	2,347	2,234	26,399	25,161
	2,099	1,128	26	34	277	–38	3,140	2,006
	–5,820	–4,897	–1,188	–1,067	–1,845	–1,462	–21,680	–20,381
	–623	–674	–554	–541	–650	–622	–6,305	–6,247
	188	**46**	**121**	**145**	**129**	**111**	**1,554**	**540**
	1,863	1,757	140	93	167	179	3,624	3,617
	434	–392	0	0	192	–134	765	–549
	–167	–148	–72	–79	–72	–64	–451	–449
	–2,099	–1,128	–26	–34	–277	38	–3,140	–2,006
	30	**89**	**42**	**–20**	**10**	**19**	**798**	**613**
	218	135	163	125	139	130	2,352	1,153
	–4	–3	–5	–5	–2	0	–21	–17
	–33	–26	3	–11	1	–1	–140	167
	–10	–11	–4	–3	–13	–13	–112	–110
	–45	–25	–51	–35	–24	–11	–384	–393
	126	69	106	71	102	105	1,695	800

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020
	2,304	**2,149**	**805**	**696**	**1,234**	**1,126**	**14,642**	**12,827**
	2,300	2,214	969	852	1,192	1,093	13,628	12,515
	1,057	1,039	13	17	127	245	1,574	1,750
	–2,968	–2,953	–629	–524	–911	–957	–10,890	–10,749
	–318	–335	–282	–260	–330	–307	–3,238	–3,094
	72	**–36**	**70**	**85**	**78**	**75**	**1,074**	**423**
	964	917	110	42	72	79	1,933	1,697
	198	358	0	0	86	206	352	596
	–94	–55	–42	–40	–37	–39	–231	–210
	–1,057	–1,039	–13	–17	–127	–245	–1,574	–1,750
	11	**182**	**55**	**–16**	**–6**	**0**	**481**	**333**
	83	146	126	70	72	75	1,554	755
	–2	0	–2	–2	–1	3	–9	–6
	–45	–47	1	–2	–2	–5	–117	23
	–5	–5	–2	–2	–6	–7	–53	–55
	2	–30	–40	–14	–22	–8	–270	–138
	33	63	81	50	41	59	1,106	579

Notes on determining the combined ratio[1]

	Reinsurance		ERGO			
	Property-casualty		Property-casualty Germany		International[2]	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Net earned premiums	12,082	10,988	1,837	1,718	1,714	1,604
Net expenses for claims and benefits	–7,862	–7,967	–1,188	–1,067	–1,092	–1,013
Net operating expenses	–3,536	–3,355	–554	–541	–505	–483
Loss-ratio calculation adjustments	5	7	28	11	3	9
Fire brigade tax and other expenses	11	10	11	15	11	11
Expenses for premium refunds	0	0	19	14	1	2
Other underwriting income	–6	–4	–1	–25	–4	–5
Change in other technical provisions and other underwriting expenses	–1	1	–1	8	–5	2
Adjusted net expenses for claims and benefits	**–7,857**	**–7,961**	**–1,162**	**–1,056**	**–1,089**	**–1,004**
Loss ratio %	65.0	72.4	63.2	61.5	63.5	62.6
Combined ratio %	94.3	103.0	93.4	92.9	93.0	92.7

1 Information on the combined ratio is provided in the Group Annual Report 2020 under Tools of corporate management and strategic financial objectives.
2 Property-casualty business and short-term health insurance not conducted like life insurance.

Notes on determining the annualised return on equity (RoE) for the first half-year 2021

	Reinsurance		ERGO		Total	
€m	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Segment assets	140,272	133,892	163,708	164,055	303,980	297,946
Segment liabilites	117,459	112,138	156,600	155,815	274,059	267,952
Adjustments used in the calculation of equity						
Unrealised gains and losses, currency translation reserve, remeasurement gains/losses from cash flow hedges	4,805	4,994	2,149	2,689	6,954	7,683
Adjustment item for material asset transfers between reinsurance and ERGO	1,082	410	–1,082	–410	0	0
Adjusted equity	**16,926**	**16,350**	**6,041**	**5,961**	**22,967**	**22,311**
	Q1–2 2021		Q1–2 2021		Q1–2 2021	
Average adjusted equity	16,638		6,001		22,639	
Consolidated result	1,361		334		1,695	
Return on equity (RoE) %	**16.4**		**11.1**		**15.0**	

Notes on determining the annualised return on equity (RoE) for the first half-year 2020

		Reinsurance		ERGO		Total
€m	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Segment assets	133,486	128,171	160,873	159,383	294,358	287,553
Segment liabilites	111,102	104,862	153,491	152,116	264,593	256,978
Adjustments used in the calculation of equity						
Unrealised gains and losses, currency translation reserve, remeasurement gains/losses from cash flow hedges	5,646	5,301	2,290	2,209	7,937	7,510
Adjustment item for material asset transfers between reinsurance and ERGO	739	732	–739	–732	0	0
Adjusted equity	**15,999**	**17,275**	**5,830**	**5,791**	**21,829**	**23,066**
	Q1–2 2020		Q1–2 2020		Q1–2 2020	
Average adjusted equity	16,637		5,810		22,447	
Consolidated result	555		245		800	
Return on equity (RoE) %	**6.7**		**8.4**		**7.1**	

Non-current assets by country[1]

€m	30.6.2021	31.12.2020
Germany	7,036	7,265
USA	4,102	3,901
UK	544	546
France	423	427
Sweden	352	359
Canada	305	53
Spain	272	276
Poland	238	241
Malta	161	161
Italy	155	161
Austria	153	156
Belgium	130	131
Switzerland	91	92
Denmark	88	77
Netherlands	82	90
Finland	63	63
Portugal	57	71
Lithuania	52	52
Others	135	108
Total	**14,439**	**14,230**

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energy.

Investments in non-current assets per segment[1]

€m	Q1–2 2021	Q1–2 2020
Reinsurance – Life and health	294	15
Reinsurance – Property-casualty	94	828
ERGO Life and Health Germany	13	24
ERGO Property-casualty Germany	58	64
ERGO International	27	64
Total	**485**	**995**

1 The non-current assets mainly comprise intangible assets (especially goodwill) and our owner-occupied and investment property, as well as investments in renewable energy.

Other segment disclosures

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Interest income	414	442	413	516
Interest expenses	–17	–20	–29	–27
Depreciation and amortisation	–26	–25	–49	–52
Other operating income	178	139	159	153
Other operating expenses	–153	–121	–323	–329
Income from associates and joint ventures accounted for using the equity method	55	1	40	9

→					ERGO		Total	
	Life and Health Germany		Property-casualty Germany		International			
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Interest income	1,268	1,382	39	43	144	158	2,278	2,541
Interest expenses	–20	–16	–4	–4	–6	–5	–75	–72
Depreciation and amortisation	–25	–26	–36	–23	–30	–28	–167	–153
Other operating income	48	89	43	53	40	42	467	476
Other operating expenses	–215	–237	–115	–132	–113	–107	–918	–925
Income from associates and joint ventures accounted for using the equity method	4	9	–1	0	35	11	132	29

Gross premiums written

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Europe	15,710	7,315	14,845	6,699
North America	8,473	4,825	7,366	3,668
Asia and Australasia	3,301	1,700	3,199	1,666
Africa, Middle East	948	434	972	440
Latin America	761	368	729	355
Total	**29,193**	**14,642**	**27,112**	**12,827**

Notes to the consolidated balance sheet

The major items in the consolidated balance sheet are made up as follows:

Intangible assets

Development of intangible assets

	Goodwill		Other intangible assets		Total	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Gross carrying amount at 31 Dec. previous year	4,341	4,498	4,781	4,674	9,122	9,172
Accumulated amortisation and impairment losses at 31 Dec. previous year	–1,559	–1,557	–3,558	–3,434	–5,117	–4,991
Carrying amount at 31 Dec. previous year	2,782	2,941	1,223	1,240	4,005	4,180
Currency translation differences	56	–4	21	–20	77	–24
Additions	185	2	133	90	318	92
Disposals	0	0	–9	0	–9	0
Reclassifications	0	0	–19	0	–19	0
Impairment losses reversed	0	0	0	0	0	0
Impairment losses	0	–2	–94	–80	–94	–82
Carrying amount at 30 June financial year	**3,024**	**2,936**	**1,255**	**1,228**	**4,279**	**4,165**
Accumulated amortisation and impairment losses at 30 June financial year	–1,559	–1,559	–3,500	–3,484	–5,059	–5,043
Gross carrying amount at 30 June financial year	4,583	4,495	4,756	4,712	9,339	9,207

Financial assets

IFRS 13, Fair Value Measurement, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments and other assets and liabilities that are recognised at fair value, and such investments and other items for which a fair value is disclosed solely in the Notes, are allocated to one of the fair value hierarchy levels of IFRS 13, which provides for three levels. The allocation of an instrument to a level indicates the extent to which observable market inputs helped to measure the instrument. The fair value hierarchy categorises three levels of inputs: quoted prices in active markets (Level 1), inputs based on observable market prices (Level 2) and inputs that are not directly observable in active markets (Level 3). If market prices are available, these constitute the most objective yardstick for measurement at fair value and are to be used. If measurement is carried out using a model, any available inputs observable in the market are used first. If necessary, these inputs are supplemented with unobservable input factors and internal estimates. Regularly, at the end of each reporting period, we assess whether the allocation of our assets to the levels of the fair value hierarchy is still appropriate.

If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring another allocation – we make the necessary adjustments.

The following table provides an overview of the models used to measure the fair values of our investments when market prices are not available.

Valuation techniques for assets

Bonds	Pricing method	Parameters	Pricing model
Interest-rate risks			
Loans against borrower's note/ registered bonds	Theoretical price	Sector-, rating- or issuer-specific yield curve	Present-value method
Cat bond (host)	Theoretical price	Interest-rate curve	Present-value method
Mortgage loans	Theoretical price	Sector-specific yield curve considering the profit margin included in the nominal interest rate	Present-value method
Derivatives	**Pricing method**	**Parameters**	**Pricing model**
Equity and index risks			
OTC stock options	Theoretical price	Listing of underlying shares Effective volatilities Money-market interest-rate curve Dividend yield	Black-Scholes (European) Cox, Ross and Rubinstein (American)
Equity forwards	Theoretical price	Listing of underlying shares Money-market interest-rate curve Dividend yield	Present-value method
Interest-rate risks			
Interest-rate swaps	Theoretical price	Swap and CSA curve[1]	Present-value method
Swaptions/interest-rate guarantee	Theoretical price	At-the-money volatility matrix and skew OIS/swap curve	Bachelier/ Normal Black
Interest-rate currency swaps	Theoretical price	Swap and CSA curve[1] Currency spot rates	Present-value method
Inflation swaps	Theoretical price	Zero-coupon inflation swap rates OIS curve	Present-value method
Bond forwards (forward transactions)	Theoretical price	Listing of underlying OIS curve	Present-value method
Currency risks			
Currency options	Theoretical price	Volatility skew Currency spot rates Money-market interest-rate curve	Garman-Kohlhagen (European)
Currency forwards	Theoretical price	Currency spot rates Currency forward rates/ticks Money-market interest-rate curve	Present-value method
Other transactions			
Insurance derivatives (natural and weather risks)	Theoretical price	Fair values of cat bonds Historical event data Interest-rate curve	Present-value method
Insurance derivatives (variable annuities)	Theoretical price	Biometric rates and lapse rates Volatilities Interest-rate curve Currency spot rates	Present-value method
Credit default swaps	Theoretical price	Credit spreads Recovery rates CSA curve[1]	ISDA CDS Standard Model
Total return swaps on commodities	Theoretical price	Listing of underlying index	Index ratio calculation
Commodity options	Theoretical price	Listing of underlying Effective volatilities Money-market interest-rate curve Cost of carry	Black-Scholes (European) Cox, Ross and Rubinstein (American)

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix	Replication model (Hagan)
CMS floaters with variable cap	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Hull-White model
CMS steepeners	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews Correlation matrix	Replication model (Hagan) Stochastic volatility model
Convergence bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan) Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method Hull-White model
FIS loans against borrower's note	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method

Funds	Pricing method	Parameters	Pricing model
Real estate funds	–	–	Net asset value
Alternative investment funds (e.g. private equity, infrastructure forestry)	–	–	Net asset value

Other	Pricing method	Parameters	Pricing model
Real estate	Theoretical market price	Interest-rate curve Market rents	Present-value method or valuation
Alternative direct investments (e.g. infrastructure, forestry)	Theoretical market price	Interest-rate curve (among others) Electricity price forecast and inflation forecast	Present-value method or valuation
Reinsurance treaties with non-significant risk transfer	Theoretical market price	Biometric rates and lapse rates Historical event data Interest-rate curve Currency spot rates	Present-value method

1 The OIS curve is used if the quotation currency is the CSA currency.

Insurance derivatives are mostly allocated to Level 3 of the fair value hierarchy, as observable market inputs are often not available. The decision is made on a case-by-case basis, taking into account the characteristics of the financial instrument concerned. If no observable inputs are available for customised insurance-linked derivatives, the present-value method on the basis of current interest-rate curves and historical event data is used.

The derivative components of catastrophe bonds are measured based on the values supplied by brokers for the underlying bonds, which is why the extent to which inputs used were not based on observable market data cannot readily be assessed.

The inputs requiring consideration in measuring variable annuities are derived either directly from market data (in particular volatilities, interest-rate curves and currency spot rates) or from actuarial data (especially biometric and lapse rates). The lapse rates used are modelled dynamically depending on the specific insurance product and current situation of the capital markets. The assumptions with regard to mortality are based on client-specific data or published mortality tables, which are adjusted with a view to the target markets and the actuaries' expectations. The dependency between different capital market inputs is modelled by correlation matrices. Where the valuation of these products is not based on observable inputs, which is usually the case, we allocate them to Level 3 of the fair value hierarchy.

The other investments allocated to Level 3 are mainly external fund units (in particular, private equity, real estate and funds that invest in a variety of assets that are subject to theoretical valuation). Since market quotes are not available for these on a regular basis, net asset values (NAVs) are provided by the asset managers. We thus do not perform our own valuations using inputs that are not based on observable market data. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

At 30 June 2021, we allocated around 10% (8%) of the assets listed in the following table to Level 1 of the fair value hierarchy, 77% (78%) to Level 2 and 13% (14%) to Level 3.

We reviewed the level allocation of our financial assets as part of the review process in Q2. Our review did not lead to any changes in level allocation.

Allocation of financial instruments (including insurance-related investments) to levels of the fair value hierarchy

				30.6.2021
€m	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value				
Investments in affiliated companies measured at fair value	0	0	289	289
Investments in associates and joint ventures measured at fair value	0	0	102	102
Other securities available for sale				
Fixed-interest	0	133,245	2,055	135,300
Non-fixed-interest	14,561	1,848	5,706	22,116
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	391	1,685	0	2,075
Designated as at fair value through profit or loss	187	477	1	665
Other investments	0	22	400	423
Insurance-related investments	5,877	3,990	1,916	11,780
Total	**21,016**	**141,268**	**10,469**	**172,751**
Financial instruments not measured at fair value				
Loans	5	47,899	12,164	60,068
Deposits retained on assumed reinsurance	32	5	8,723	8,760
Other receivables, miscellaneous financial receivables	117	16,163	3,125	19,405
Cash at banks and deposits with banks, cheques and cash in hand	5,598	3,343	0	8,941
Total	**5,752**	**67,410**	**24,012**	**97,174**

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→				31.12.2020
€m	Level 1	Level 2	Level 3	Total
Financial instruments measured at fair value				
Investments in affiliated companies measured at fair value	0	0	213	212
Investments in associates and joint ventures measured at fair value	0	0	55	55
Other securities available for sale				
Fixed-interest	228	136,483	1,693	138,404
Non-fixed-interest	10,886	1,630	4,468	16,985
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	264	2,181	4	2,449
Designated as at fair value through profit or loss	175	322	0	497
Other investments	0	10	335	345
Insurance-related investments	5,390	4,097	1,547	11,033
Total	**16,943**	**144,723**	**8,315**	**169,980**
Financial instruments not measured at fair value				
Loans	0	53,004	11,712	64,716
Deposits retained on assumed reinsurance	0	0	7,980	7,980
Other receivables, miscellaneous financial receivables	0	14,799	10,382	25,181
Cash at banks and deposits with banks, cheques and cash in hand	5,615	3,441	0	9,056
Total	**5,615**	**71,244**	**30,073**	**106,933**

1 Including hedging derivatives of €14m (19m) accounted for under "Other assets".

Gains (losses) recognised in the consolidated income statement are shown in the investment result or insurance-related investment result, while gains (losses) recognised in equity are shown in the statement of recognised income and expense for the first half of 2021 under "Unrealised gains and losses on investments" as "Gains (losses) recognised in equity". Gains (losses) recognised in the consolidated income statement that are attributable to investments recognised at the end of the half-year are shown in the statement of recognised income and expense for the first half of 2021 under the line item "Unrealised gains and losses on investments" as "Recognised in the consolidated income statement".

The following table presents the reconciliation from the opening balances to the closing balances for investments allocated to Level 3.

Reconciliation for investments allocated to Level 3

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Carrying amount at 31 Dec. previous year	213	194	55	29
Gains and losses	19	2	28	2
Gains (losses) recognised in the income statement	1	–5	0	0
Gains (losses) recognised in equity	18	7	28	2
Acquisitions	88	13	19	7
Disposals	–31	0	0	0
Transfer to Level 3	0	0	0	0
Transfer out of Level 3	0	0	0	0
Changes in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**289**	**208**	**102**	**38**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	–2	–5	0	0

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	Other securities available for sale			
	Fixed-interest		Non-fixed-interest	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Carrying amount at 31 Dec. previous year	1,693	1,443	4,468	4,114
Gains and losses	32	–24	731	–175
Gains (losses) recognised in the income statement	8	–3	5	–30
Gains (losses) recognised in equity	24	–21	725	–145
Acquisitions	424	23	893	440
Disposals	–36	–15	–385	–219
Transfer to Level 3	0	0	0	1
Transfer out of Level 3	–59	0	0	0
Changes in the fair value of derivatives	1	0	0	–1
Carrying amount at 30 June financial year	**2,055**	**1,427**	**5,706**	**4,160**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	8	–3	–5	–59

	Designated as at fair value through profit or loss		Held for trading, and hedging derivatives		Other investments	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Carrying amount at 31 Dec. previous year	0	0	4	0	335	302
Gains and losses	0	0	0	0	18	2
Gains (losses) recognised in the income statement	0	0	0	0	8	3
Gains (losses) recognised in equity	0	0	0	0	10	0
Acquisitions	0	1	0	5	58	1
Disposals	0	0	–4	0	–10	–8
Transfer to Level 3	0	0	0	0	0	0
Transfer out of Level 3	0	0	0	0	0	0
Changes in the fair value of derivatives	0	0	0	0	0	0
Carrying amount at 30 June financial year	**1**	**0**	**0**	**5**	**400**	**298**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	0	0	0	8	3

	Insurance-related investments		Total	
€m	Q1–2 2021	Q1–2 2020	Q1–2 2021	Q1–2 2020
Carrying amount at 31 Dec. previous year	1,154	455	7,922	6,537
Gains and losses	226	–2	1,055	–195
Gains (losses) recognised in the income statement	217	–6	239	–41
Gains (losses) recognised in equity	9	4	815	–154
Acquisitions	659	359	2,142	848
Disposals	–98	–70	–565	–313
Transfer to Level 3	0	0	0	1
Transfer out of Level 3	0	0	–59	0
Changes in the fair value of derivatives	–26	–13	–25	–13
Carrying amount at 30 June financial year	**1,916**	**728**	**10,469**	**6,865**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	206	12	215	–52

In the first half of 2021, COVID-19 did not have any significant effects on our investments. In the same period last year, we recognised COVID-19-related impairment losses totalling €1,464m on our equity portfolio and gains of €182m from equity derivatives.

Further explanatory information on investments can be found in the section of the interim management report "Business performance of the Group and investment performance".

Equity

Number of shares in circulation and number of treasury shares

€m	30.6.2021	31.12.2020
Number of shares in circulation	140,098,931	140,098,931
Number of treasury shares	0	0
Total	**140,098,931**	**140,098,931**

Subordinated liabilities

Breakdown of subordinated liabilities

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2021	31.12.2020
Munich Reinsurance Company, Munich, 1.25% until 2031, thereafter floating, €1,250m, Bonds 2020/2041	–	A	–	A	1,235	1,237
Munich Reinsurance Company, Munich, 3.25% until 2029, thereafter floating, €1,250m, Bonds 2018/2049	–	A	A2 (hyb)	–	1,243	1,262
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	a+	A	–	A	905	932
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	a+	A	–	A	527	522
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m[1], Bonds 2011/2041	–	–	–	–	0	1,035
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €6m, Registered bonds 2001/perpetual	–	–	–	–	6	6
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €7m, Registered bonds 1998/perpetual	–	–	–	–	7	7
HSB Group Inc., Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027	–	–	–	–	48	46
Total					**3,970**	**5,047**

1 Munich Reinsurance Company fully redeemed the bond in Q2 2021.

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,303m (5,507m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using net present-value methods with observable market inputs.

Possible bond maturities are determined by the terms of the bond.

Liabilities

Breakdown of bonds and notes issued

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2021	31.12.2020
Munich Re America Corporation, Wilmington, 7.45%, US$ 334m, Senior Notes 1996/2026	a	A+	A2	A-	281	272
Total					**281**	**272**

We use the prices provided by price quoters to determine the fair value of the bonds and notes issued. The fair value at the reporting date amounts to €369m (374m).

The following table shows the allocation of the financial liabilities to levels of the fair value hierarchy.

Allocation of financial liabilities to levels of the fair value hierarchy

				30.6.2021
€m	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Other liabilities				
Derivatives	27	1,572	1,627	3,226
Total	**27**	**1,572**	**1,627**	**3,226**
Liabilities not measured at fair value				
Subordinated liabilities	4,242	60	2	4,303
Bonds and notes issued	369	0	0	369
Amounts due to banks	3	284	699	986
Other liabilities from financial transactions	743	1,734	98	2,574
Deposits retained on ceded business	0	34	3,016	3,049
Other financial liabilities	90	982	7,269	8,341
Total	**5,446**	**3,093**	**11,083**	**19,622**

→

				31.12.2020
€m	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Other liabilities				
Derivatives	22	1,676	1,630	3,328
Total	**22**	**1,676**	**1,630**	**3,328**
Liabilities not measured at fair value				
Subordinated liabilities	5,448	57	2	5,507
Bonds and notes issued	374	0	0	374
Amounts due to banks	0	331	697	1,028
Other liabilities from financial transactions	3	2,771	16	2,790
Deposits retained on ceded business	0	1,262	0	1,262
Other financial liabilities	0	8,518	7,517	16,036
Total	**5,826**	**12,939**	**8,231**	**26,996**

Only derivatives with a negative fair value are currently recognised at fair value. Of these, we mainly allocate the insurance derivatives to Level 3 of the fair value hierarchy, depending on the observation of specific market inputs. As regards the valuation models used, please refer to the notes on investments.

Gains (losses) recognised in the consolidated income statement are shown in the insurance-related investment result, while gains (losses) recognised in equity are shown in the statement of recognised income and expense for the first half of 2021 under the line item "Unrealised gains and losses on investments" as "Gains (losses) recognised in equity". Gains (losses) recognised in the consolidated income statement that are attributable to liabilities recognised at the end of the half-year are shown in the statement of recognised income and expense for the first half of 2021 under "Unrealised gains and losses on investments" as "Recognised in the consolidated income statement".

The following table presents the reconciliation from the opening balances to the closing balances for other liabilities allocated to Level 3.

Reconciliation for liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss	
€m	Q1–2 2021	Q1–2 2020
Carrying amount at 31 Dec. previous year	1,630	731
Gains and losses	167	–559
Gains (losses) recognised in the income statement	171	–547
Gains (losses) recognised in equity	–4	–12
Acquisitions	339	579
Disposals	–149	–150
Transfer to Level 3	0	0
Transfer out of Level 3	0	0
Change in the fair value of derivatives	–26	–13
Carrying amount at 30 June financial year	**1,627**	**1,706**
Gains (losses) recognised in the income statement that are attributable to liabilities shown at 30 June financial year	141	–512

Notes to the consolidated income statement

The major items in the consolidated income statement are made up as follows:

Premiums

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Gross premiums written	29,193	14,642	27,112	12,827
Change in gross unearned premiums	–1,684	–391	–685	371
Gross earned premiums	**27,510**	**14,251**	**26,427**	**13,198**
Ceded premiums written	–1,235	–601	–1,286	–634
Change in unearned premiums – Ceded share	124	–23	20	–49
Earned premiums ceded	**–1,111**	**–623**	**–1,266**	**–683**
Net earned premiums	**26,399**	**13,628**	**25,161**	**12,515**

Expenses for claims and benefits

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Gross				
Claims and benefits paid	–18,144	–9,181	–18,191	–9,339
Change in technical provisions				
Provision for future policy benefits	–980	–506	369	–586
Provision for outstanding claims	–2,226	–990	–2,524	–834
Provision for premium refunds	–966	–525	–822	–424
Other technical result	–90	–52	–32	1
Gross expenses for claims and benefits	**–22,405**	**–11,254**	**–21,201**	**–11,182**
Ceded share				
Claims and benefits paid	499	332	466	227
Change in technical provisions				
Provision for future policy benefits	267	124	247	141
Provision for outstanding claims	–21	–85	130	99
Provision for premium refunds	0	0	0	0
Other technical result	–19	–8	–23	–35
Expenses for claims and benefits – Ceded share	**726**	**363**	**820**	**433**
Net				
Claims and benefits paid	–17,645	–8,849	–17,725	–9,112
Change in technical provisions				
Provision for future policy benefits	–714	–382	616	–445
Provision for outstanding claims	–2,247	–1,075	–2,395	–734
Provision for premium refunds	–966	–525	–822	–424
Other technical result	–108	–60	–55	–33
Net expenses for claims and benefits	**–21,680**	**–10,890**	**–20,381**	**–10,749**

Operating expenses

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Acquisition costs, profit commission and reinsurance commission paid	–5,598	–2,879	–5,187	–2,414
Administrative expenses	–1,479	–718	–1,509	–761
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses on acquired insurance portfolios	560	254	168	–68
Gross operating expenses	**–6,516**	**–3,342**	**–6,528**	**–3,242**
Acquisition costs, profit commission and reinsurance commission paid	285	132	317	166
Change in deferred acquisition costs and contingent commissions	–73	–28	–36	–18
Operating expenses – Ceded share	**212**	**105**	**281**	**149**
Net operating expenses	**–6,305**	**–3,238**	**–6,247**	**–3,094**

Investment result by type of investment (before deduction of income from technical interest)

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Land and buildings, including buildings on third-party land	**289**	**170**	**498**	**115**
Investments in affiliated companies	**–33**	**–10**	**–10**	**–6**
Investments in associates and joint ventures	**132**	**86**	**29**	**17**
Loans	**1,220**	**585**	**1,239**	**806**
Other securities available for sale				
Fixed-interest	1,729	795	2,061	964
Non-fixed-interest	867	456	–806	726
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	5	2	–4	17
Derivatives	–417	–72	737	–886
Designated at fair value through profit or loss				
Fixed-interest	11	8	1	14
Non-fixed-interest	26	10	–7	30
Deposits retained on assumed reinsurance, and other investments	**97**	**59**	**166**	**70**
Expenses for the management of investments, other expenses	**–302**	**–156**	**–288**	**–169**
Total	**3,624**	**1,933**	**3,617**	**1,697**

Result from insurance-related investments

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Result from investments for unit-linked life insurance contracts	657	286	–529	560
Result from other insurance-related investments	108	66	–20	36
Total	**765**	**352**	**–549**	**596**

Other operating result

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Other operating income	467	226	476	249
Thereof:				
Interest and similar income	114	59	99	48
Write-ups of other operating assets	11	6	8	5
Other operating expenses	–918	–457	–925	–459
Thereof:				
Interest and similar charges	–69	–37	–65	–34
Write-downs of other operating assets	–34	–16	–21	–10

Other operating income in the first six months of the year mainly comprises income of €285m (298m) from services rendered, interest income of €24m (27m), income of €32m (45m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €12m (13m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €270m (290m) for services rendered, other operating expenses chiefly include interest expenses of €63m (58m), thereof €4m (4m) from leases, and other tax of €70m (69m). They also contain expenses of €6m (7m) for owner-occupied property, some of which is also leased out.

The other operating result also includes a large share of the result from reinsurance treaties with non-significant risk transfer totalling €83m (65m). A total of €83m (65m) derives from the life and health reinsurance segment.

Other non-operating result, currency result and net finance costs

€m	Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Other non-operating result	–21	–9	–17	–6
Currency result	–140	–117	167	23
Net finance costs	–112	–53	–110	–55

The other non-operating result is unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. In the first six months, this item included restructuring expenses of €4m (3m).

Other information

Non-current assets and disposal groups held for sale or sold during the reporting period

MR RENT-Investment GmbH, Munich, was classified as held for sale in Q2 2021. It is a holding company of four German wind park companies. No value adjustments resulted from the classification. The sale is expected to occur in the course of 2021.

The associate T-Solar Global Operating Assets S.L., Madrid, was sold in Q2 2021. It was initially classified as held for sale in Q1 2021.

The associate Europai Utazasi Biztosito Rt., Budapest, was classified as held for sale in Q1 2021. No value adjustments resulted from the classification. The transaction is subject to the approval of the local supervisory authority. The sale is expected to occur within one year.

A group of three Dutch subsidiaries comprising DAS Holding N.V., Amsterdam, DAS Legal Finance B.V., Amsterdam, and DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam, was classified as held for sale in Q1 2021. This classification did not result in any material value adjustments. The sale is expected to occur within one year.

The Cannock Chase Group, a group of seven Dutch subsidiaries belonging to DAS Legal Finance B.V., Amsterdam, was still classified as held for sale as at 30 June 2021. The sale of the group is expected to occur in the course of 2021.

In addition, the two eastern European insurance companies ERGO pojišťovna, a.s., Prague, and ERGO ASIGURARI S.A., Bucharest, were still classified as held for sale as at 30 June 2021. In Q2 2021, ERGO ASIGURARI DE VIATA S.A., Bucharest, was also classified again as held for sale as the requirements were once again met. This did not result in any significant value adjustment. All transactions are subject to the approval of the local supervisory authorities. The sales are expected to occur in the second half of 2021.

Property held in the separate fund iii, Munich, was classified as held for sale in Q1 2021. The iii fund is a special alternative investment fund (AIF) held by Victoria Lebensversicherung Aktiengesellschaft, Düsseldorf. In Q2 2021, property held in each of the separate funds MEAG German Prime Opportunities (GPO), Munich, and MEAG European Prime Opportunities, Munich, was classified as held for sale. These are two special AIFs belonging to various different ERGO companies. No value adjustments were required for any of the above properties as a result of the classification. The properties are expected to be sold in the second half of 2021.

Four investment properties of ERGO Versicherung Aktiengesellschaft, Düsseldorf, and one investment property of ERGO Lebensversicherung Aktiengesellschaft, Hamburg, were sold at the beginning of June 2021.

The other reserves of Group equity include an amount of €10.5m for disposal groups mainly attributable to unrealised gains on fixed-interest securities, and €0.5m in unrealised losses on the currency translation reserve.

In our segment reporting, we disclose how the non-current assets held for sale are allocated between the segments. Transactions between the disposal group and the Group's continuing operations continued to be fully eliminated. The assets and liabilities of the disposal groups and non-current assets held for sale are shown in the following table:

Non-current assets and disposal groups held for sale

€m	30.6.2021	31.12.2020
Assets		
Land and buildings, including buildings on third-party land	76	56
Other securities available for sale	404	87
Other investments	75	0
Other assets of the disposal group	267	72
Total assets	**822**	**215**
Liabilities		
Gross technical provisions	329	105
Other liabilities of the disposal group	124	18
Total liabilities	**453**	**123**

Other securities available for sale shown in the table are allocated to Level 1 and Level 2 of the fair value hierarchy.

Related parties

Transactions between Munich Reinsurance Company and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the Notes. Business relations with unconsolidated subsidiaries are of subordinate importance as a whole; this also applies to business relations with associates and joint ventures.

Munich Reinsurance Company has established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. The Munich Re pension scheme is considered a related party in accordance with IAS 24. Contributions to the pension scheme are recognised as expenses for defined contribution plans.

No significant transactions were conducted between Board members and Munich Re.

Number of staff

The number of staff employed by the Group as at 30 June 2021 totalled 18,479 (18,636) in Germany and 22,128 (21,006) in other countries.

Breakdown of number of staff

	30.6.2021	31.12.2020
Reinsurance	13,469	12,659
ERGO	27,138	26,983
Total	**40,607**	**39,642**

Contingent liabilities, other financial commitments

Contingent liabilities and other financial commitments that are important for assessing the Group's financial position show no material changes since 31 December 2020.

Earnings per share

Diluting effects to be disclosed separately for the calculation of earnings per share were not present either in the current reporting period or in the same period last year. Earnings per share can potentially be diluted in future through the issue of shares or subscription rights from amounts authorised for increasing the share capital and from contingent capital.

Earnings per share

		Q1–2 2021	Q2 2021	Q1–2 2020	Q2 2020
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	1,699	1,106	802	580
Weighted average number of outstanding shares		140,098,931	140,098,931	140,473,567	140,098,931
Earnings per share	€	12.13	7.89	5.71	4.14

Events after the balance sheet date

In July, various regions in western and central Europe and especially in Germany (low pressure system "Bernd") suffered severe weather events and disastrous flooding that led to significant damage to public and private property. As there is still a very high degree of uncertainty at this stage, precise claims forecasts are not yet possible. Munich Re expects overall claims expenditure for reinsurance and ERGO to be in the mid-three-digit million euro range.

Drawn up and released for publication,
Munich, 9 August 2021

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

We have reviewed the condensed interim consolidated financial statements of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich – which comprise the consolidated balance sheet, consolidated income statement, statement of recognised income and expense, group statement of changes in equity, condensed consolidated cash flow statement and selected notes to the consolidated financial statements – and the interim group management report for the period from 1 January to 30 June 2021, which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The Company's management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in compliance with the German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in material aspects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, 9 August 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ott
Wirtschaftsprüfer
(German Public Auditor)

Dr. Kagermeier
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the consolidated half-year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Munich, 9 August 2021

Dr. Joachim Wenning

Dr. Thomas Blunck

Nicholas Gartside

Stefan Golling

Dr. Doris Höpke

Dr. Torsten Jeworrek

Dr. Christoph Jurecka

Dr. Achim Kassow

Dr. Markus Rieß

Supervisory Board

Dr. Nikolaus von Bomhard
(Chairman)

Board of Management

Dr. Joachim Wenning
(Chairman)
Dr. Thomas Blunck
Nicholas Gartside
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Online publication date:
10 August 2021

Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including the United States, Munich Reinsurance Company holds the status of an unauthorised reinsurer. Policies are underwritten by Munich Reinsurance Company or its affiliated insurance and reinsurance subsidiaries. Certain coverages are not available in all jurisdictions.

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The official German original of this report is also available from the Company. In addition, you can find our annual and interim reports, along with further information about Munich Re and its shares, on the internet at www.munichre.com.

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Important dates 2021

9 November 2021
Quarterly Statement as at 30 September 2021

Important dates 2022

23 February 2022
Balance sheet media conference for 2021 financial statements (preliminary figures)

17 March 2022
Publication of Group Annual Report 2021

28 April 2022
Annual General Meeting

10 May 2022
Quarterly Statement as at 31 March 2022

9 August 2022
Half-Year Financial Report as at 30 June 2022

8 November 2022
Quarterly Statement as at 30 September 2022

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