

**SFCR 2025**

Solvency and Financial Condition Report  
Munich Re Group

2025

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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.

## Executive summary

Part		Page
A – Business and performance	The business activities in our reinsurance and ERGO fields of business are broken down into material lines and regions. The Group's total technical result was significantly above the level of the previous year, primarily thanks to below-average losses from natural catastrophes. The Group's investment result increased in the reporting year. Munich Re benefited both from higher regular income and from upward trends in equity markets and the resultant fair value changes, which boosted the result.	4-9
B – System of governance	The Munich Re Group has an effective system of governance that is adequate for the nature, scale and complexity of the risks inherent in its business. The remuneration system meets the relevant company and supervisory law requirements. The professional qualification, knowledge, experience and fitness of the holders of key functions within the Group are evaluated by means of self-assessment. The risk management system, including the own risk and solvency assessment (ORSA), is closely integrated into Group-wide planning, risk strategy and decision-making processes. Processes that are subject to material risks are reviewed on a regular basis as part of the internal control system. The outsourcing of operational activities and functions is managed and monitored in accordance with Group-wide standards.	11-24
C – Risk profile	We use an internal model to quantify the solvency capital requirements (SCR) of the Munich Re Group. At Group level, the SCR decreased by 3.6% to €18.2bn compared to the previous year's figure of €18.9bn. The decrease was driven primarily by the substantial depreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a lower euro amount. In addition, the currency risk within the market risk also decreased as a result of active portfolio restructuring. This was offset by the expansion of life and health business and a reduction of external retrocession in reinsurance business. The risk increased further due to the planned reduction in corporation tax and the corresponding effect on its tax deductibility. We use appropriate limit and early-warning systems to manage risks and limit risk concentrations. Risk is mitigated by means of reinsurance and retrocession, and through the transfer of risk to the capital markets.	26-38
D – Valuation for solvency purposes	We describe material differences in measurement between the solvency balance sheet and financial reporting in accordance with IFRS Accounting Standards for individual balance sheet items under assets, technical provisions and other liabilities, and explain the underlying methods and main assumptions in detail. The differences in measurement are mainly attributable to the fact that the solvency balance sheet is fully based on fair value, whilst IFRS Accounting Standards use a mixed measurement model based on fair value and amortised cost accounting. Three insurance undertakings may apply a transitional deduction on technical provisions, and five primary insurance undertakings may apply the volatility adjustment.	40-62
E – Capital management	We pursue active capital management, which ensures that our capitalisation is needs-based and risk-commensurate. Our total eligible own funds (EOF) were €54.7bn as at 31 December 2025. This figure already takes into account the dividend of €3.1bn proposed by the Board of Management for the 2025 financial year. Purchases not yet made at the reporting date under the share buy-back programme for 2025/2026, in the amount of €0.5bn, were also taken into account. Munich Re's SCR, totalling €18.2bn, is equivalent to a solvency ratio of 300%. The solvency ratio shown includes transitional measures under Solvency II. Excluding transitional measures, the solvency ratio was 298%.	64-76

Due to rounding, there may be minor deviations in totals and percentages in this report.



# A Business and performance

## A1 Business

### General information

The Munich Re Group's ultimate parent entity is Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company Joint-Stock Company in Munich), Königinstrasse 107, 80802 München. Munich Reinsurance Company is a joint-stock company (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (AktG). Its registered seat is Munich, Germany. In addition to its function as a reinsurer, the parent also fulfils the function of holding company for the Group.

Munich Reinsurance Company has three governing bodies: the Annual General Meeting, the Board of Management, and the Supervisory Board. Further details about the governing bodies can be found in section B 1 > Administrative, management or supervisory bodies (AMSBs).

Owing to our international corporate structure, we are subject to a raft of national and international legal systems, standards and corporate governance regulations. Within the Group, our own Code of Conduct binds our management and staff members to engage in ethically and legally impeccable conduct in alignment with the principles of the UN Global Compact. Further information can be found at [www.munichre.com/cg-en](http://www.munichre.com/cg-en).

The external auditor EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (Flughafenstrasse 61, 70629 Stuttgart) duly audited the Group financial statements, the combined management report and the annual financial statements of Munich Reinsurance Company as at 31 December 2025, and issued them with an unqualified auditor's opinion.

The supervision of Munich Re is conducted by the

Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)  
Graurheindorfer Str. 108  
53117 Bonn, Germany

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### Legal structure

Munich Re is one of the world's leading risk carriers and provides both insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. Almost all reinsurance units operate under the uniform brand of Munich Re. With the Munich Re Specialty brand, we are active in the market for specialised primary insurance business. ERGO is active in nearly all lines of life, health and property-casualty insurance. The majority of Munich Re's investments are managed by MEAG, which also offers its expertise to private and institutional investors outside the Group. For up-to-date information about Munich Re, visit [www.munichre.com](http://www.munichre.com).

The reinsurance companies of the Group operate globally and in virtually all classes of business. Munich Re offers a full range of products, from traditional reinsurance to innovative solutions for risk assumption. Our companies conduct their business from their respective headquarters and via a large number of branches, subsidiaries and affiliated companies. The Global Specialty Insurance (GSI) segment includes the specialty primary insurers, whose specialised global property-casualty insurance business requires special competence in finding appropriate solutions. GSI is managed from within our reinsurance organisation.

In ERGO, we combine our primary insurance activities. Some 64% of ERGO's insurance revenue derives from Germany, and 36% from international business – mainly from Central and Eastern European countries. ERGO also operates in Asian markets, particularly in India, China and Thailand. With the full acquisition of Next Insurance Inc. by Munich Re in the reporting year, ERGO has also positioned itself in the attractive customer segment of small and medium-sized enterprises in the US, the world's largest insurance market.

Munich Reinsurance Company and ERGO Group AG are under unified control within the meaning of the German Stock Corporation Act (AktG). The relevant statutory regulations, control agreements and Group directives govern the distribution of responsibilities and competences for key decisions between Group management and ERGO. Control and profit-transfer agreements are in place with many Group companies, especially between ERGO Group AG and its subsidiaries.

Please refer to the Munich Re Group Annual Report 2025 > Management report > Munich Re Group > pages 19–22 for further information on the structure of the Munich Re Group and the material regions.

## Qualifying holdings in Munich Reinsurance Company

Munich Reinsurance Company has not been notified of, nor is it otherwise aware of, any direct or indirect shareholdings in the Company that exceeded 10% of the voting rights as at 31 December 2025.

## Related undertakings

Related undertakings in the scope of the Group included in our solvency balance sheet can be found in this report in > Annex > S.32.01.22 "Undertakings in the scope of the Group" template.

### Intra-Group transactions

The main material intra-Group transactions in the reporting year were cash-pool transactions. Further new significant intra-Group transactions in the financial year involved a Group company's purchase of a bond issued by another Group company, the intra-Group transfer of two companies, the capital contribution by Munich Reinsurance Company to a subsidiary, intra-Group transactions in preparation for the acquisition of Next Insurance Inc., portfolio optimisation at several Group companies and a multi-stage reinsurance transaction involving Group companies.

Munich Re pools cash for the purposes of financial management, pooling excess liquidity of the participating Group units in a centralised account at MEAG Cash Management GmbH. The funds are pooled for the purposes of optimising returns on investment, while taking account of the individual investment terms stipulated by the participants. Short-term liquidity from the cash pool is also available to participating undertakings. In the reporting year, BaFin was notified of five particularly significant cash-pool transactions.

As a rule, the networking of the undertakings in our Group results in further intra-Group business relationships. Intra-Group transactions resulted from areas such as financing, reinsurance contracts, service offsetting, cost-sharing and guarantee agreements. Regular reporting to the supervisory authority takes place by means of quantitative reporting templates provided under Solvency II. In accordance with Section 274(3) of the Insurance Supervision Act (VAG), the supervisory authority is notified immediately of particularly significant transactions.

## Significant business events

The reporting year was heavily influenced by natural catastrophe losses in North America and the Caribbean, the largest individual losses being the wildfires in the Los Angeles area, which accounted for a nominal amount of around €1.1bn, and Hurricane Melissa with a nominal

amount of around €0.3bn. Overall, however, natural catastrophe losses were below average.

In the reporting year, ERGO announced the successful completion of the full takeover of the American digital insurer Next Insurance Inc. by Munich Re. ERGO is using this acquisition to break into the US market, where it is positioning itself in the attractive customer segment of small and medium-sized enterprises.

## Determination of consolidated data (significant differences between IFRS and Solvency II)

As a general rule, under IFRS all subsidiaries over which the parent company can exercise control are fully consolidated in the IFRS consolidated financial statements, irrespective of the business they conduct. Under Solvency II, however, the nature of the business plays a role when determining which subsidiaries are included in the Group solvency balance sheet. Here, only those subsidiary undertakings that are insurance and reinsurance undertakings, insurance holding companies, mixed financial holding companies, special purpose vehicles and ancillary services undertakings are fully consolidated. Alternative investment funds and undertakings for the collective investment in transferable securities (UCITS<sup>1</sup>) over which control can be exercised are fully consolidated in the IFRS balance sheet. In accordance with the Solvency II rules, we only recognise these types of undertaking at fair value in the Group solvency balance sheet. Under IFRS, joint ventures and associates are accounted for using the equity method. As a general rule, joint ventures are included in the solvency balance sheet in accordance with the principle of proportional consolidation of data. Currently, Munich Re does not include any proportionately consolidated undertakings in the solvency balance sheet. We recognise undertakings for which we hold at least 20% of the voting rights as associates in our IFRS consolidated financial statements. In the solvency balance sheet, undertakings for which we own a 20% or greater share of the capital or voting rights are categorised as participating interests. For the most part, they are accounted for using the adjusted equity method. Where the share in capital is not equal to that of the voting rights, there are reporting differences between the balance sheets produced under Solvency II and IFRS.

Further information on the determination of consolidated data under Solvency II can be found in section D 1 > Holdings in related undertakings, including participations, and in section E 1 > Consolidation methods for own funds.

<sup>1</sup> These are investment funds in statutorily defined types of securities and other financial instruments.

## A2 Underwriting performance

The premiums and results shown below refer to the figures in our Group annual report in accordance with IFRS as at 31 December 2025.

### Group underwriting performance

Munich Re generated a total technical result of €9,800m (8,701m) in the reporting year, attributable primarily to below-average natural catastrophe losses. The largest individual loss for Munich Re in 2025 was the wildfires in the Los Angeles area, which accounted for a nominal amount of around €1.1bn.

At €1,715m (1,857m), the total technical result for life and health reinsurance was in line with expectations for the reporting year. A random accumulation of individual major losses was offset first and foremost by strong new business in North America. At €4,648m (4,297m), the total technical result in the reinsurance property-casualty segment improved year on year, in particular thanks to significantly lower major-loss expenditure. GSI was able to increase its total technical result to €1,155m in the reporting year, representing a significant increase on the previous year's result of €534m. This improvement was mainly due to lower major-loss expenditure. The total technical result in the ERGO field of business rose to €2,282m (2,013m). This development was attributable to both the ERGO Germany and ERGO International segments.

### Reinsurance

#### Reinsurance – Life and health

The total technical result was consistent with the expectations for this segment that we had communicated for the reporting year. As expected, we were not able to match the record result achieved in the previous year. The total technical result comprises the insurance service result and the result from insurance-related financial instruments. The insurance service result is substantially driven by the release of the contractual service margin and the risk adjustment for non-financial risk.

New business continued to develop very favourably and made a positive contribution to the result. This included in particular large-volume transactions in North America. Overall, claims experience within the portfolio was slightly higher than expected, although the individual quarters were subject to fluctuation, partly due to large individual claims. The active management of existing contracts also had a positive effect on the result. By contrast, the annual review of our underwriting assumptions and subsequent adjustment of our reserves had a negative effect on the insurance service result overall.

Financially motivated reinsurance that does not transfer significant insurance risk is the main contributor to the result from insurance-related financial instruments. The result from this portfolio developed very favourably, with contracts largely performing as expected. Following the termination of several large-volume treaties in the previous year, new business developed very positively – particularly in the second half of the year.

#### Reinsurance – Property-casualty

The total technical result in property-casualty reinsurance improved year on year, in particular due to a significant decrease in major-loss expenditure, which amounted to €1,627m (2,807m) in 2025 after retrocession and before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 9.4% (15.0%) of net insurance revenue, significantly below our major-loss expectation of 17% of net insurance revenue.

#### Global Specialty Insurance

GSI was able to increase its total technical result to €1,155m in the reporting year, representing a significant increase on the previous year's result of €534m. This improvement was mainly due to lower major-loss expenditure. The wildfires in the Los Angeles area at the beginning of the year were the largest single claims event in the reporting year, at a nominal amount of around €0.2bn.

### ERGO

#### ERGO Germany

The total technical result generated by the ERGO Germany segment was significantly higher than in the previous year. This was mainly due to improvements in life insurance, travel insurance and short-term health business. Compared to the previous year, we recorded a slightly higher release of the contractual service margin in life insurance. The contribution from ERGO Property-casualty Germany to the total technical result was at a similarly high level compared to the 2024 financial year. Lower major-loss expenditure and an improvement in cost development compared to the previous year were offset by reserve adjustments in individual classes of business.

**ERGO International**

The total technical result rose considerably year on year. The positive development was, among other factors, due to profitable growth and to favourable claims trends in health business in Spain as well as property-casualty insurance in Poland and Austria. Higher income from the release of the contractual service margin in life and health business also contributed to the good development of the total technical result. This positive development resulted primarily from health business in Spain and Belgium as well as Belgian life business.

Further information on the macroeconomic and industry environment that shaped the global economy and global financial markets during the reporting year and influenced developments on the insurance market can be found in the Munich Re Group Annual Report 2025 > Management report > page 18.

Our most important countries in terms of gross premiums written in the non-life segment are, in addition to Germany, the US, the United Kingdom, Poland, Spain and Gibraltar. In the life segment, we wrote business primarily in the US and Canada. Further premium income was generated in particular in the United Kingdom, Belgium and Bermuda.

For an overview of premiums, claims and expenses by line of business and by country for non-life and life insurance obligations, please refer to the quantitative reporting template (QRT) S.05.01.02 and to QRT S.05.02.04, respectively, in the annex to this report.

## A3 Investment performance

### Income and expenses with respect to investment activities

#### Investment result

€m	2025	Prev. year
Regular income	8,560	8,137
Write-ups/write-downs	-259	-355
Change in expected credit losses	-49	45
Gains/losses on disposal	-375	-986
Fair value changes	381	1,052
Other income/expenses	-744	-702
<b>Total</b>	<b>7,514</b>	<b>7,191</b>

Regular income increased on the previous year, primarily due to sustained high interest rates and a correspondingly stable reinvestment yield. The average reinvestment yield<sup>2</sup> in the financial year was 4.1% (4.4%). Prolonged attractive interest rates in the reporting year resulted in yields on new investments that continued to be above the average return on our existing portfolio of fixed-interest investments.

The net result from write-ups and write-downs improved year on year. Impairment losses on both property and participations were the primary reason for the negative result in the reporting year.

The result from the change in expected credit losses comprises the change in anticipated losses on interest-bearing investments as at the reporting date that are not posted in the category "Fair value changes".

We posted net losses in the reporting year of €375m on the disposal of investments not recognised at fair value through profit or loss. These losses resulted primarily from the disposal of fixed-interest securities with low interest rates that were sold and whose proceeds were then invested anew so as to profit from higher interest rates. On the other hand, we realised a positive effect on the result from the initial consolidation of Next Insurance Inc.

The net result from fair-value changes totalled €381m – with the key positive variable being the result from equities, which accounted for significant gains thanks to surging equity markets. By contrast, we recorded net losses in the area of alternative asset classes. This was largely

attributable to the area of private equity investments owing to the depreciation of the US dollar in the first half of the year. In addition, the rise in interest rates in Europe had a negative impact on the fair values of our fixed-interest investments.

The investment result can be broken down by asset class as follows:

#### Investment result by type of investment

€m	2025	Prev. year
<b>Result from non-financial investments</b>		
Investment property	548	154
Property, plant and equipment	-10	87
Intangible assets	-9	-11
Biological assets	97	98
Inventories	-1	0
Investments in affiliated companies, associates and joint ventures	597	123
Thereof:		
Associates and joint ventures accounted for using the equity method	526	129
	<b>1,222</b>	<b>451</b>
<b>Result from financial investments</b>	<b>6,913</b>	<b>7,329</b>
<b>Expenses for the management of investments and other expenses</b>	<b>-621</b>	<b>-589</b>
<b>Total</b>	<b>7,514</b>	<b>7,191</b>

The result from investment property includes €741m (675m) in rental income. The expenses for the management of investments include running costs and expenses for repair and maintenance of property totalling €98m (93m). Reversals of impairment losses, and impairment losses, on financial investments in accordance with IFRS 9 amounted to -€49m (45m).

The decline in the result from financial investments can be traced back to higher interest rates in Europe and the associated decline in fair values, as well as to exchange rate developments (primarily relating to the US dollar). The negative effect was partially offset by the positive performance of equity holdings and improved regular income.

<sup>2</sup> The average reinvestment yield is shown as an annual rate of return. All reinvestments that are transacted in a financial year and that have remaining terms to maturity of more than one year are recognised at the rates of return applicable at the relevant trade dates; for securities with terms to maturity of up to one year the proportionate term to maturity is taken into account. Investments are not included if their return cannot be calculated (e.g. equities, debt securities with variable rates, inflation-linked bonds, derivatives, real estate) or if they do not have the characteristics of investments (e.g. cash at banks). Hedging costs for securities in foreign currency are not considered.

## Gains and losses recognised directly in equity

The following table provides an overview of the income and expenses recognised directly in equity in the financial year.

### Income and expenses recognised directly in equity

€m	2025	Prev. year
<b>Items where income and expenses recognised directly in equity are reallocated affecting net income</b>	<b>-1,229</b>	<b>695</b>
Currency translation	-2,319	1,092
Unrealised gains and losses on financial investments	-572	512
Change resulting from cash flow hedges	-4	1
Change resulting from equity method measurement	-56	39
Change resulting from reinsurance contracts held	-2	-165
Change resulting from insurance contracts issued	1,724	-784
<b>Items where income and expenses recognised directly in equity are not reallocated affecting net income</b>	<b>66</b>	<b>22</b>
Remeasurement of defined benefit plans	66	22
<b>Total</b>	<b>-1,162</b>	<b>718</b>

The income and expenses newly recognised directly in equity were negative overall in the financial year. This was attributable primarily to currency translation effects driven by the US dollar.

### Investments in securitisations

Our asset-backed securities and mortgage-backed securities at fair value totalled 4% (3%) of the investment portfolio as at the reporting date. This asset class is composed of securitised receivables, e.g. securitisations of real estate finance or consumer credit. Around 30% (31%) of our structured credit products had a rating of AAA.

### A4 Performance of other activities

On the one hand, Munich Re is a lessee. On the other hand, Munich Re is also a lessor. For information on our operating and finance leases, please refer to the Munich Re Group Annual Report 2025 > Notes to the consolidated financial statements > 64 Leases > pages 372–373.

### A5 Any other information

There were no matters in the year under review which require disclosure under "Any other information".

# System of governance

B

## B System of governance

### B1 General information on the system of governance

#### Administrative, management or supervisory bodies (AMSBs)

Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company) has three governing bodies: the Annual General Meeting, the Board of Management, and the Supervisory Board.

We describe their functions and powers, working procedures and composition in the Munich Re Group Annual Report 2025 > Corporate governance > Statement on Corporate Governance > page 197 ff., and report on the work of the Supervisory Board committees > page 191 ff.

More information on corporate governance can be found at [www.munichre.com/corporate-governance](http://www.munichre.com/corporate-governance).

#### Compensation

##### Principles of the compensation policy

The "Solvency II: Munich Re Group Compensation Policy (MR GCP)" sets uniform and generally accepted standards for compensation policy at the Munich Re Group. Existing compensation policies at the undertakings of the Munich Re Group remain in force and apply in addition. The standards comprise substantive, procedural and formal requirements. The object of the MR GCP is to implement the regulatory requirements resulting from Solvency II in accordance with uniform principles for the Munich Re Group. The undertakings of the Munich Re Group that are obliged to implement these requirements must implement the requirements of the MR GCP in their own compensation policies, which take into account local conditions. Undertakings that are not obliged to implement these requirements are subject to local regulations.

Pursuant to the MR GCP, the remuneration schemes of the Munich Re Group must be established, implemented and maintained in line with the respective undertaking's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the undertaking as a whole. The remuneration schemes must also incorporate measures aimed at avoiding conflicts of interest. Furthermore, the remuneration schemes must promote effective risk management and must not encourage risk-taking that exceeds the risk-tolerance limits of the undertaking.

Pursuant to the MR GCP, specific agreements must be concluded for a group of individuals that includes AMSB members, persons who effectively run the business, key

functions and risk takers. These agreements must take the following into account in particular:

Where the remuneration schemes for this group of individuals include both fixed and variable components, such components must be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration. This ensures that those persons are not overly dependent on the variable components.

The payment of a substantial portion of the variable remuneration component must contain a flexible, deferred component that takes account of the nature and time horizon of the undertaking's business. This deferral period must be no less than three years and must be aligned with the nature of the business, the risks, and the activities of the persons in question. Further general requirements and specific agreements are regulated by the MR GCP.

##### AMSBs

The principles for the members of the administrative, management or supervisory bodies (AMSBs) of Munich Reinsurance Company are documented in the relevant local compensation policies. They are fully taken into consideration in the compensation systems of the AMSBs of Munich Reinsurance Company. With regard to the remuneration for the Board of Management of Munich Reinsurance Company, the ratio of fixed and variable remuneration components was chosen such that it is balanced as far as the amount of overall remuneration is concerned, and does not result in any misplaced incentives to take unreasonable risk.

For the members of the AMSBs of other undertakings belonging to the Munich Re Group, the principles are set out in the respective compensation policies of the individual undertakings. All compensation policies of the undertakings of the Munich Re Group required to implement these requirements must comply with the aforementioned principles of the MR GCP.

##### Employees

The principles of the MR GCP are also implemented for employees of Munich Reinsurance Company in the local compensation policy. The remuneration components are regulated by internal company agreements and by corresponding policies pursuant to the German Managerial Staff Committee Act (SprAuG) and on the basis of individual contracts, and reflect the statutory and collective bargaining environment. The reinsurance companies that are required to implement the principles of the MR GCP implement them accordingly in their local compensation policies.

Further remuneration rules and supplementary remuneration regulations applicable to employees in reinsurance – such as post-employment benefits and lump-sum settlements, as well as regulations on succession planning and staff development – are set out in the Human Resources Policy and other policies.

The undertakings from the ERGO field of business that are obliged to implement these requirements have implemented the requirements of the MR GCP in their own compensation policies. Responsibility for structuring the compensation system is generally local and takes place in accordance with the respectively applicable legal and supervisory requirements.

### Individual and collective performance criteria

#### AMSBs

Details on the structure of the remuneration system for the members of the Board of Management of Munich Reinsurance Company and on the parameters used are available in the remuneration system and the remuneration report published on our website:

[www.munichre.com/board-of-management](http://www.munichre.com/board-of-management).

Members of the Supervisory Board of Munich Reinsurance Company receive fixed remuneration only.

For members of the AMSBs of the Munich Re Group whose variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of assessments of the performance of the individual and of the divisional unit concerned on the one hand, and the overall performance of the relevant undertaking or the Group on the other. If there is performance-related variable remuneration, both financial and non-financial criteria are taken into account as part of the assessment of an individual's performance.

The remuneration structure for risk takers in the International Organisation and risk takers on international assignments is largely geared to the remuneration scheme for members of the Board of Management.

#### Senior executive staff

The fixed components for Munich Reinsurance Company senior executive staff (including holders of key functions) comprise a fixed annual basic remuneration, paid out as a monthly salary, plus market-standard fringe benefits and remuneration in kind (most notably a company car and a company pension scheme). The variable components are made up of a short-term and a longer-term component.

The short-term component is the Company result bonus, a component that gives employees a share in corporate success. The key indicator used in the 2025 financial year was the IFRS result of the Munich Re Group. In the 2026 financial year, the Munich Re Group's total technical result will be used as a further key indicator. The targets correspond to the Group objective for the variable remuneration of members of the Board of Management.

In addition, senior executive staff who contribute to the longer-term performance of the undertaking benefit from a long-term incentive plan. This plan is a remuneration component based on share price performance. The longer-term performance of the Company is determined on the basis of the development of the total shareholder return in comparison with that of a defined peer group. In addition, the Long-Term Incentive Plan also includes ESG targets. The Long-Term Incentive Plan provides for flexible payment deferred over a period of four years. The possibility of a downward adjustment for exposure to current and future risks is included. The Long-Term Incentive Plan largely corresponds with the multi-year bonus for the members of the Board of Management.

The higher a manager's level is, the higher the percentage of their total remuneration consists of the Company result bonus and Long-Term Incentive Plan. The Company result bonus ensures that the performance of the undertaking is systematically reflected in the remuneration paid to senior executive staff. The Long-Term Incentive Plan, with a duration of four years, furthermore provides senior executive staff with a share in the undertaking's longer-term success and achievement of ESG targets.

The combination of short- and long-term components is well-balanced and ensures that the participation of senior executive staff bears a reasonable relationship to overall corporate performance. In addition, negative incentives are avoided, in particular taking disproportionately high risks. The monitoring function of the control units is not impaired. By using the same key indicators as for the AMSBs, the variable remuneration is geared to achievement of the objectives defined by the strategy of the undertaking and material risks and their time horizon are taken adequate account of. No guaranteed variable remuneration components are granted.

The decision as to how performance-related variable remuneration for senior executive staff is structured at ERGO is the responsibility of the local units.

#### Non-executive staff

The fixed components for Munich Reinsurance Company non-executive staff comprise a fixed annual basic remuneration, paid out as a monthly salary and as a holiday and Christmas bonus, plus standard market fringe benefits and remuneration in kind. The variable remuneration for all staff in reinsurance is regulated on the basis of uniform principles in terms of its components and the way it works. All non-executive staff receive the above-mentioned Company result bonus in the same way as senior executive staff.

The decision as to how performance-related variable remuneration for non-executive staff is structured at ERGO is the responsibility of the local units.

### Supplementary pension or early retirement schemes AMSBs

If members of the AMSBs of the Munich Re Group are granted a company pension, the entitlements are generally part of a defined contribution plan. Early retirement schemes are geared to the respective country-specific circumstances.

Board of Management members who join(ed) Munich Reinsurance Company's Board of Management after 1 January 2019 no longer receive an employer-financed company pension. Details on the regulations relating to early or regular retirement of the members of the Board of Management of Munich Reinsurance Company are available in the remuneration system and report published on our website: [www.munichre.com/board-of-management](https://www.munichre.com/board-of-management).

Members of the Supervisory Board of Munich Reinsurance Company are not entitled to pension benefits.

### Senior executive and non-executive staff

The pension scheme for senior executive and non-executive staff at Munich Reinsurance Company is a defined contribution plan.

In the case of disability, senior executive and non-executive staff receive an occupational disability pension. The amount of disability pension is based on a fixed percentage of the basic salary. Surviving dependants of senior executive or non-executive staff receive a lump-sum payment.

If senior executive or non-executive staff leave the service of the Company before a benefit becomes payable, the rules and regulations of the German Company Pension Act apply. In addition, senior executive and non-executive staff who joined the Company prior to 1 January 2019 are members of the Münchener Rück Versorgungskasse pension scheme, which is a defined contribution plan. The structure of the pension obligations for the employees of the other reinsurance companies that are required to implement the principles of the MR GCP is regulated in accordance with those principles in their own local compensation policies. For companies that are not required to implement those principles, the rules are implemented in accordance with local regulations.

At ERGO, the decision as to whether a company pension scheme is provided lies with the local units in accordance with the respectively applicable legal requirements. With the exception of some legacy schemes, the pension schemes are based on defined contribution plans.

### Material transactions

Munich Re publishes information of this kind on its website without undue delay at <https://www.munichre.com/en/company/investors/mandatory-announcements.html>. In the reporting period, there were no material transactions with shareholders, persons

who exercise a significant influence on the undertaking, members of the Board of Management or members of the Supervisory Board.

### Main duties and responsibilities of the key functions

The following four Group-wide key functions conduct their activities at Group level and at Munich Reinsurance Company level:

#### Risk management function

The Group Chief Risk Officer (Group CRO) is Head of Integrated Risk Management (IRM) and is responsible for the risk management function (RMF). In this role, the Group CRO is responsible for organising and implementing an adequate risk management system. This includes developing the risk strategy, monitoring all risks throughout the Group, and ensuring the adequacy of risk management processes.

The independence of the RMF is safeguarded and laid down in the Munich Re Risk Management Directive, among others.

The RMF of the Group is supported by the local mirror functions in the Group undertakings and by specific risk management functions at Munich Reinsurance Company. You will find a detailed description of the main duties and responsibilities of the RMF in section B 3.

#### Compliance

The Head of Group Compliance and Legal (GCL) is the Group Chief Compliance Officer (GCCO) and, as such, the holder of the compliance key function with responsibility for the compliance organisation at Munich Re. The GCCO has an unrestricted right to full disclosure of and access to all information required for the discharge of compliance duties.

The GCCO compiles a written compliance report for the Board of Management and the Audit Committee of the Supervisory Board of Munich Reinsurance Company at least once a year. This report includes an overview of the Compliance Management System (CMS) and the adequacy and effectiveness of the processes in place to comply with external requirements, as well as compliance risks and violations of Group-wide relevance.

You will find a detailed explanation of the main duties and responsibilities in section B 4.

#### Internal audit

As an independent control function, Group Audit is responsible for reviewing and assessing all components of the system of governance at Munich Re. It prepares independent and objective analyses and recommendations for the Board of Management and senior management, and provides information on the audited activities.

A description of the authorities and independence of the internal audit function is available in section B 5.

#### Actuarial function

The Head of IRM1.2 Risk Analytics & Reporting is responsible for the actuarial function (AF).

The independence of the AF, in particular from the RMF, is safeguarded and laid down in the "Actuarial Function Directive", among others. To discharge its duties, the AF works in close collaboration with the internal actuarial services of the fields of business. The main duties and authorities, and basis of collaboration, are described in section B 6.

The human resources available for all key functions are adequate to meet the internal and external requirements of the respective function. We also consider the budget and non-monetary resources available to be adequate overall.

## B2 Fit and proper requirements

### Description of the specific requirements

The Solvency II: Munich Re Group Fit and Proper Policy lays down criteria, procedures and responsibilities that apply across the Group to ensure the fitness and propriety of persons who effectively run the undertaking or perform other key tasks.

Insurance undertakings in the EU/EEA and insurance holding companies domiciled in Germany are obliged to adopt a policy that is equivalent to the Fit and Proper Policy. Insurance undertakings outside the EU/EEA and non-insurance undertakings worldwide that are classified as risk units, as well as service undertakings within the Group to which (re)insurance activities have been outsourced, are obliged to implement the main requirements of the Fit and Proper Policy. Non-insurance undertakings worldwide that are not classified as risk units and institutions for occupational retirement provision are only obliged to comply with local legal fit and proper requirements.

Every undertaking that is obliged to implement these requirements must adapt its policy to the local legal requirements. In the event of a contradiction, local law takes precedence. If the local legal requirements are less stringent than the Group-wide requirements, the latter apply.

The specific requirements of Munich Reinsurance Company concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key tasks are based on the relevant supervisory requirements.

Only persons who have the skills, knowledge and expertise necessary to perform the tasks assigned to them in an orderly manner may be employed to effectively run the undertaking or to be responsible for other key tasks. The fitness requirements set out depend on the responsibilities they have and the work they do. Where management duties are to be undertaken, experience in management should be taken into consideration.

Proportionality is to be applied in meeting the requirements concerning the skills, knowledge and expertise of the persons concerned. The assessment of whether the persons who effectively run the undertaking or perform other key tasks are deemed fit includes an assessment of their professional and formal qualifications, knowledge and relevant experience within the (re)insurance sector, in other financial sectors or in other undertakings, and takes into account the duties assigned to the persons concerned and – where relevant to the position in question – their (re)insurance, financial, accounting, actuarial and management skills.

### Persons who effectively run the undertaking

The undertakings of the Munich Re Group must determine individually which persons effectively run the undertaking.

The persons who effectively run Munich Reinsurance Company include the members of the Board of Management and the heads of branches both inside and – pursuant to a decision by the Board of Management and Supervisory Board – outside the EU/EEA.

Members of the Board of Management have individual responsibility for their divisions and overall responsibility for Munich Reinsurance Company, and must be fit to assume such responsibilities. This is monitored by the Supervisory Board. They must also be able to ensure compliance with the governance requirements at the Munich Re Group level.

The responsibilities assigned to each individual member of the Board of Management are set out in the distribution of responsibilities.

Collectively, the members of the Board of Management must have appropriate qualifications, experience and knowledge in the following areas as a minimum:

- Insurance and financial markets
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements
- Internal model (risk model)
- Management

Each individual member of the Board of Management must have sufficient knowledge of all areas to be in a position to understand and exercise supervision over the actions of other members of the Board of Management. When changes are made to the membership of the Board of Management, the collective knowledge of the members of the Board of Management should be maintained at an appropriate level at all times.

In addition, the members of the Board of Management continuously keep their knowledge and skills up to date – among other things by regularly completing specialised training courses – in order to adequately understand and assess the risks resulting from information and communication technology (ICT) and their impact on the business activities of the undertaking.

The members of the Board of Management of Munich Reinsurance Company in 2025 have the professional qualifications, knowledge and experience to guarantee the sound and prudent management of Munich Reinsurance Company. They therefore have the requisite fitness.

For the heads of branches of Munich Re Group companies within the EU/EEA, the above fit and proper requirements

set out in the Group Fit and Proper Policy apply proportionally and are set out in corresponding local policies. Companies outside the EU/EEA are obliged to comply with existing local legal requirements with regard to heads of branches.

#### **Persons responsible for other key tasks**

The undertakings of the Munich Re Group both inside and outside the EU/EEA must determine individually which persons perform other key tasks.

Persons who perform other key tasks at Munich Reinsurance Company include:

- members of the Supervisory Board, and
- holders of key functions (risk management, compliance, internal audit and actuarial function) and their deputies. The holders of key functions have overall responsibility for the Group.

Munich Reinsurance Company has not currently outsourced any key functions. No additional “other key tasks” are performed by staff of the parent company at Group level.

Members of the Supervisory Board must at all times have the experience and expertise necessary to perform their duties, in order to adequately monitor and control the Board of Management of Munich Reinsurance Company, and to actively oversee the development of the undertaking. In order to fulfil that function, they must understand the business conducted by the undertaking and be able to assess the risks for the undertaking. Members of the Supervisory Board must be familiar with laws and regulations of relevance to the undertaking. A basic knowledge of risk management specific to insurance is useful. Collectively, the Supervisory Board must in any case have expertise in the areas of investment, underwriting and accounting. Each time a new member of the Supervisory Board is appointed, but at least once annually, it is necessary to demonstrate to the Federal Financial Supervisory Authority (BaFin) which members of the Supervisory Board have expertise in these areas.

Maintenance of fitness includes ongoing training to ensure that the members of the Supervisory Board are in a position to meet changing or increasing requirements relating to their responsibilities at the undertaking.

Notwithstanding that, each and every member of the Supervisory Board must possess sufficient theoretical and practical knowledge of all areas of the business to guarantee that appropriate control is exercised. The knowledge and experience of other members of the Supervisory Board are no substitute for the fitness of an individual member. A member of the Supervisory Board does not, in principle, have to have specialist knowledge, but must be capable of recognising when it is necessary to seek advice.

As a public-interest entity, at least one member of the Supervisory Board of Munich Reinsurance Company must have expertise in accounting or auditing (second financial expert). The members of the Supervisory Board must collectively be familiar with the sector in which Munich Reinsurance Company operates.

The skills, knowledge and expertise needed to exercise supervision may also have been acquired in the course of exercising (previous) functions in other sectors or in public administration, or political mandates, provided that such functions or mandates involved or involve dealing with economic and legal issues over a prolonged period, and were not or have not been purely secondary in nature.

Other specific requirements are defined in the sets of criteria for the shareholder and employee representatives.

The members of the Supervisory Board of Munich Reinsurance Company in 2025 have the professional qualifications, knowledge and experience to supervise and advise the Board of Management of Munich Reinsurance Company in a professional manner. They therefore have the requisite fitness.

The tasks assigned to holders of a key function arise from the current responsibilities. Collectively, the key functions must guarantee the effectiveness of the system of governance of the Munich Re Group. Deputies of holders of key functions are also deemed to have the requisite fitness.

The holders of key functions in 2025 have the professional qualifications, knowledge and experience to perform the relevant tasks. They therefore have the requisite fitness.

## Assessment of fitness and propriety

The undertakings of the Munich Re Group that are obliged to implement these requirements must determine in their respective Fit and Proper Policy the applicable provisions concerning the assessment of the fitness and propriety of persons who effectively run the undertaking or perform other key tasks.

Munich Reinsurance Company carries out an internal assessment of the fitness and propriety of persons who effectively run the undertaking and perform other key tasks prior to a first appointment, election, assignment of responsibility, or necessary reassessment. A reassessment is performed after a maximum of five years if there have been no grounds for an earlier reassessment. This applies in particular when facts and circumstances give reason to believe that a person may no longer meet the fit or proper requirements, or significant changes are made to the duties assigned. In addition, a reassessment is always carried out when the appointment of a member of the Board of Management is due for renewal and a member of the Supervisory Board is due for re-election.

The assessment or reassessment is carried out on the basis of appropriate documents. When assessing professional qualifications, these documents include a detailed curriculum vitae, employer references and evidence of further training or education. With regard to propriety, these documents comprise the BaFin form "Persönliche Erklärung mit Angaben zur Zuverlässigkeit" (personal declaration with information on propriety), a police certificate of good conduct, and an excerpt from the "Gewerbezentralregister" (Central Trade Register). The result of the assessment of fitness and propriety and the reasons for the result must be documented.

Munich Reinsurance Company notifies BaFin in writing of the following persons concerned who effectively run the undertaking or perform other key tasks:

- Members of the Board of Management
- Heads of branches in the EU/EEA
- Members of the Supervisory Board
- Holders of key functions

At Munich Reinsurance Company, the following bodies and organisational units are responsible for the assessment of the fitness and propriety of the persons who effectively run the undertaking or are responsible for other key tasks:

- The Supervisory Board is responsible for assessing members of the Board of Management and – taking into account the rules of co-determination – for assessing members of the Supervisory Board.
- The Board of Management is responsible for the assessment of heads of branches inside and outside the EU/EEA and of holders of key functions.

The persons concerned have a duty towards Munich Reinsurance Company to cooperate in the assessment of their fitness and propriety. In particular, they must submit to Munich Reinsurance Company all necessary documents and declarations on time, in full and in the required form. Members of the Supervisory Board must additionally submit an annual self-assessment of their fitness for the office.

### B3 Risk management system including the own risk and solvency assessment (ORSA)

#### Description of the risk management system: Strategies, processes and reporting procedures

We describe the structure of the risk management organisation, risk governance, definition and implementation of the risk strategy and the risk management cycle in the Munich Re Group Annual Report 2025 > Risk report > page 43.

#### Control and monitoring systems

Our internal control system is described in section B 4.

#### Risk management function

The RMF is one of four key functions within (re)insurance undertakings under Solvency II. The RMF at Munich Re is performed centrally in the IRM division and locally in the individual fields of business, at MEAG – the Group asset manager of Munich Re – and in the individual insurance undertakings of the Group.

IRM is responsible for an integrated and Group-wide view of all Munich Re risks. This responsibility encompasses the recognition of all relevant risks, the quantification of capital requirements and a qualitative risk management process, including the development of the Group's risk strategy.

IRM is responsible for the following in particular:

- Risk governance
- Risk identification, including emerging risk management and risk control
- Assessment of the relevant risk categories not explicitly quantified in the internal model
- Risk strategy, including the definition of limit and trigger values (risk tolerance) and the ORSA
- Development and maintenance of the internal model; calculation of risk capital
- Allocation of risk capital for management purposes
- Calibration of capital market scenarios
- Management of market and credit risk as part of a comprehensive risk management framework, including suitable measures for risk monitoring and mitigation
- Accumulation control
- Operational risk management as a key component of the internal control system
- Risk reporting and monitoring
- Risk management in relation to information security, business continuity management and outsourcing management

The Group Chief Information Security Officer (Group CISO), a function that is assigned to risk management, is responsible for the central and Group-wide coordination and control of all activities involving information security risks. Security risk committees have been set up at Group

level and in the fields of business to assess and manage security risks. The members of the security risk committees are managers from operational units (e.g. IT security), the control functions (e.g. Risk Management, Information Security and Data Protection) and other representatives.

To further improve cyber security, we are working on initiatives both specific to and across the fields of business to ensure a level of protection in line with our information security strategy.

#### Implementation of the risk management system in the Group

We implement risk management consistently throughout the Group with the help of local mirror functions in the Group companies and specific risk management functions at Munich Reinsurance Company. The risk management objectives and principles define the basic framework for a consistent application of risk management standards throughout the Group. Feasible solutions are sought in adherence with the principle of proportionality for relatively small Group undertakings with limited human resources. This means that the minimum requirements with regard to risk management are always met – taking into account undertaking-specific risks and the nature, size and complexity of the undertaking and its operations.

There is a clear assignment of roles and responsibilities between the central RMF at Group level (central function) and the RMF at individual undertakings (local mirror functions). The central function develops a framework and sets standards, ensures consistent methods, defines risk appetite and permanently ensures a common risk culture. The local units adapt and implement the framework. They act within guidelines, incorporate local specifics (e.g. legal requirements and provisions) and utilise local knowledge.

In the primary insurance and reinsurance fields of business, important risk management structures, strategies and components such as the Operational Risk Control System (ORCS) and the internal model have been implemented consistently in the bigger undertakings.

## Governance of the internal model

IRM informs the Board of Management and Supervisory Board of Munich Reinsurance Company on an ongoing basis about the correct functioning of the Group-wide internal model. The Group Risk Committee is informed annually by IRM about the results of the validation. It is the responsibility of the Group Risk Committee to guarantee that Munich Re has adequate systems in place for identifying and measuring risks at Group and segment level. This includes defining principles and minimum requirements that apply throughout the Group for the development of risk models and systems.

The actuarial function supports the RMF, in particular in shaping and implementing the internal model, for instance with regard to determining homogeneous risk groups or identifying significant risks. The actuarial function also provides its actuarial expertise regarding the validation of the internal model.

To ensure the necessary regular exchange of information between the key functions of the Group, the heads of the key functions regularly discuss important topics.

The results of the validation, which is carried out by internal staff of Munich Reinsurance Company and ERGO Group AG on the basis of a guideline applicable throughout the Group, are included in the annual ORSA process.

## Own risk and solvency assessment – ORSA

The ORSA encompasses processes in the areas of risk management, business strategy/planning, and capital management. The main task of the ORSA is to combine these processes, to collect and assess their outcome, and to report these results at regular intervals.

It lies within the responsibility of the Group CRO to carry out the Group ORSA. The adequacy of the ORSA framework and ORSA Policy is reviewed annually by the Group Risk Committee in the event of significant changes and adjusted if necessary. The changes in the risk profile and capitalisation of Munich Re during the planning period is a core element of the ORSA.

The regular ORSA activities associated with the business planning process are conducted annually. The risk and solvency position is monitored on a quarterly basis and documented in the internal risk report.

The ORSA report is adopted by the full Board of Management and discussed with the Audit Committee of the Supervisory Board. The main findings and conclusions of the ORSA are presented to the Supervisory Board.

Certain circumstances may require a non-regular ORSA (ad-hoc ORSA). Internal and/or external factors that lead to a fundamental change in the risk profile and/or own funds of Munich Re may trigger a non-regular ORSA. The findings of the non-regular ORSA are communicated

without delay to Board committees and Group supervision outside the regular reporting dates.

The ORSA results and conclusions of the business planning process are submitted to the Board of Management on an annual basis. Findings relating to the regular risk and solvency monitoring activities that are relevant to the ORSA are included in the quarterly internal risk report. To conduct the ORSA, the results of the internal model are used and further capital requirements (such as rating capital) are taken into account.

## Interaction between capital and risk management

We manage our business on the basis of a consolidated Group view, using a comprehensive internal model to determine the capital required under Solvency II (the solvency capital requirement, or SCR). The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year.

Other Munich Re undertakings within the scope of application of Solvency II use either an internal risk model, or the Solvency II standard formula to calculate their solvency capital requirement.

The target capitalisation levels are set out in the risk strategy as part of the ORSA process of Munich Re. More specifically, the outcome of the ORSA feeds into the development of a capital management plan over the business planning time horizon.

To sum up, the risk strategy, business strategy and capital management of Munich Re are closely interlinked and managed.

## B4 Internal control system

Our internal control system is a Group-wide integrated system for managing operational risks. Comprising two key components – the operational risk control system (ORCS) and the compliance management system (CMS) – our internal control system addresses both Group management requirements and local regulations. Information on our ORCS can be found in the Munich Re Group Annual Report 2025 > Management report > Risk report > page 43–44.

### Compliance Management System

At Group level, the Group Compliance and Legal (GCL) division is responsible for the second key component of the internal control system – the CMS, which is managed by the Group Chief Compliance Officer (GCCO); a separate Tax CMS, which the Group Taxation division and the Chief Tax Compliance Officer are responsible for, is used for tax compliance. In addition to the Group function, there are further local compliance functions within the units, as well as decentralised compliance functions for selected compliance programmes.

GCL manages the compliance activities of Munich Re by means of Group-wide terms of reference, and monitors their implementation on the basis of the CMS. The CMS is based on an integral compliance culture, an established compliance organisation with clearly defined roles and responsibilities, and independent, suitable and qualified human resources that enable the compliance function to work effectively and efficiently. The CMS is the methodical framework for the structured implementation of early-warning, risk-control, consulting and monitoring functions for compliance risks:

- The early-warning tasks comprise an assessment of the possible effects of emerging legal changes on Munich Re. In this context, the undertakings of Munich Re regularly report on changes in their legal environment and their effects (risk of legal change). These are captured by the compliance function at Group level. Where necessary, follow-up measures are taken.
- The risk control duties include the identification and assessment of compliance risks within Munich Re. A process for identifying, assessing and mitigating risks in a structured manner is in place for that purpose.
- The monitoring duties refer to compliance with the relevant legal, regulatory and internal rules and regulations within Munich Re. The compliance function at Munich Re advises on setting up suitable compliance controls and monitors risk-based compliance with these controls.
- The compliance function of the Munich Re Group provides advice and training for top and senior management, managers and staff with regard to compliance risks.

The scope and means of performing compliance tasks are guided by the risk profile of the respective Group company, though all entities must implement minimum compliance standards that apply throughout the Group. Compliance standards include appropriate organisational measures to

ensure that external and internal requirements are complied with, including but not limited to the following compliance categories relevant throughout the Group:

- Corruption and bribery
- Financial sanctions and money laundering
- Antitrust law
- Conduct compliance
- Data protection law

The CMS and compliance actions are reviewed on a regular basis and adjusted if necessary on the basis of risk assessments, monitoring and other relevant information from the various departments (audit reports, changes to the law, organisational changes, etc.).

Staff can report potential compliance violations to GCL or their line manager. In addition, they have the option to contact an external, independent ombudsman. The compliance whistleblowing portal is available to all staff and external parties for reporting violations. This setup allows allegations to be reported securely, anonymously and confidentially. This portal can be used to report potential violations relating to financial crime (corruption, financial sanctions, fraud), regulatory requirements, money laundering, tax law, antitrust law, insider trading, sales compliance, data protection, human rights (diversity and other ESG matters), gender discrimination, sexual harassment and violations of equal-treatment provisions.

## B5 Internal audit function

### Mandate of Group Audit

Group Audit supports the Board of Management in performing its management control and monitoring tasks. It audits in particular the appropriateness and effectiveness of the system of governance and internal control system of the Munich Re Group.

#### Organisational set-up

Group Audit is an independent central division of Munich Reinsurance Company. The Head of Group Audit reports directly to the Chair of the Board of Management of Munich Reinsurance Company and has an indirect reporting line to the Audit Committee of the Supervisory Board of Munich Reinsurance Company.

Some undertakings of the Munich Re Group have their own audit units to carry out audits. Functionally, these are downstream audit units of Group Audit that usually have an administrative reporting line to the boards of management of the individual undertakings. These downstream audit units have a direct or indirect functional reporting line to Group Audit.

#### Main duties

A uniform management framework for all Munich Re audit units, including Group Audit itself, is based on the following binding requirements:

- Minimum requirements regarding the specific form of the audit function
- Minimum requirements for processes, procedures and methods, instruments, software and standards for planning and executing audits, reporting (audit reports, quarterly and annual reports), measures tracking and quality management
- Reporting duties of downstream audit units

The audit mandate of Group Audit, as the internal audit function of Munich Re, directly covers all fields of business and their subsidiaries. The audit mandate of Group Audit also encompasses topics concerning the Group as a whole, and topics that are relevant for the management and risk management of Munich Re.

### Independence and objectivity

The audit activities of Group Audit are based on national and international regulatory requirements and standards for professional internal audit practice. This applies in particular to the principles and rules governing adequate independence and objectivity of the internal audit function. An appropriate position in the organisational structure, a strict segregation of duties, and comprehensive quality assurance for audits ensure that the independence and objectivity of the internal audit function are adequately maintained.

We are not aware of any undue influence on the audit function that might have compromised its independence and objectivity in carrying out its duties in the year under review.

#### Independence

Group Audit is not subject to any undue instructions in planning and performing audits, or in evaluating and reporting the audit results.

The right of the Board of Management or Chair of the Board of Management to request additional audits does not compromise the independence of Group Audit. Group Audit has the right to carry out ad-hoc audits outside the audit planning schedule. Group Audit is obliged to follow instructions only from the Board of Management or Chair of the Board of Management of Munich Reinsurance Company.

The Head of Group Audit has sufficient opportunity to draw attention to situations in which the independence of the internal audit function could be endangered.

#### Objectivity

The staff working in Group Audit are not entrusted with non-audit work. In particular, they do not perform tasks that could be incompatible with the audit function. Staff from other departments of the undertaking may not be entrusted with internal audit tasks. However, this does not rule out the temporary engagement of staff that are not permanently employed in Group Audit by the latter on the grounds of their specialist knowledge or for personal development purposes.

When assigning audit staff to audits, care is taken to ensure that no conflicts of interest arise, so that auditors are able to perform their tasks with adequate impartiality and objectivity.

## B6 Actuarial function

The actuarial function (AF) of Munich Re is part of the Integrated Risk Management (IRM) central division that is within the responsibility of the Chief Financial Officer of Munich Reinsurance Company. It defines standards and basic rules for the actuarial functions of all fields of business with regard to Solvency II. The AF of Munich Re is responsible for the following:

- Coordinating the calculations of technical provisions and their regular review
- Ensuring the appropriateness of the methodologies and underlying models used, as well as of the assumptions made in the calculation of the technical provisions
- Assessing the suitability and quality of the data used to calculate the technical provisions
- Expressing an opinion on the overall underwriting and acceptance policy
- Expressing an opinion on the adequacy of the reinsurance agreements of the Group
- Preparing a written report for the management and supervisory bodies

For the actuarial fields of property-casualty reinsurance, life and health reinsurance, and ERGO segments, individual segment AFs have been put in place that implement the requirements of the Group AF in their respective areas and cooperate with the Group AF via a direct functional reporting line.

The Group undertakings within the scope of application of Solvency II have their own AFs in place. The AFs of the undertakings allocated to the ERGO field of business have a direct functional reporting line to the segment AF; AFs for undertakings in the reinsurance field of business have a direct functional reporting line to the Group AF and also work together with the relevant reinsurance segment AFs.

The AF of Munich Re notifies the Board of Management of its main activities and their outcome in writing once a year in the Group Actuarial Function Report. Severe events regarding the aforementioned responsibilities are reported by the Group AF on an ad-hoc basis to the Group Committee of the Board of Management. The Group Actuarial Function Report is also submitted to the Audit Committee of the Supervisory Board.

## B7 Outsourcing

### Outsourcing policy

A Group-wide Third-Party Risk Management (TPRM) Policy defines the minimum requirements for outsourcing (re)insurance activities and functions to service providers. This outsourcing standard, which applies directly to Munich Reinsurance Company, has been communicated as a Group-wide standard throughout the Munich Re Group, and is monitored accordingly.

The TPRM Policy describes the principles, responsibilities, processes and reporting requirements to be adhered to during all stages of the outsourcing process, i.e. planning, implementation and termination (including contingency planning) of the relevant organisational measures. In accordance with the principle of materiality, and depending on the risks identified in each case, Munich Re may set different requirements for corresponding measures and processes in order to adequately ensure the continuity and unimpaired quality of the outsourced services at all times.

The TPRM Policy also regulates the contractual relationships between the Munich Re Group and/or Munich Reinsurance Company and its contractual partners (third parties), including activities relating to outsourcing and (general) services.

### Outsourcing of critical or important operational activities or functions

Munich Re outsources important (re)insurance activities and functions both within the Group, and to external service providers. An indicator for important outsourcing is when a Group member outsources an essential part of its (re)insurance activities and functions to service providers, and the respective Group member would no longer be fully capable of delivering its services to policyholders without the outsourced activity or function. From the Group perspective, on the other hand, the outsourcing is classified as important if it may also cause material risks for Munich Re.

The Munich Re Group has high expectations and standards regarding service provision, irrespective of whether the services are provided by internal service providers (intra-Group outsourcing) or by external service providers outside the Group. Nevertheless, different internal processes are applied for selecting and managing service providers in each case.

The table below lists the most important outsourcing activities from the perspective of the Group.

#### List of important outsourcing activities of the Munich Re Group

Name of service provider	Scope of outsourcing	Jurisdiction
MEAG MUNICH ERGO AssetManagement GmbH	Outsourcing of asset management of Munich Re Group	Germany
ERGO Group AG	Outsourcing of important insurance activities and functions of the German insurance undertakings in the ERGO field of business	Germany
ERGO Beratung und Vertrieb AG	Outsourcing of the sales operations of the German insurance undertakings within the ERGO field of business to a central sales entity	Germany

## B8 Any other information

### Assessment of the adequacy of the system of governance

The Munich Re Group has a system of governance that is adequate for the nature, scale and complexity of the risks inherent in its business. Its organisational structure is transparent, and there is a clear allocation of tasks and responsibilities. The organisational structure of the entities within the Group is documented, and updated on a regular basis.

The entities of the Group comply with the organisational principle of an adequate segregation of responsibilities. An effective internal communication system is in place. Clear functional and disciplinary reporting lines ensure the prompt transfer of information to all persons who need it in a way that enables them to recognise its importance as regards their respective responsibilities. The adequacy of Munich Re's organisational structure is reviewed on a regular basis by the organisational function at Group and field-of-business level.

The RMF, compliance, internal audit, and AF key functions are in place at the Munich Re Group. They perform their tasks in accordance with supervisory requirements for the respective key function. The responsibilities of the key functions are defined at Group level, and at the level of the individual fields of business or entities of the Group. Outsourced key functions are monitored by the entities concerned in line with requirements.

The terms of reference regarding the operational structure of the Munich Re Group, and the responsibility for meeting these terms, are defined in the respective policies. Processes that are subject to material risks must fulfil the requirements regarding documentation and communication set out in the policies.

The Board of Management complies with its responsibility for checking the adequacy of the system of governance on a regular basis. All Group-wide key functions perform regular self-assessments.

### Any other material information regarding the system of governance

For the reporting period, there is no other material information regarding the system of governance of the Munich Re Group.

# Risk profile



## C Risk profile

### Material risks

Our general definition of risk is possible future developments or events that could result in a negative prognosis or a negative deviation from the Group's targets. We consider three criteria when evaluating the materiality of risks. First, the extent to which a risk could influence stakeholder assessments of Munich Re. Second, the ways in which a risk could impact the solvency of Munich Re. And third, the extent to which a risk could exhaust cumulative limits or budgets. We have applied this definition consistently to each business unit and legal entity, taking account of its individual risk-bearing capacity. The assessment of whether a risk is significant or not for a business unit or legal entity according to the above definition is performed in the responsible risk management functions. We make a basic distinction between risks included in our internal model and covered by risk-based capital and other risks not quantified in the internal model. The risks included in the internal model are divided into the following risk categories: underwriting risk in property-casualty business, underwriting risk in life and health business, market risk, credit risk and operational risk. Sustainability risks can affect all of these risk categories and are therefore an integral part of the management of these risks.

### Risks depicted in the internal model

#### Solvency capital requirement – Internal model

Munich Re has a comprehensive internal model that determines the capital needed to ensure that the Group is

able to meet its commitments even after extreme loss events. We use the model to calculate the capital required under Solvency II (the solvency capital requirement, or SCR).

The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year. It corresponds to the value at risk (VaR) of the economic profit and loss distribution over a one-year time horizon with a confidence level of 99.5%, and thus equates to the economic loss for Munich Re that, given unchanged exposures, will be exceeded each year with a statistical probability of 0.5%. Our internal model is based on specially modelled distributions for the risk categories property-casualty, life and health, market, credit and operational risks. We use primarily historical data for the calibration of these distributions – complemented in some areas by expert judgement – in order to take adequate account of future developments, among other considerations. Historical data covers a long period to provide a stable and appropriate estimate of our risk parameters. In addition, we take account of diversification effects we achieve through our broad spread across various risk categories and the combination of primary insurance and reinsurance business. We also take into account dependencies between the risks, which can result in higher capital requirements than would be the case if no dependency were assumed. We then determine the effect of the loss absorbency of deferred taxes.

The table shows the solvency capital requirement for Munich Re and its risk categories as at 31 December 2025.

#### Solvency capital requirement (SCR)

	Reinsurance		ERGO		Diversification	
	31.12.2025	Prev. year	31.12.2025	Prev. year	31.12.2025	Prev. year
	€m	€m	€m	€m	€m	€m
Property-casualty	11,569	12,410	904	860	-688	-711
Life and health	7,024	7,104	1,207	1,319	-546	-612
Market	6,346	7,060	3,075	3,870	-802	-1,463
Credit	2,706	2,948	952	1,188	-33	-83
Operational risk	1,071	1,082	804	791	-244	-243
Other <sup>1</sup>	503	495	341	404		
	<b>29,219</b>	<b>31,099</b>	<b>7,283</b>	<b>8,432</b>		
Diversification effect	-10,361	-11,158	-1,954	-2,144		
Tax	-3,302	-3,999	-689	-804		
<b>Total</b>	<b>15,557</b>	<b>15,941</b>	<b>4,640</b>	<b>5,484</b>	<b>-1,966</b>	<b>-2,511</b>

	Group			
	31.12.2025	Prev. year	Change	
	€m	€m	€m	%
Property-casualty	11,785	12,559	-774	-6.2
Life and health	7,686	7,811	-125	-1.6
Market	8,620	9,468	-848	-9.0
Credit	3,625	4,052	-427	-10.5
Operational risk	1,631	1,630	1	0.1
Other <sup>1</sup>	844	899	-55	-6.1
	<b>34,191</b>	<b>36,419</b>	<b>-2,228</b>	<b>-6.1</b>
Diversification effect	-12,321	-13,174	853	-6.5
Tax	-3,640	-4,331	691	-16.0
<b>Total</b>	<b>18,230</b>	<b>18,915</b>	<b>-685</b>	<b>-3.6</b>

1 Capital requirements for other financial sectors, e.g. institutions for occupational retirement provision.

At Group level, the SCR decreased by 3.6% to €18.2bn – compared with €18.9bn as at 31 December of the previous year. The decrease was driven primarily by the substantial depreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a lower euro amount. In addition, the currency risk within the market risk also decreased as a result of active portfolio restructuring. This was offset by the expansion of business in the life/health segment and a reduction in external retrocession in the reinsurance business. The risk increased further due to the planned reduction in corporation tax and the corresponding effect on its tax deductibility. Other information about the changes in individual risk categories and details about risk concentrations can be found in the following sections.

## C1 Underwriting risk

### Property-casualty

The property-casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident, marine, aviation and space, and credit classes of insurance, together with special lines also allocated to property-casualty.

In property-casualty business, underwriting risk is defined as the risk of insured losses being higher than our expectations. The premium and reserve risks are significant components of the underwriting risk. Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred possibly being higher than expected. Reserve risk is the risk of the loss provisions established potentially being insufficient to cover losses that have already been incurred. In measuring loss provisions, we follow a cautious reserving approach and assess uncertainties conservatively. In every quarter, we also compare notified losses with our loss expectancy, in order to sustain a high level of reserves.

In the risk model, we differentiate between individual large losses involving expenditure that exceeds a certain large-loss limit; losses affecting more than one risk or more than one line of business (accumulation losses); and all other losses (basic losses). For basic losses, we calculate the risk of subsequent reserving being required for existing risks within a year (reserve risk) and the risk of under-rating (premium risk). To achieve this, we use actuarial methods that are based on standard reserving procedures, but take into account the one-year time horizon. The calibration for these methodologies is based on our own historical loss and run-off data. Appropriate homogeneous segments of our property-casualty portfolio are used for the calculation of the reserve and premium risks. To aggregate the risk to whole-portfolio level, we apply correlations that take account of our own historical loss experience.

For the purposes of the accumulation-risk scenarios, our experts develop scientifically sound models that quantify the probability of occurrence and the loss potential and also take climate change risks into account. The models also take risk-limiting elements into consideration, such as cover limits. In addition to natural catastrophes, we include other accumulation risks such as cyber and pandemics, using special models. Based on these scenarios, the potential effects on our portfolio are determined using stochastic models.

Our internal model considers the resulting accumulation-risk scenarios to be independent events. The largest natural catastrophe exposure for Munich Re is in the "Atlantic Hurricane" scenario, for which our estimate of annual loss exposure is €8.5bn (9.2bn) (before tax, retained) for a return period of 200 years.

As part of our regular validation, we look in particular at the sensitivity of results produced by the risk model for large and accumulation losses to changes in the return periods or loss amounts for events. We also consider the effect of changes of dependency assumptions on the results. We regularly adapt our models on the basis of the findings from our validation.

Another measure for controlling underwriting risks is the targeted cession of a portion of our risks to other carriers via reinsurance or retrocession. Most of our companies have intra-Group and/or external reinsurance and/or retrocession cover.

In addition to traditional retrocession, we use alternative risk transfer for natural catastrophe risks in particular. Under this process, underwriting risks are transferred to the capital markets via special purpose vehicles. The purpose of these vehicles is to securitise underwriting risks and to issue catastrophe bonds (insurance-linked securities).

In 2025, Munich Re mainly used special purpose vehicles registered in Ireland and Bermuda to transfer risk to the capital markets. All special purpose vehicles are properly licensed and registered by the respective supervisory authorities. Underwriting liabilities are always fully funded. In order to minimise potential credit risk, investors' collateral is regularly invested in securities with the highest credit rating – for example, in US treasuries or World Bank bonds. The value of the collateral is ensured regularly by a trustee and by means of regular reporting.

#### Solvency capital requirement – Property-casualty

The solvency capital requirement decreased by around 6% at Group level, largely due to the depreciation of the US dollar. Unfavourable basic claims development in US liability insurance and growth in the credit reinsurance business, as well as the reduction in external retrocession, partly offset this effect.

## Solvency capital requirement (SCR) – Property-casualty

	Reinsurance		ERGO		Diversification	
	31.12.2025	Prev. year	31.12.2025	Prev. year	31.12.2025	Prev. year
	€m	€m	€m	€m	€m	€m
Basic losses	5,912	5,973	766	718	-541	-511
Large and accumulation losses	10,644	11,560	548	540	-409	-435
	<b>16,556</b>	<b>17,534</b>	<b>1,314</b>	<b>1,258</b>		
Diversification effect	-4,987	-5,124	-409	-399		
<b>Total</b>	<b>11,569</b>	<b>12,410</b>	<b>904</b>	<b>860</b>	<b>-688</b>	<b>-711</b>

	Group			
	31.12.2025	Prev. year	Change	
	€m	€m	€m	%
Basic losses	6,137	6,181	-44	-0.7
Large and accumulation losses	10,783	11,665	-882	-7.6
	<b>16,920</b>	<b>17,846</b>	<b>-926</b>	<b>-5.2</b>
Diversification effect	-5,134	-5,288	154	-2.9
<b>Total</b>	<b>11,785</b>	<b>12,559</b>	<b>-774</b>	<b>-6.2</b>

## Life and health

In life and health, we define underwriting risk as the risk of insured benefits payable in life or health insurance business being higher than expected. Of particular relevance are biometric risks and policyholder-behaviour risks, such as lapses and lump-sum options. We differentiate between risks that have a short-term or long-term effect on our portfolio. In addition to the simple risk of random fluctuations resulting in higher claims expenditure in a particular year, the adverse developments with a short-term impact that we model notably include rare – but costly – events such as pandemics. To this end, we model losses and the sum at risk – taking into particular consideration excess mortalities in connection with, for instance, the pandemics of the 20th and 21st centuries.

Life insurance products in particular, and a large part of our health primary insurance business, are long-term in nature, and the results they produce are spread over the entire duration of the policies. This can mean that negative developments in risk drivers with long-term effects sustainably reduce the value of the insurance portfolio (trend risks). The risk drivers mortality and disability are dominated by the life and health reinsurance segment, particularly by exposure in North America and the Asia-Pacific region. We also underwrite longevity risk in the life and health reinsurance segment, especially in the United Kingdom. The longevity risk driver can additionally be found in the products marketed by ERGO in Germany, together with typical risks related to policyholder behaviour, such as the lapse risk. To a lesser extent, we write risks connected with the increase in treatment costs.

Risk modelling attributes probabilities to potential modified assumptions. We use primarily historical data extracted from our underlying portfolios to calibrate these probabilities, and additionally apply general mortality rates for the population to model the mortality trend risk. To enable us to define appropriate parameters for the

modelling of the range of areas in which we operate, portfolios with a homogeneous risk structure are grouped together and individual comprehensive profit and loss distributions determined. We then aggregate these distributions, taking account of the dependency structure, to obtain an overall distribution.

Our largest short-term accumulation risk in the life and health risk category is a severe pandemic. We counter this risk by examining our overall exposure in detail using scenario analysis, and by deploying appropriate measures to manage the risks.

In reinsurance, we control the assumption of biometric risks by means of a risk-commensurate underwriting policy. Interest-rate and other market risks are frequently ruled out by depositing the provisions with the cedant, with a guaranteed rate of interest from the deposit. In individual cases, these risks are also hedged by means of suitable capital market instruments. We also limit our exposure to individuals and groups of persons in life insurance.

For primary insurance, substantial risk minimisation is achieved through product design. In case of adverse developments, policyholder participation is of great significance for risk-balancing. In health primary insurance, most long-term contracts include the possibility and/or obligation to adjust premiums. There are, however, limits to the resilience of policyholders.

Limits are laid down for the pandemic scenarios, which affect the portfolio in the shorter term, and for the longevity scenarios and their longer-term effects in conformity with the risk strategy. We continue to analyse the sensitivity of the internal model to the input parameters on a regular basis. This relates to the interest rate, the biometric risk drivers and customer behaviour.

### Solvency capital requirement – Life and health

The solvency capital requirement decreased by around 2% at Group level, which was mainly due to the depreciation of

the most important currencies (US dollar, Canadian dollar and pound sterling) against the euro. By contrast, business growth in reinsurance had an offsetting effect.

### Solvency capital requirement (SCR) – Life and health

	Reinsurance		ERGO		Diversification	
	31.12.2025	Prev. year	31.12.2025	Prev. year	31.12.2025	Prev. year
	€m	€m	€m	€m	€m	€m
Health	248	295	852	851	-47	-61
Mortality	5,456	5,613	53	53	-8	-8
Disability	3,785	3,707	116	164	-15	-18
Longevity	1,399	1,234	742	876	-23	-24
Other	291	349	0	0	0	0
Diversification	-4,154	-4,093	-555	-625	0	0
<b>Total</b>	<b>7,024</b>	<b>7,104</b>	<b>1,207</b>	<b>1,319</b>	<b>-546</b>	<b>-612</b>

→	Group			
	31.12.2025	Prev. year	Change	
	€m	€m	€m	%
Health	1,053	1,086	-33	-3.0
Mortality	5,501	5,658	-157	-2.8
Disability	3,886	3,853	33	0.9
Longevity	2,117	2,086	31	1.5
Other	291	349	-58	-16.6
Diversification	-5,162	-5,219	57	-1.1
<b>Total</b>	<b>7,686</b>	<b>7,811</b>	<b>-125</b>	<b>-1.6</b>

## C2 Market risk

We define market risk as the risk of economic losses resulting from price changes in the capital markets. It includes equity risk, general interest-rate risk, specific interest-rate risk, property-price risk and currency risk. The general interest-rate risk relates to changes in the basic yield curves, whereas the specific interest-rate risk models changes in credit risk spreads – for example, on euro government bonds from various issuers, or on corporate bonds. We also include in market risk the risk of changes in inflation rates (depicted in the subcategory “General interest-rate risk”) and implicit volatilities (cost of options), depicted in the subcategories “Equity risk” and “General interest-rate risk”). Fluctuations in market prices affect not only our investments, but also the underwriting liabilities – especially in life primary insurance. Due to the long-term interest-rate guarantees given in some cases and the variety of options granted to policyholders in traditional life

insurance, the amount of the liabilities can be highly dependent on conditions in the capital markets.

Market risks are modelled by means of Monte Carlo simulation of possible future market scenarios. We revalue our assets and liabilities for each simulated market scenario, thus showing the probability distribution for changes to basic own funds.

We use appropriate limit and early-warning systems in our asset-liability management to manage market risks. In addition to traditional bonds as the main component of the investment portfolio, we also manage market risks by means of derivatives – such as currency forwards, equity futures, options and interest-rate swaps, which are primarily purchased for hedging purposes. The impact of derivatives is taken into account in the calculation of solvency capital requirements.

### Solvency capital requirement (SCR) – Market

	Reinsurance		ERGO		Diversification	
	31.12.2025	Prev. year	31.12.2025	Prev. year	31.12.2025	Prev. year
	€m	€m	€m	€m	€m	€m
Equity risk	4,253	3,745	1,363	1,691	-111	-174
Interest-rate risk	2,476	2,779	1,828	2,118	-461	-737
General interest-rate risk	2,211	2,381	1,622	1,464	-387	-375
Specific interest-rate risk	1,476	1,571	1,151	1,600	-171	-221
Diversification interest-rate risk	-1,212	-1,173	-945	-947	98	-141
Property risk	1,651	1,786	540	736	-40	-110
Currency risk	4,434	5,430	189	242	-179	-113
	<b>12,814</b>	<b>13,740</b>	<b>3,919</b>	<b>4,787</b>		
Diversification effect	-6,468	-6,680	-844	-916		
<b>Total</b>	<b>6,346</b>	<b>7,060</b>	<b>3,075</b>	<b>3,870</b>	<b>-802</b>	<b>-1,463</b>

→	Group			
	31.12.2025	Prev. year	Change	
	€m	€m	€m	%
Equity risk	5,505	5,262	243	4.6
Interest-rate risk	3,843	4,160	-317	-7.6
General interest-rate risk	3,446	3,471	-25	-0.7
Specific interest-rate risk	2,456	2,950	-494	-16.7
Diversification interest-rate risk	-2,059	-2,261	202	-8.9
Property risk	2,151	2,412	-261	-10.8
Currency risk	4,443	5,560	-1,117	-20.1
	<b>15,942</b>	<b>17,393</b>	<b>-1,451</b>	<b>-8.3</b>
Diversification effect	-7,322	-7,925	603	-7.6
<b>Total</b>	<b>8,620</b>	<b>9,468</b>	<b>-848</b>	<b>-9.0</b>

**Solvency capital requirement – Market**

The solvency capital requirement declined by 9% at Group level. Detailed information on the changes in the individual subcategories is available in the following sections.

**Equity risk**

The rise in equity risk was due to positive market value trends and a moderate increase in exposure in alternative asset classes.

**Interest-rate risk**

The general and specific interest-rate risk in the reinsurance business field fell slightly, primarily due to a reduction in the volume of interest-sensitive investments and in liabilities. The depreciation of the US dollar and a global rise in interest rates contributed to this.

The general interest-rate risk in the ERGO field of business rose slightly due to an increase in the duration mismatch limit. The rise in euro interest rates and model refinements at DKV resulted in higher risk buffers at the life and health insurance companies, which in turn led to a decline in the specific interest-rate risk.

In the reinsurance field of business, the market value of interest-sensitive investments as at 31 December 2025

was €79.6bn (85.5bn). Measured in terms of modified duration, the interest-rate sensitivity of those investments was 3.4 (3.5), while that of the liabilities was 3.1 (3.4). A decrease in interest rates of one basis point led to a change in available own funds amounting to around €10.8m (10.1m).

In the ERGO field of business, the market value of interest-sensitive investments was €106.9bn (111.1bn). The modified duration was 7.1 (7.7) for interest-sensitive investments and 6.2 (7.0) for liabilities. A decrease in interest rates of one basis point led to a change in available own funds amounting to around €4.4m (2.0m).

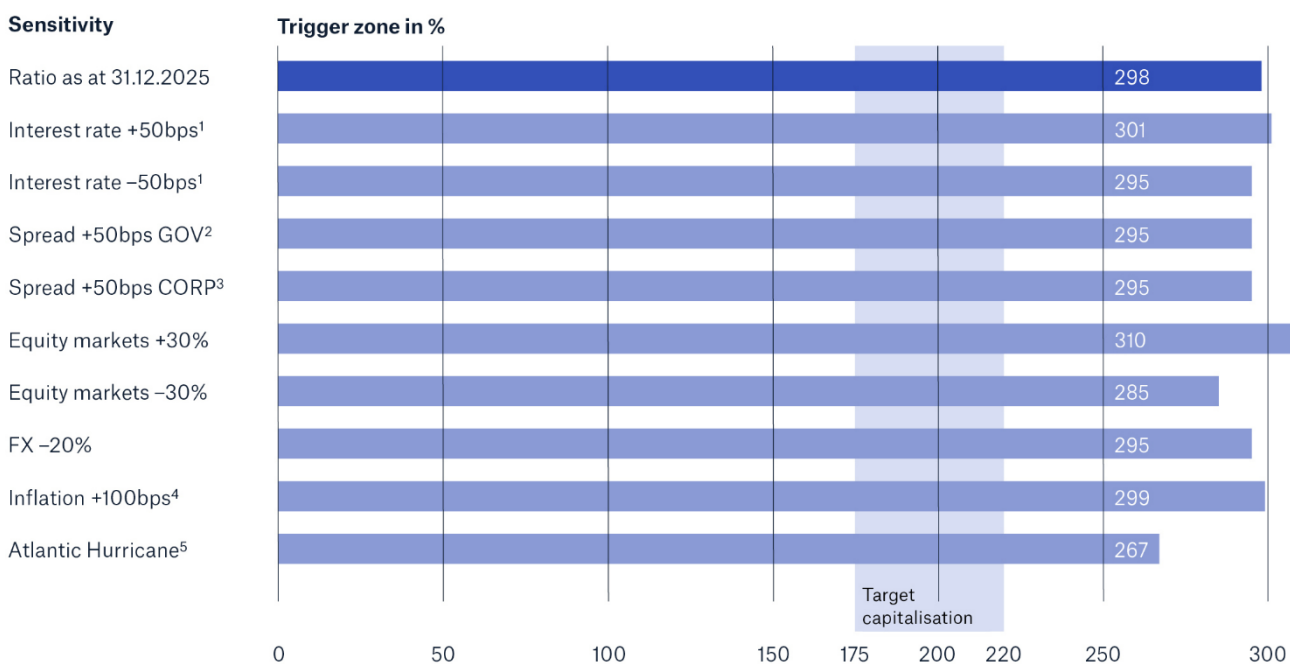
**Property risk**

The higher risk buffers at the life and health insurance companies led to a decline in property risk in the ERGO field of business. In the reinsurance field of business, property exposure fell due to the depreciation of the US dollar and revaluations.

**Currency risk**

The currency risk decreased significantly, mainly due to the depreciation of the US dollar against the euro and portfolio restructuring to actively reduce the US dollar mismatch.

**Sensitivities of SII ratio**



1 Parallel shift until last liquid point, extrapolation to unchanged ultimate forward rate (UFR).  
 2 Sensitivity to changes of government bonds +50 basis points.  
 3 Sensitivity to changes to corporate bonds +50 basis points.  
 4 Sensitivity to changes of the consumer price index (CPI) only, which can be hedged on the capital markets.  
 5 Based on 200-year event for basic own funds.

We regularly determine how sensitively the basic own funds, the solvency capital requirement and ultimately also the solvency ratio react to major changes in specific capital market parameters and in other defined stress scenarios. The impact of selected scenarios on the solvency ratio of the Munich Re Group is shown in the chart above.

For selected Group companies, we take account of the volatility adjustment to the risk-free interest-rate curve in the basic case and the sensitivities depicted, but not the Solvency II transitional measures. The Atlantic Hurricane scenario is a 1-in-200-year loss of basic own funds. The ultimate forward rate is not adjusted for the risk-free interest-rate curve sensitivities.

For all evaluated sensitivities, Munich Re's solvency ratio at Group level remains very comfortably above both the target corridor for the period leading up to 2025 of 175–220% and the target range of at least 200% valid from 2026.

The Munich Re Group's sensitivities and scenario analyses are generally applicable to Munich Reinsurance Company and have largely the same effect.

### Prudent person principle

A number of guidelines and internal processes ensure that we invest in accordance with the prudent person principle.

- We invest only if defined security, quality, profitability and liquidity criteria are met, taking account of adequate mix and diversification requirements. In addition, we ensure that we receive early warning if we are in danger of not meeting our strict liquidity requirements.
- We invest in products only if we understand the risks they involve. To ensure compliance with this principle, every single new investment product is subject to the new-product process for investments.

- We invest for the purpose of adequately covering our underwriting liabilities. To do so, we replicate important features of these liabilities – such as maturity patterns, currency structures and inflation sensitivities – on the asset side. We apply our own risk criteria to define the maximum deviation between our investments and the expected underwriting cash flows.
- We use derivative financial instruments to reduce our risks and manage our investment portfolio efficiently. All financial derivatives are recorded in our systems and taken into account in our risk measurement.
- We make illiquid investments within the framework of our investment strategy for alternative investments. Furthermore, the asset class mandates we give to our asset managers prescribe benchmarks and investment universes.
- We seek to avoid risk concentration where possible, using various risk criteria and early-warning indicators to avoid unwanted concentrations of risk on individual counterparties or sectors.

### C3 Credit risk

We define credit risk as the financial loss that Munich Re could incur as a result of a change in the financial situation of a counterparty. In addition to credit risks arising out of investments in securities and payment transactions with clients, we actively assume credit risk through the writing of credit and financial reinsurance and in corresponding primary insurance business.

When determining credit risks, Munich Re uses a portfolio model that is calibrated over a longer period (at least one full credit cycle); it also takes account of changes in fair value caused by rating migrations and debtor default. The credit risk arising out of investments (including government bonds and credit default swaps, or CDSs), deposits retained on assumed reinsurance and reserves ceded is calculated by individual debtor. If the credit risk does not exclusively depend on the debtor's creditworthiness, but also on other factors (such as subordination, guarantees or collateralisation), these are also taken into account. We use historical capital-market data to determine the associated migration and default probabilities. Correlation effects between debtors are derived from the sectors and countries in which they operate, and sector and country correlations are based on the interdependencies between the relevant stock indices.

The calculation of the credit risk in "Other receivables" is based on internal expert assessments. We also quantify the credit risk for highly rated government bonds.

Risk concentrations are mainly in government bonds issued by countries inside and outside the European Union. In addition, corporate bonds, pfandbriefs and similar covered bonds account for a large proportion of the investments.

We use a cross-balance-sheet counterparty limit system valid throughout the Group to monitor and control our Group-wide credit risks. The limits for each counterparty (a group of companies or country) are based on its financial situation as determined by the results of our fundamental analyses, ratings and market data, and the risk appetite defined by the Board of Management. The utilisation of limits is calculated on the basis of risk-weighted exposures. There are also volume limits for securities lending and repurchase transactions. Group-wide rules for collateral management – for example, for over-the-counter derivatives and catastrophe bonds issued – reduce the resultant credit risk.

In monitoring the country risks, we do not simply rely on the usual ratings, but perform independent analyses of the political, economic and fiscal situation in the countries issuing those bonds in which Munich Re is most heavily invested. In this regard, climate-change-related risks are also considered. On this basis, and taking account of the investment requirements of the fields of business in the respective currency areas and countries, limits or actions to be taken are approved. These are mandatory throughout

the Group for investments and the insurance of political risks.

The sensitivities in the credit risk model are regularly checked against the most important input parameters. This primarily concerns the recovery rates from insolvent debtors, the probabilities of debtor migration between rating classes, and the parameters for correlations between debtors. All validations demonstrated the appropriateness of the modelling approaches used.

We manage credit default risk in retrocession and external reinsurance with the assistance of limits determined by the Retro Security Committee. More information on our credit default risk in the insurance business, and on reinsurance contracts held that are assets, can be found in the Munich Re Group Annual Report 2025 > Consolidated financial statements and notes > Notes to the consolidated financial statements > (53) Disclosures on further risks from insurance contracts > page 366 ff.

#### Solvency capital requirement – Credit

The solvency capital requirement declined by around 11% at Group level, which was mainly due to the depreciation of the US dollar against the euro, as well as higher risk buffers at the life and health insurance companies in the ERGO field of business, which reduced the remaining credit risk at Munich Re. In addition, slightly higher euro interest rates for longer maturities led to lower market values for fixed-interest securities.

## C4 Liquidity risk

Our objective in managing liquidity risk is to ensure that we are in a position to meet our payment obligations at all times.

The liquidity risk is managed within the framework of our holistic risk strategy, with the Board of Management defining the limits on which short- to long-term minimum liquidity requirements for our operations are based. Compliance with these minimum requirements, and the development thereof, are continually monitored and regularly reported to the Board of Management, so that any necessary adjustments can be made in due time.

Using quantitative risk criteria, we ensure that Munich Re has sufficient liquidity available to fully meet all its payment obligations on time, even under adverse scenarios. For this purpose, we consider extreme insurance scenarios such as losses from major natural catastrophes, or increased requirements for providing collateral in life business. We also assess the impact of difficult capital market conditions such as strong interest-rate volatility.

Our liquidity risks change almost proportionally in relation to our business volume, which is why we have observed a corresponding increase in past years. We monitor our liquidity risks based on our respective extreme scenarios and when investing, we ensure that we have a sufficient buffer available, in the form of very liquid assets, to cover sudden and short-term needs.

We distinguish between the following four liquidity risk criteria:

### Criterion 1: Known and expected liquidity requirements:

At the relevant Munich Re solo undertaking level, coverage of the known and expected payments arising from the liquidity planning is required for the current and following financial year. Local liquidity planning is complemented by central monitoring by Corporate Finance & Performance.

### Criterion 2: Large underwriting losses (insurance claims shock):

In addition to the requirements under criterion 1, Munich Reinsurance Company must ensure that for Munich Re as a whole sufficient fungible and liquid investments are available to meet claims payments following a large underwriting loss event.

Criteria 1 and 2 are deemed to be fulfilled if there is a minimum of 100% cover of the liquidity requirements for various time horizons.

### Criterion 3: Margin and collateral requirements for derivatives:

The criterion defines for each investment fund a cushion of fungible, liquid investments to ensure that collateral requirements for outstanding derivative positions, measured as the daily VaR of 99.9%, can be met at all times.

### Criterion 4: Liquidity stress testing:

This stress test is applied to all important solo undertakings of Munich Re. It depicts outflows of liquidity that may result from a combined stress event within a period of three months. The stress event comprises stresses in non-life business, life business and losses from investments, and it takes into account payments due and requirements for providing collateral. Liquidity requirements in the event of a possible fall in Munich Re's ratings are also taken into account.

In addition to the liquidity risk criteria, we also monitor liquidity leeway at Munich Re. The basis for liquidity prioritisation, liquidity leeway indicates that leeway which is available for business opportunities that use liquidity – both until the end of the current year and for the next financial year. More precisely, liquidity leeway is calculated as the difference between unrestricted liquid funds on the one hand and on the other the requirements arising from both the liquidity risk criteria and the planned liquidity consumption.

### Expected profit included in future premiums (EPIFP)

For the Munich Re Group, the total amount of expected profit included in future premiums, calculated pursuant to Article 260(2) of Delegated Regulation (EU) 2015/35, amounted to €27,472m for life and health insurance and €2,638m for property-casualty insurance as at 31 December 2025.

For Munich Reinsurance Company, the total amount of expected profit included in future premiums, calculated pursuant to Article 260(2) of Delegated Regulation (EU) 2015/35, amounted to €13,541m for life and health insurance and €1,730m for property-casualty insurance as at 31 December 2025.

## C5 Operational risk

We define operational risk as the risk of losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes criminal acts committed by employees or third parties, insider trading, infringements of antitrust law, business interruptions, inaccurate processing of transactions, non-compliance with reporting obligations, and disagreements with business partners.

We use scenario analyses to quantify operational risks. The results are fed into the modelling of the solvency capital requirement for operational risks and are validated using various sources of information, such as the ORCS findings and both internal and external loss data.

The sensitivity in the internal model is regularly checked against the most important input parameters. This mainly relates to the dependence of the result on frequency and loss amounts and the parameters for the correlations between scenarios. The analyses showed no anomalies in the year under review.

### Solvency capital requirement – Operational risk

At Group level, the solvency capital requirement for operational risks remained virtually unchanged.

### Security risk

Security risk is an integral component of operational risk. We define security risks as risks resulting from threats to the security of our employees, data, information, and property. We have intensified our monitoring of cyber risks in recognition of the increasing importance of information technology for Munich Re's core processes and the dynamic environment of cyber crime.

The Group Chief Information Security Officer (CISO), a function that is assigned to risk management, is responsible for the central and Group-wide coordination and control of all activities involving information security risks. Risk committees have been set up in the fields of business to assess and manage security risks. The members of the risk committees are managers from operational units (e.g. IT Security) and the control functions (e.g. Risk Management, Information Security and Compliance).

## C6 Other material risks

As is typical throughout the industry and in accordance with regulatory requirements, the risk types specified below are not explicitly quantified in our internal model. Qualitative risk management is very important for dealing with these risks.

### Reputational risk

We define reputational risk as the risk of loss that may result from a deterioration in the Group's public image among clients, shareholders or other parties. Our reputation is affected by our behaviour in a number of areas, such as client relationships, product quality, corporate governance, earnings power, our treatment of employees and corporate responsibility. Reputational risk is closely intertwined with all other risk categories. The assessment of individual business transactions in terms of their reputational risk, where such risk is evident and could potentially be relevant, is performed at field-of-business level by reputational risk committees. Where a reputational risk could potentially have an impact across fields of business, other central divisions may be involved in the assessment if required.

### Strategic risk

We define strategic risk as the risk of making wrong business decisions, implementing decisions poorly, or being unable to adapt to changes in the operating environment. Existing and new potential for success in the Group and the fields of business in which it operates creates strategic risks. At Munich Re, strategic risks are identified, assessed and managed in a recurring process comprising a strategic dialogue in the Strategy Committee of the Board of Management (StratC) and annual planning. Furthermore, the Group-wide annual (financial) planning process is integrated into the strategic dialogue within the StratC. This annual planning process includes analysing financial sensitivities and risks as well as assessing the capital management and risk strategy. These process steps are mirrored in the ERGO, reinsurance and investment management fields of business. In this way, we put our strategy to the test in close dialogue with the various stakeholders at different levels (Group, ERGO and reinsurance, and investment management). The above processes ensure that the Board of Management addresses the strategic risks in detail and is well placed to monitor and manage them. The Group CRO is involved in both the strategic and operational business planning as well as in significant company sales, mergers and acquisitions.

## C7 Other risks

### Economic and financial-market developments and regulatory risks

Shaped by the United States' protectionist foreign trade policy and a continuing high level of geopolitical uncertainty, the global economy again experienced subdued growth in 2025. While growth in the US weakened on average over the year, it remained virtually unchanged in China. In the eurozone, on the other hand, growth accelerated and the German economy also grew again after two years of contraction, albeit at a very moderate rate.

The decline in inflation rates in the eurozone continued in 2025 due to less sharp increases in service prices and slightly lower energy prices. On average over the year, inflation was close to the target set by the European Central Bank (ECB). Accordingly, the ECB continued its cycle of interest rate cuts in the first half of the year. The interest rate for the deposit facility reached 2.0% in June and remained constant over the rest of the year in view of the sideways trend in inflation. Inflation also fell moderately in the US in 2025 and approached the target set by the US Federal Reserve (Fed). The Fed lowered key interest rates again from September 2025. Although inflation remained above its target, the Fed did so partly in response to the noticeable slowdown on the US labour market.

For Munich Re, unexpectedly high inflation rates can have a particularly adverse effect on its claims reserves. Claims inflation that behaves in a manner sufficiently similar to the consumer price index is taken into account in the asset liability management process and hedged using inflation-linked instruments. This is achieved through inflation-indexed bonds as well as other inflation-sensitive assets such as property, commodities and infrastructure. Claims inflation that is not linked to the consumer price index, on the other hand, cannot be covered by the capital market. This risk is addressed by a conservative reserving approach. In turn, the higher interest rate level in the eurozone compared to recent years provides significant relief for life insurance companies with guaranteed minimum interest rates and has a positive effect on the profitability and solvency position of Munich Re's life insurance companies.

We closely monitor the economic and political situation in the countries relevant to us. The US government's reorientation of economic and customs policy translates into considerable uncertainties for trade and capital markets worldwide. We continue to address these uncertainties with a balanced investment strategy that follows the principles of our asset-liability management. Of particular importance to us are investments in government bonds issued by the Federal Republic of Germany and the US.

Despite the need for consolidation, fragmented political majorities in the eurozone are hindering further budget

reforms, while geopolitical tensions are forcing higher defence spending. Disintegration risks arise from the still highly divergent interests of European countries. At the same time, greater mutualisation of sovereign debt could become more attractive and German government bonds could lose their status as a "safe haven" and thus their market value. There is also a risk for US government bonds in the medium term if there is a further significant increase in US sovereign debt.

Munich Re is heavily invested in the eurozone, and – in reinsurance in particular – in the US dollar currency area, a consequence of our global business activities in these currency areas. We prioritise maintaining a correspondingly broad diversification of investments to cover our insurance liabilities. We take various risk management measures to counter fluctuations in the capital markets that can lead to volatilities in the Group's own funds.

Geopolitical risks remain high and will continue to be very relevant in 2026. The war in Ukraine continues with undiminished intensity and an escalation cannot be ruled out. There is also a continuing risk of escalation in the Middle East, particularly between Israel/the US and Iran, which could have a massive impact on the global economy and the capital market through rapidly rising energy prices. In addition, there are still uncertainties in the known risk regions in Asia (Taiwan/China, Korea). The trend towards the fragmentation of global technological and economic spheres continues and increases the corresponding risks of disruption.

Munich Re is observing these developments very closely and analysing the risks in regions where it has substantial exposures on an ongoing basis. We conduct more in-depth analyses based on specific crisis scenarios if the situation demands, so that we can take risk-mitigating measures as necessary. In reinsurance in particular, we try to minimise geopolitical risks and uncertainties through our contract design and underwriting policy. Munich Re's insurance policies largely exclude war and war-like risks. The active underwriting policy is managed centrally and adjusted if geopolitical events could have implications for our insurance business. The additional publication of specific work instructions ensures that current developments are always taken into account in a timely manner.

Global players such as Munich Re are subject to increased fiscal pressure nationally and internationally, as well as a higher audit intensity. Given the current political emphasis on an appropriate taxation of international companies and the introduction of a global minimum tax rate, which has been applied in the EU since 1 January 2024, this trend will continue and intensify.

## Climate change

Climate change represents the central sustainability risk in relation to the environment. The Munich Re Group counters climate change-related risks by systematically taking them into account in the (re)insurance business, in investments, and in its own operations. In light of the risk mitigation measures we take as part of our risk strategy as well as our risk modelling and pricing, we do not consider the impacts of climate change to be a material financial risk for Munich Re. Further information regarding our views on and measures to address climate change-related risks is available on pages 91 ff. of the Munich Re Group Annual Report 2025, under > Combined management report > Combined non-financial statement > Environmental information > Climate change.

## Legal risks

As part of the normal course of business, Munich Re companies are involved in court, regulatory and arbitration proceedings in various countries. The outcome of those or possibly imminent proceedings is neither certain nor predictable. However, we believe that none of these proceedings will have a significant negative effect on the financial position of Munich Re. Such proceedings are dealt with using combined expertise within the individual departments and units.

## Emerging risks

We define emerging risks as new trends or sudden events that are characterised by a high degree of uncertainty in terms of their occurrence probability, expected loss amount, and potential impact on Munich Re. They are difficult to identify and analyse because historical events are only of limited use for predicting the potential consequences of the risks or estimating quantitative probabilities and loss amounts.

Legislative, socio-political, scientific, ecological, economic or technological changes or progress can give rise to new risks. As a result of high global interdependencies and interactions, these risks may escalate, for instance due to a rapid spread around the world. This increases the relevance and immediacy of the direct and indirect consequences for Munich Re.

In 2025, a particular focus was on risks connected with geopolitical conflicts and their effects. Moreover, we consider the following areas to be highly relevant and consequently subject their potential impacts on Munich Re to intensive analysis: cyber risks, climate change, failure of critical infrastructure, and current developments in the field of artificial intelligence.

# Valuation for solvency purposes

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## D Valuation for solvency purposes

### D1 Assets

#### Valuation of assets

Pursuant to Article 75(1)(a) of Directive 2009/138/EC, all assets are valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction – that means at their fair values. In contrast, the IFRS Accounting Standards use a

mixed measurement model. That means that some assets are measured at fair value, and others are measured at amortised cost or at nominal value. If the valuation basis for Solvency II and IFRS is the same, we use the same fair values for both purposes.

#### Assets

€m	Solvency II value	Statutory accounts value
Goodwill		4,800
Deferred acquisition costs		0
Intangible assets	0	1,072
Deferred tax assets	209	1,596
Pension benefit surplus	295	0
Property, plant & equipment held for own use	3,881	2,790
Investments (other than assets held for index-linked and unit-linked contracts)	213,056	213,355
Property (other than for own use)	9,922	9,681
Holdings in related undertakings, including participations	6,032	5,259
Equities	2,933	13,749
Equities – listed	114	13,749
Equities – unlisted	2,819	0
Bonds	122,489	168,021
Government bonds	64,535	168,021
Corporate bonds	47,289	0
Structured notes	4,560	0
Collateralised securities	6,104	0
Collective investment undertakings	64,778	0
Derivatives	2,107	788
Deposits other than cash equivalents	2,376	2,864
Other investments	2,418	12,992
Assets held for index-linked and unit-linked contracts	9,788	10,029
Loans and mortgages	12,108	9,392
Loans on policies	117	0
Loans and mortgages to individuals	3,531	9,392
Other loans and mortgages	8,459	0
Reinsurance recoverables from:	6,136	3,318
Non-life and health similar to non-life	2,145	2,889
Non-life excluding health	2,097	2,809
Health similar to non-life	48	80
Life and health similar to life, excluding health and index-linked and unit-linked	3,991	429
Health similar to life	2,800	305
Life excluding health and index-linked and unit-linked	1,190	124
Life index-linked and unit-linked	0	0
Deposits to cedants	16,723	0
Insurance and intermediaries receivables	16,393	0
Reinsurance receivables	1,026	0
Receivables (trade, not insurance)	5,444	18,300
Own shares (held directly)	1,508	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	3,768	5,502
Any other assets, not elsewhere shown	597	2,364
<b>Total assets</b>	<b>290,931</b>	<b>272,516</b>

If the valuation basis for IFRS and Solvency II is different, we explain the differences in greater detail for the respective assets. If the differences between fair values according to Solvency II and IFRS values are immaterial, assets are measured at their IFRS values.

In addition to the differences in the valuation of individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. Even where the valuations are identical, the figures within items may not be the same due to differences in composition. The differences are particularly significant for assets shown under investments. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per the IFRS balance sheet in order to comply with the structure prescribed for the solvency balance sheet, we made this reclassification for comparison purposes.

#### Use of judgements and estimates in recognition and measurement

Where measurement has to be based on models because no market prices are available for the calculation of the fair values required, judgement must be exercised and estimates and assumptions used. These affect both the assets and the other liabilities shown in the solvency balance sheet.

Our internal processes are geared to determining amounts as accurately as possible, taking into account all the relevant information to the best of the management's knowledge. Nevertheless, it is in the nature of estimates that they may have to be adjusted in the course of time to take account of new knowledge.

In the sections below, we provide a separate description of the bases, methods and main assumptions used for the recognition, measurement and reporting of each material class of assets in the solvency balance sheet and in financial reporting under IFRS.

### Goodwill

No goodwill is shown in the solvency balance sheet.

Under IFRS, goodwill resulting from the first-time consolidation of subsidiaries is reported and tested for impairment at least annually. We carry out additional impairment tests during the year if there are indications of impairment.

### Intangible assets

Intangible assets are only shown in the solvency balance sheet if they are accounted for under IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since Munich Re's intangible assets currently do not meet this

requirement, no amount is reported for this item in the solvency balance sheet.

Under IFRS, other intangible assets largely include software assets, as well as acquired distribution networks and client bases.

Software assets are carried at cost and are amortised on a straight-line basis over a useful life of three to five years. If necessary, impairment losses on the assets are recognised or reversed up to a maximum of the amortised cost.

Client bases and distribution networks are carried at cost and are generally amortised on a straight-line basis over their useful life. If necessary, impairment losses are recognised or reversed up to a maximum of the amortised cost.

Intangible assets related to our investments in infrastructure and renewable energies are reported separately under non-financial investments. These assets relate primarily to licences, concessions and operating permits for investments in renewable energies.

### Deferred tax assets

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax assets are recognised and valued in accordance with IAS 12. In addition, the relevant interpretative decisions issued by BaFin are taken into account.

Deferred tax assets are calculated on the basis of the difference between the values ascribed to assets recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to assets recognised and valued for tax purposes. Deferred taxes are determined on the basis of the tax rates of the countries concerned. Changes in tax rates and tax legislation that have already been adopted at the balance sheet date are taken into account.

Deferred tax assets are recognised in cases where asset items have to be valued lower, or liability items higher, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences). Also included are deferred tax assets deriving from tax loss carry-forwards and tax credits.

Deferred tax assets are recognised if there are sufficient taxable temporary differences which are expected to reverse in the same period as the deductible temporary differences. For any additional deductible temporary differences, deferred tax assets are recognised only to the

extent that it is probable that future profits will be available in the same period in which the deductible temporary differences are expected to reverse. This is generally based on a five-year result plan, although a longer or shorter planning horizon may be required in particular circumstances.

Deferred tax assets and deferred tax liabilities are reported on a net basis, provided that they refer to the same taxable entity and the same tax authority. Netting out is done here if it is generally possible to offset the underlying tax assets and tax liabilities. In 2025, deferred tax assets and deferred tax liabilities amounting to €10,969m were offset against each other. After offsetting assets and liabilities, Munich Re's net deferred tax assets amounted to €209m as at 31 December 2025. Net deferred tax liabilities amounted to €7,006m.

For investments, there is a net surplus of deferred tax assets of €1,443m in the solvency balance sheet. Differences in recognition and measurement between the solvency balance sheet and the tax accounts resulted in a net surplus of deferred tax assets of €41m derived from provisions for post-employment benefits. Intangible assets are not recognised in the solvency balance sheet, while expenses incurred for internally developed IT products and

acquired intangible assets are recognised as assets in the tax accounts. As a result, deferred tax assets amounted to €143m. Furthermore, deferred tax assets of €445m arose from loss carry-forwards and tax credits.

For technical provisions, there was a net surplus of deferred tax liabilities of €4,809m, taking into account a reduction of deferred tax assets of €74m resulting from the application of transitional measures for technical provisions, and €46m resulting from the application of volatility adjustments. Deferred tax liabilities of €2,109m arose from the claims equalisation provision, which is shown in the tax accounts but not in the solvency balance sheet. Net deferred tax liabilities for other balance-sheet items amounted to €1,961m.

As at 31 December 2025, deductible temporary differences not recognised as deferred tax assets in the solvency balance sheet amounted to €350m.

Loss carry-forwards and tax credits totalled €4,692m in 2025, resulting in deferred tax assets of €445m.

Tax loss carry-forwards and tax credits break down as shown in the table "Tax loss carry-forwards and tax credits".

#### Tax loss carry-forwards and tax credits

€m	For which deferred tax assets are recognised	For which deferred tax assets are not recog- nised	Total
<b>Corporation tax loss carry-forwards</b>	<b>975</b>	<b>2,250</b>	<b>3,225</b>
Expiring in up to three years	61	0	61
Expiring in over three years and up to ten years	55	0	55
Expiring in over ten years	63	3	66
Not expiring	796	2,247	3,043
<b>Trade tax loss carry-forwards</b>	<b>206</b>	<b>222</b>	<b>428</b>
Not expiring	206	222	428
<b>Tax loss carry-forwards from capital losses</b>	<b>1</b>	<b>824</b>	<b>825</b>
Expiring in up to three years	0	37	37
Expiring in over three years and up to ten years	0	787	787
Expiring in over ten years	0	0	0
Not expiring	1	0	1
<b>Tax credits</b>	<b>197</b>	<b>17</b>	<b>214</b>
Expiring in up to three years	0	6	6
Expiring in over three years and up to ten years	0	11	11
Expiring in over ten years	0	0	0
Not expiring	197	0	197

## Pension benefit surplus

Details about how we recognise the pension benefit surplus are set out in connection with pension benefit obligations in section D 3.

## Property, plant & equipment held for own use

### Property held for own use

In the solvency balance sheet, owner-occupied property is recognised under "Property, plant & equipment held for own use". In the IFRS accounts, it is shown under "Other assets".

Under Solvency II, we measure land and buildings at fair value. For property managed by Munich Re, this is measured by valuation experts within the Group, while property managed by third parties is measured by external valuation experts. Determining the sustainability of cash inflows and outflows, taking into account the market conditions at the property location, is material for valuation. The fair value is determined individually per item by discounting the future cash flow to the valuation date.

Under IFRS, we measure land and buildings at amortised cost (cost model) in reinsurance and non-participating primary insurance. Depreciation on buildings is mainly on a straight-line basis. Impairment losses are recognised for owner-occupied land and buildings accounted for using the cost model if the recoverable amount has fallen below the carrying amount on the reporting date. If necessary, impairment losses are reversed up to a maximum of the amortised cost.

If owner-occupied property is held as underlying items for insurance contracts with direct participation features under the variable fee approach (VFA), we recognise these properties using the fair value model. They are measured at cost, including incidental expenses, on initial recognition. Subsequent measurement is at fair value, recording any changes in value in the net result. For further information on the variable fee approach (VFA), please refer to section D 2 > Recognition and measurement of gross technical provisions according to IFRS.

### Plant & equipment held for own use

For reasons of simplification, plant and equipment is recognised at its IFRS value in the solvency balance sheet, i.e. at amortised cost. Items are depreciated over their useful lives to reflect the decline in utility, unless they are written down to a lower value for impairment.

Our lease agreements are recognised in the solvency balance sheet and in accordance with IFRS. Further details on leases can be found in section A 4 "Performance of other activities".

Finance lease agreements – which are disclosed in our IFRS consolidated financial statements – are not material for our solvency position.

## Investments (other than assets held for index-linked and unit-linked contracts)

### Property (other than for own use)

For both solvency balance sheet and IFRS purposes, land and buildings not held for own use are measured in the same way as owner-occupied property, i.e. fair values are used for the solvency balance sheet. Under IFRS, investment properties are measured using the cost model or – if they are held as underlying items for insurance contracts with direct participation features under the VFA – in accordance with the fair value model.

### Holdings in related undertakings, including participations

This item comprises the following holdings in related undertakings:

- Subsidiary undertakings not fully consolidated:
  - These include certain collective investment undertakings having separate legal personality (investment companies), financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies, non-regulated undertakings carrying out financial activities and ancillary services undertakings classified as immaterial from a Group perspective; and
- Jointly controlled entities not proportionally consolidated:
  - These include certain collective investment undertakings having separate legal personality (investment companies), financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies, non-regulated undertakings carrying out financial activities and ancillary services undertakings classified as immaterial from a Group perspective; and
- Any Munich Re participations.

Not included in this item are related undertakings taken into account in the consolidated data for the calculation of Group solvency in accordance with Article 335(1)(a–c) of the Delegated Regulation. These include interests in special purpose vehicles as well as subsidiary undertakings and jointly controlled entities that are insurance or reinsurance undertakings (whether or not the latter are from the EEA), insurance holding companies, mixed financial holding companies or material ancillary services undertakings, as these interests must be fully or proportionally consolidated for the calculation of Group solvency. For holdings in jointly controlled entities not included through proportional consolidation, Munich Re uses the valuation hierarchy explained below.

Holdings in related undertakings that are financial or credit institutions, investment firms, institutions for occupational retirement provision, alternative investment fund managers, UCITS management companies or non-regulated

undertakings carrying out financial activities are valued on the basis of the proportional share of the undertaking's own funds calculated in accordance with the relevant sectoral rules.

For any other holdings in related undertakings included in this item, Munich Re applies the following valuation hierarchy for determining fair value as at the balance sheet date:

- The default valuation approach is the use of quoted market prices in active markets for the same assets.
- If the use of quoted market prices in active markets for the same assets is not possible because the relevant related undertaking is not listed on a stock exchange, Munich Re measures its holdings:
  - based on the share of the excess of assets over liabilities in accordance with the Solvency II valuation rules, if the relevant related undertaking is a collective investment undertaking having separate legal personality or an insurance or reinsurance undertaking from the EEA;
  - based on the equity method pursuant to IAS 28, Investments in Associates and Joint Ventures, if the relevant related undertaking is not a collective investment undertaking having separate legal personality and not an insurance or reinsurance undertaking from the EEA, but is valued based on the equity method in Munich Re's consolidated financial statements pursuant to IFRS as it is considered material. Contrary to IAS 28, goodwill and other intangible assets valued at zero pursuant to Solvency II valuation rules are deducted from the value determined under IFRS using the equity method;
  - based on an alternative valuation method if the relevant related undertaking is not a collective investment undertaking having separate legal personality and not an insurance or reinsurance undertaking from the EEA, and in addition it is not valued based on the equity method in Munich Re's consolidated financial statements pursuant to IFRS as it is considered immaterial.

Taking into consideration the principles of materiality, Munich Re uses

- the equity method for related undertakings not listed on a stock exchange that are not subject to supervision at individual entity level, and where the share of the excess of assets over liabilities in accordance with Solvency II valuation rules would therefore have to be calculated for Group solvency purposes only;
- an alternative valuation method for related undertakings not listed on a stock exchange that are considered immaterial under IFRS and thus are not valued using the equity method in Munich Re's consolidated financial statements.

In contrast to IFRS, where any material subsidiary is fully consolidated (irrespective of the business activity or type of undertaking), for the calculation of the Group solvency balance sheet, subsidiary undertakings are subject to full consolidation only if they are insurance or reinsurance undertakings (whether or not the latter are from the EEA), insurance holding companies, mixed financial holding companies or material ancillary services undertakings.

Under IFRS, interests in material associates and joint ventures are always accounted for using the equity method, while interests in immaterial subsidiaries, associates and joint ventures are measured at quoted market prices if available. If quoted market prices are not available, the alternative valuation method outlined above is applied, i.e. the undertaking's net asset value or local equity value is normally used.

The complete list of holdings in related undertakings of Munich Re can be found in QRT S.32.01.22 (Undertakings in the scope of the Group).

### Other financial assets

In the solvency balance sheet, we value all other financial assets at fair value. Where a price is quoted in active markets (i.e. at market value), that price should be used. If no market price is available, valuation models are used in which observable market inputs are applied as far as possible. The same valuation principles are followed as under IFRS.

Where financial assets are also to be valued at fair value under IFRS, the valuation is exactly the same as for the solvency balance sheet.

### Determining fair values

Since market values are not available for all assets and liabilities, IFRS has a valuation hierarchy with three levels. Under the fair value hierarchy, quoted (unadjusted) prices in active markets for identical assets and liabilities (Level 1 inputs) are given the highest priority, while unobservable inputs are given the lowest priority (Level 3 inputs). Though Solvency II does not explicitly name the levels, it does provide for equivalent differentiation in the assessment of the fair values used. The allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking.

For further information on fair value in accordance with IFRS, please refer to the Munich Re Group Annual Report 2025 > Consolidated financial statements and notes > Notes to the consolidated financial statements > pages 238–239. For an overview of the models used to determine the fair values of our assets and liabilities if no market prices are available, please refer to the table > Valuation techniques for assets and liabilities > pages 340–341.

Insurance derivatives and insurance contracts that do not transfer significant insurance risk are mostly allocated to Level 3 of the fair value hierarchy, as observable market inputs are often not available. This is assessed on a case-by-case basis, taking into account the characteristics of the financial instrument concerned. In this case, exclusively observable market inputs are often unavailable, so that biometric rates (including lapse rates) and historical event data are used for valuations on the basis of the present-value method.

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 unobservable inputs were used 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 dependencies between different capital market inputs are modelled by correlation matrices. Where the valuation of these products is based on unobservable 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. The NAVs are determined by adding up all the fund assets and subtracting all the fund liabilities. The NAV per fund unit is calculated by dividing the NAV by the number of outstanding fund units. We thus do not perform our own valuations using unobservable inputs. We regularly subject the valuations supplied to plausibility tests on the basis of comparable investments.

### IFRS 9 measurement

Unlike in the solvency balance sheet, pursuant to IFRS 9 financial assets are classified for the purpose of subsequent measurement as measured at "amortised cost", "fair value through other comprehensive income" or "fair value through profit or loss".

The classification and subsequent measurement are determined on the basis of the business model for managing the financial assets and the contractual cash flow characteristics (SPPI test).

IFRS 9 specifies three business models for classification and subsequent measurement:

- "Hold to collect": A financial asset is managed with the objective of collecting contractual cash flows;
- "Hold to collect and sell": The objective is both to collect contractual cash flows and to sell financial assets;
- "Other": Applies to financial assets that are managed neither under the "hold to collect" nor under the "hold to collect and sell" business model.

The SPPI test is deemed to be met if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Insurance-related financial instruments, where they are not exclusively derivative financial instruments, are to be measured and reported as insurance contracts as part of the technical provisions for solvency purposes.

In particular, insurance-related financial instruments include insurance derivatives, derivative components of variable annuities, derivatives for hedging variable annuity contracts as well as loans and similar instruments.

For further information on measurement under IFRS 9, please refer to the Munich Re Group Annual Report 2025 > Consolidated financial statements and notes > Notes to the consolidated financial statements > pages 234 ff.

#### **Impairment according to IFRS 9**

IFRS 9 calls for using an expected credit loss model to recognise impairment losses, under which expected credit losses are anticipated before they arise, and recognised as an expense. These impairment requirements primarily affect financial assets measured at amortised cost or at fair value through other comprehensive income, as well as lease receivables.

To measure expected credit losses, we use the probability of default, the loss given default and the exposure at default.

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required.

#### **Equities**

Under IFRS, we measure equities at fair value through profit or loss. As a result, there are no measurement differences as against the solvency balance sheet.

#### **Bonds**

Bonds are mostly used to back insurance liabilities and are managed within the business model "hold to collect and sell". If they also pass the SPPI test, they are measured at fair value through other comprehensive income under IFRS. If they do not, measurement is at fair value through profit or loss. There are no measurement differences as against the solvency balance sheet.

#### **Undertakings for collective investment in transferable securities**

Under IFRS, undertakings for collective investment in transferable securities are generally fully consolidated, whereas under Solvency II, fund units that are not part of the item "holdings in related undertakings, including participations" are reported under "Undertakings for collective investment in transferable securities".

#### **Derivatives**

Under Solvency II and IFRS, derivatives are measured at fair value. Due to fair value measurement, however, no rules exist under Solvency II regarding the unbundling of embedded derivatives or hedge accounting.

#### **Deposits other than cash equivalents**

Deposits with credit institutions are managed within the business model "hold to collect" and pass the SPPI test, meaning that they are measured at amortised cost under IFRS.

#### **Other investments**

Other investments are managed within the business model "hold to collect and sell". If they also pass the SPPI test, they are measured at fair value through other comprehensive income under IFRS. If they do not, measurement is at fair value through profit or loss. There are no measurement differences as against the solvency balance sheet.

The classification of investments in the solvency balance sheet is fundamentally different from that under IFRS. For supervisory purposes, investments are classified into different types on the basis of the Complementary Identification Codes. In financial reporting under IFRS, they are broken down on the basis of the measurement categories of IFRS 9 in accordance with the business model and the result of the SPPI test. Therefore, the differences in valuation are not directly evident from the solvency balance sheet structure (or from a comparison of the Solvency II values against the IFRS values). The main measurement differences arise in respect of financial assets measured at amortised cost. As at 31 December 2025, these amounted to €14,240m compared with a fair value of €14,293m.

#### **Assets held for index-linked and unit-linked contracts**

These are investments for policyholders under unit-linked life insurances. We recognise these at their fair value in the solvency balance sheet. In our IFRS consolidated balance sheet, we report these investments under "Investments for unit-linked life insurance". The investments for unit-linked life insurance are stated at their fair value, as they are managed within the business model "other" based on their fair value.

## Loans and mortgages

In the solvency balance sheet, loans and mortgages – including loans on policies – are shown as a separate line item outside the investments. They are measured at fair value.

Under IFRS, loans are reported under financial investments, and to a lesser extent also as insurance-related financial instruments. The management strategy for financial investments is aimed at both collecting contractual cash flows and selling financial assets. As a result, they are managed within the business model “hold to collect and sell” (see section D 1 “Measurement categories according to IFRS”). If the loans reported under financial investments also pass the SPPI test, they are measured at fair value through other comprehensive income. Loans that do not pass the SPPI test are measured at fair value through profit or loss.

In the case of loans under insurance-related financial instruments, contractual wording largely waives the right to reimbursement triggered by the occurrence of insurance events. Similar agreements also exist for quasi-equity instruments. Pure policy loans are included in the insurance items under IFRS 17.

Insurance-related financial instruments are measured primarily at fair value through profit or loss in accordance with IFRS 9. Where insurance-related loans and similar instruments are managed within the business model “hold to collect” and meet the SPPI test, they are measured at amortised cost.

## Reinsurance recoverables

Reinsurance recoverables are dealt with in section D 2 “Technical provisions”.

## Deposits to cedants

Deposits to cedants serve as collateral for technical provisions covering business assumed. The amount of and changes in these deposits derive from the values for the changes in the related technical provisions. Deposits to cedants thus do not have a fixed maturity date, their release generally being dependent on the run-off of the corresponding provisions.

In the solvency balance sheet, deposits to cedants are measured at fair value.

In the IFRS consolidated balance sheet, deposits retained are not presented separately, but are included in the insurance items.

## Insurance and intermediaries receivables

In the solvency balance sheet, insurance and intermediaries receivables are measured at fair value, taking counterparty default risk into account.

In the IFRS consolidated balance sheet, insurance and intermediaries receivables are not presented separately, but are included in the insurance items.

## Reinsurance receivables

In the solvency balance sheet, reinsurance receivables are measured at fair value, taking counterparty default risk into account.

In the IFRS consolidated balance sheet, reinsurance receivables are not presented separately, but are included in the insurance items.

## Receivables (trade, not insurance)

In the solvency balance sheet, the receivables (trade, not insurance) include in particular receivables from dividends, receivables from profit pooling or transfer agreements, receivables from taxes, and other receivables. These receivables must be measured at fair value. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are recognised at their IFRS carrying amount, i.e. at amortised cost. Doubtful receivables are written down to the estimated recoverable amount.

Receivables from taxes and other receivables are discounted, taking into account the actual risk-free interest rates and relevant interest-rate spreads. The individual business partner’s credit risk is also taken into consideration.

In the IFRS consolidated balance sheet, the item “Receivables” comprises current tax receivables, financial receivables and other receivables. Current tax receivables and other receivables are accounted for at amortised cost. The financial receivables are financial instruments and are subject to the IFRS 9 impairment model. As they are managed within the business model “hold to collect”, they are measured at amortised cost provided they pass the SPPI test. Otherwise, they are subsequently measured at fair value through profit or loss.

The impairment test of our non-financial receivables that are not carried at fair value in subsequent periods is performed in a two-stage process, firstly at the level of individual items, and then on the basis of groups of similar receivables. The impairment is recognised as an expense. If, in a subsequent period, the reasons for the impairment cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the cost.

## Own shares (held directly)

This item includes own shares held by Munich Reinsurance Company. Under Solvency II, own shares are measured at fair value. When determining own funds, this amount has to be deducted from basic own funds. Under IFRS, own

shares are not recognised as a separate asset item; instead, they have to be deducted from shareholders' equity.

### Amounts due in respect of own fund items or initial funds called up but not yet paid in

This item is currently not relevant for Munich Re.

### Cash and cash equivalents

Under Solvency II, the nominal value of cash is considered to be the fair value. Transferable deposits (including cheques) are valued at amortised cost (usually this is the nominal value). Credit risk is taken into account by valuing doubtful deposits and doubtful cheques at the estimated recoverable amount.

Under IFRS 9, cash and cash equivalents are financial instruments, and are managed within the business model "hold to collect". As a result, they are measured at amortised cost, or at their nominal value due to their short-term nature. If they do not pass the SPPI test, they are measured at fair value through profit or loss.

### Any other assets, not elsewhere shown

"Any other assets, not elsewhere shown" covers all assets that cannot be allocated to any other class of assets.

As a basic principle, in the solvency balance sheet all other assets are to be measured at fair value. Similar to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. In contrast to IFRS, prepayments are discounted under Solvency II taking into account the relevant risk-free effective interest rates and relevant interest-rate spreads, unless the effect from discounting is immaterial.

In the solvency balance sheet, inventories are measured using the relevant IFRS carrying amounts, i.e. the estimated realisable value. If, in the normal course of business, the value falls below the value of the acquisition costs, inventories are to be written down to this value.

## D2 Technical provisions

### Description of the valuation methodologies used for solvency purposes

#### Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policyholders, cedants and beneficiaries. The value of the technical provisions corresponds to the current amount the undertakings would have to pay if they were to transfer their insurance and reinsurance liabilities immediately to another insurance or reinsurance undertaking. The calculation of technical provisions must make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions must be calculated in a prudent,

reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

#### Calculation of technical provisions

Technical provisions are calculated using established principles for actuarial valuation. Manuals of methods for Solvency II – and for the calculation of technical provisions in particular – ensure consistent valuation approaches throughout Munich Re. In this context, we set out requirements regarding segmentation of business, data used, economic and operational (e.g. biometric) assumptions, and methods and models.

In general, the value of technical provisions is equal to the sum of a best estimate and a risk margin as explained below.

#### Technical provisions

€m	Solvency II value
Technical provisions – non-life	84,546
Technical provisions – non-life (excluding health)	81,941
TP calculated as a whole	0
Best estimate	79,659
Risk margin	2,283
Technical provisions – health (similar to non-life)	2,605
TP calculated as a whole	0
Best estimate	2,507
Risk margin	98
Technical provisions – life (excluding index-linked and unit-linked)	100,683
Technical provisions – health (similar to life)	56,564
TP calculated as a whole	0
Best estimate	52,235
Risk margin	4,329
Technical provisions – life (excluding health and index-linked and unit-linked)	44,119
TP calculated as a whole	0
Best estimate	39,136
Risk margin	4,984
Technical provisions – index-linked and unit-linked	10,301
TP calculated as a whole	114
Best estimate	10,025
Risk margin	162
<b>Technical provisions total</b>	<b>195,531</b>

The best estimate corresponds to the probability-weighted average of future cash flows, taking account of future developments and uncertainties. It also takes discount effects into account and uses the relevant risk-free interest-rate term structure. As at the reporting date, we do not make use of any transitional measures regarding the relevant risk-free interest-rate term structure. The volatility adjustment (pursuant to Article 77(d) of Directive 2009/138/EC) is used in the models of the portfolios of five primary insurance companies: the German undertaking ERGO Lebensversicherung AG; the Belgian undertakings ERGO Insurance N.V. and DKV Belgium S.A.; the Austrian

undertaking ERGO Versicherung AG; and the Greek undertaking ERGO Insurance Company S.A. Matching adjustments are not used. Three insurance companies (ERGO Lebensversicherung AG; ERGO Versicherung AG, Vienna; and ERGO Insurance Company S.A., Athens) may apply a transitional deduction on technical provisions (Article 308(d) of Directive 2009/138/EC); the effect for ERGO Lebensversicherung AG presently corresponds to a deduction on technical provisions of zero.

The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions,

and is performed using adequate, applicable and relevant actuarial and statistical methods. To ensure consistency where possible, most of the economic assumptions are derived at Group level. Non-economic assumptions are mostly based on the characteristics of the insurance portfolio. Expenses are assessed on a going-concern basis. The cash-flow projection used in the calculation of the best estimate takes account of all the cash inflows and outflows required to settle the insurance and reinsurance obligations over their lifetime. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles (e.g. retrocession to the capital market via a catastrophe bond). Those amounts are calculated and reported separately.

For property-casualty (re)insurance, the best estimate is calculated separately for the premium provision and the provision for claims outstanding. Premium provisions are established for future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Provisions for claims outstanding are established for claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

The risk margin is set at such a level as to ensure that the value of the technical provisions as a whole (best estimate plus risk margin) is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the [re]insurance undertaking) is taken over by another undertaking (the reference undertaking). The risk margin covers the following risk categories: underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policyholders and any other material exposures which are closely related to the insurance and reinsurance obligations, including operational risk. The risk margin is calculated by projecting the SCR; the risk categories above are covered and suitable risk drivers are used for the projection. The present value of the projected SCR is then multiplied by the cost-of-capital rate of 6% prescribed under Solvency II.

The risk margin is allocated to the lines of business on a proportional basis, taking into account both the risk and the best estimate of the technical provisions in the line of business concerned. The best estimate and the risk margin are valued separately. However, where future cash flows associated with insurance or reinsurance obligations can be reliably replicated using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows is determined on the basis of the market value of those financial instruments. In this case, separate calculations of the best estimate and the risk margin are not required.

Under Solvency II, we segment our insurance and reinsurance obligations into homogeneous risk groups, and as a minimum by line of business, when calculating technical provisions.

In the reporting year, there was no material change to the models and their underlying assumptions used to calculate the technical provisions.

#### **Valuation of financial guarantees and contractual options**

When calculating technical provisions, we take account of the value of financial guarantees and contractual options included in insurance and reinsurance policies. Any assumptions made with respect to the likelihood that policyholders will exercise contractual options, including lapses and surrenders, are based on current and credible information. The assumptions take account, either explicitly or implicitly, of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.

#### **Simplifications used in the calculation of technical provisions**

To calculate the best estimates, Munich Re makes use of the simplifications described in Title I, Chapter III, Section 6 of the Delegated Regulation in Article 58(a) and Article 59. The simplified calculation of the risk margin pursuant to Article 58(a) of the Delegated Regulation is applied for standard-model entities in primary insurance and a small number of non-EEA reinsurance subsidiaries only. These simplified calculations account for less than 2.0% of our total technical provisions.

Article 59 of the Delegated Regulation allows the risk margin to be fully recalculated only at the end of the year and to be updated to scale for the quarterly closings. In the property-casualty reinsurance segment, we scale the risk margin according to the best estimates of net technical provisions, as illustrated in the Guidelines on valuation of technical provisions (EIOPA-BoS-14/166, Technical Annex VI).

In addition to these simplifications, Munich Re applies the proportionality principle as set out in Article 29(4) of Directive 2009/138/EC.

#### **Impact of the transitional deduction on technical provisions and of the volatility adjustment**

In line with the requirements defined in Directive 2009/138/EC, at the end of every year, the transitional deduction described in Article 308(d) (i.e. the impact of the transitional measure involving a temporary deduction on technical provisions) will decrease on a straight-line basis from 100% during the year beginning on 1 January 2016 to 0% on 1 January 2032. The use of the transitional deduction on the technical provisions of the four above-mentioned insurance undertakings has a negligible impact on the SCR at Group level.

Five life and health primary insurance companies already mentioned apply a (static) volatility adjustment to the risk-free interest-rate term structure in accordance with Article 77(d) of Directive 2009/138/EC. The volatility adjustment decreases the technical provisions and increases the eligible own funds of the relevant individual undertakings, which has an effect at Group level. The adjustment also has an effect on the calculated SCR of the relevant undertakings and the Group.

The quantitative effects of the transitional deduction on technical provisions and the volatility adjustment on eligible own funds and the SCR are illustrated in this report in the > Annex > QRT S.22.01.22 (impact of long-term guarantees and transitional measures).

The use of the transitional measures and volatility adjustment results in an immaterial reduction of the minimum capital requirement (MCR).

### Uncertainty associated with the amount of technical provisions

The assessment of the best estimate of technical provisions is largely based on available data and actuarial models in conjunction with expert judgements. In view of the uncertainties involved, different experts may arrive at different assumptions based on their individual background, professional experience, or field of discipline. As a result, a certain degree of uncertainty in the models and parameters used is inevitable. Such uncertainty is taken into account in the validation of the technical provisions by identifying sensitivities and developing and examining scenarios.

Compared with the uncertainty involved in determining best estimates, the determination of the risk margin as part of the technical provisions is not characterised by a high degree of freedom when selecting assumptions. The risk margin is based on the present value of the projected solvency capital requirement and is largely prescribed by regulatory requirements. Some uncertainty is involved – for example, in selecting the specific projection patterns or the degree of diversification.

### Description of methods used for IFRS valuation

We recognise insurance contracts as per the provisions set out in IFRS 17.

IFRS 17 is applicable to all primary insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk.

### Recognition and measurement of gross technical provisions according to IFRS

IFRS 17 provides a consistent accounting model for all insurance contracts. A distinction is made here between insurance contracts issued if significant insurance risk is assumed, and reinsurance contracts held if significant insurance risk is ceded.

The basic measurement approach consists in applying the general measurement model (GMM), which is mainly used in life reinsurance and in parts of property-casualty primary insurance business. The measurement rules for the general measurement model are essentially based on a “building block approach”, which is made up of a fulfilment cash flow, which comprises the discounted expected future cash flows and a risk adjustment for non-financial risk, and a contractual service margin.

In view of the GMM’s high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the premium allocation approach (PAA). We apply this simplified measurement approach for almost all of our property-casualty reinsurance business as well as for a substantial part of our property-casualty primary insurance business and health primary insurance business not similar to life insurance.

IFRS 17 also provides for a modified measurement model, the variable fee approach (VFA), for certain participating primary insurance contracts. We apply the VFA for eligible life and health primary insurance contracts. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items. This is the case for our German participating life and health primary insurance business and a substantial part of our international life and health primary insurance contracts. Unit-linked life insurance is another case for application of the VFA. However, both reinsurance contracts held and reinsurance contracts issued are excluded from the scope of this measurement approach.

For all measurement models, there is a distinction between a pre-claims stage (liability for remaining coverage – LRC) and a claims stage after the occurrence of an insured event (liability for incurred claims – LIC).

Measurement is not made at the individual contract level, but on the basis of portfolios that are subdivided into specified groups based on their profitability and on contracts concluded in annual cohorts. Nearly all cash flows resulting from the rights and obligations under the insurance contracts must be taken into account.

Deposits to cedants, deposits from reinsurers, insurance and intermediaries receivables, insurance and intermediaries payables, reinsurance receivables, and reinsurance payables are not presented separately but instead included in the insurance items.

**Liability for remaining coverage**

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin in the GMM. If at initial recognition the present value of expected inflows exceeds the present value of expected outflows plus the risk adjustment for non-financial risk, the expected profit from the insurance cover is initially recognised as a contractual service margin, and taken into account when measuring the liability for remaining coverage. On subsequent measurement, the change in the contractual service margin is recognised in the consolidated income statement as part of insurance revenue. By contrast, for groups of insurance contracts where the sum of the present value of the cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected cash inflows, the expected loss is recognised directly as an expense in the loss component that is part of the present value of the expected net cash flows and the risk adjustment for non-financial risk.

Because of the special characteristics of insurance contracts with direct participation features, we consider our share of the income from the underlying items to be a variable fee, which we recognise in accordance with the requirements of the VFA. This variable fee comprises our share of the fair value of the underlying items, and is our compensation for administering and managing them. While the initial measurement of participating contracts is the same as under the GMM, special rules apply under IFRS 17 for subsequent measurement of the LRC. For example, we offset against the contractual service margin any and all effects that have an impact on the fair value of the underlying items and consequently on our variable fee.

The LRC in the PAA is determined by recognising an LRC for a group of insurance contracts, equal to the premiums received less acquisition costs paid, on initial recognition. For subsequent measurement of a profitable group of insurance contracts, the carrying amount of the LRC is updated as follows. First, the carrying amount is either increased with no impact on profit or loss by adding the further premium payments received, or decreased by subtracting directly attributable acquisition costs paid – provided that we do not make use of the option to recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. By contrast and consistent with the GMM, we explicitly determine risk-adjusted net cash flows for onerous groups of insurance contracts, and following the occurrence of an insured event.

**Liability for incurred claims**

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for other insurance contract services already provided. All three measurement approaches involve calculating the present value of the risk-adjusted future cash flows: it therefore comprises net cash flows, discounting and a risk adjustment for non-financial risk.

## Explanation of the main differences between valuation methods under Solvency II and IFRS

### Definition of insurance contract and scope

In line with Solvency II, technical provisions (and reinsurance recoverables, respectively) are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. This means that Solvency II covers all insurance business.

Under IFRS, contracts that do not transfer significant insurance risk are generally financial instruments and are accounted for in accordance with IFRS 9 requirements. An exception here are investment contracts with discretionary participation features, which fall under the scope of IFRS 17.

In cases where it can be verified that the basis risk is not material, technical provisions (and reinsurance recoverables, respectively) may be established for insurance-related non-indemnity contracts (e.g. catastrophe bonds and client-specific insurance-linked derivatives) under Solvency II.

### Separating components from an insurance contract

Insurance contracts can contain one or more of the following components:

- embedded derivatives
- investment components
- non-insurance services.

If an insurance contract contains embedded derivatives that are themselves not contracts within the scope of IFRS 17, IFRS 9 requirements are applied when assessing the obligation to separate components and accounting for the given derivative.

Under Solvency II, components may not be separated.

### Recognition

Under IFRS 17, a group of insurance contracts issued is recognised from the earliest of the following: the beginning of the coverage period, the date when the first payment becomes due, or the date when a group of underlying insurance contracts becomes onerous.

A group of reinsurance contracts held is recognised either at the beginning of the coverage period of the group of reinsurance contracts held, or as of the date when an onerous group of underlying insurance contracts is recognised.

Solvency II requires initial recognition at the date the (re)insurer becomes a party to the contract or the date the (re)insurance contract begins, whichever date occurs earlier.

Deposits to cedants, deposits from reinsurers, insurance and intermediaries receivables, insurance and intermediaries payables, reinsurance receivables, and reinsurance payables are presented separately under Solvency II, whereas under IFRS 17 they are included in the insurance items for the groups and portfolios set up.

### Measurement of insurance contracts

#### Contract boundary

Cash flows are within the boundary of an insurance contract under IFRS 17 if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services.

The obligation to provide services ends when the entity can reassess the risks and can set a new premium that reflects those risks.

As a result, differences in the actuarial approach between IFRS 17 and Solvency II relate primarily to initial recognition, but can also affect the end of the contract for some insurance products.

#### Cash flows

Under IFRS 17, measuring groups of insurance contracts is based on a current estimate of all cash flows required to fulfil the contract within the contract boundary. Cash flows that need to be taken into account include premium payments, expenses for claims and benefits, acquisition and administration costs, and loss adjustment expenses.

Additional differences may occur resulting from the inclusion of general overhead expenses in Solvency II technical provisions.

#### Discounting

Under Solvency II, we use the basic risk-free interest rates, depending on currency and maturity, when discounting technical provisions (EIOPA interest rate). As at the reporting date, we do not make use of any transitional measures regarding the relevant risk-free interest-rate term structure. Five life and health primary insurance companies make use of a volatility adjustment pursuant to Article 77(d) of Directive 2009/138/EC.

Under IFRS 17, discounting under the general measurement model to calculate technical provisions is also based on the EIOPA interest rates. At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using the current discount rates. Most subsidiaries whose core business is life and health insurance use yield curves with an illiquidity premium in the order of magnitude of the Solvency II volatility adjustment.

This means that there are only minor differences regarding discounting, as the scope of the volatility adjustment applies largely to those companies that apply the illiquidity premium under IFRS 17.

**Risk adjustment for non-financial risk**

We base the risk adjustment for non-financial risk under IFRS 17 on the risk capital requirements of our internal risk model. We apply a cost-of-capital method with a cost-of-capital rate of 6% at present, as for the risk margin under Solvency II.

Unlike in the calculation of the risk margin, the Group-wide risk diversification is included in the calculation of the risk adjustment for non-financial risk. It should also be noted that neither operational nor credit risks are taken into account in the calculation of the risk adjustment for non-financial risk under IFRS 17.

There are also differences in the classification of insurance contracts and financial instruments compared with Solvency II.

**Contractual service margin**

For groups of insurance contracts classified as profitable at initial recognition, a contractual service margin which represents the unearned profit is recognised under IFRS 17 in the GMM and VFA. The latter is recognised over time as insurance contract services are provided over the coverage period.

By contrast, for groups of insurance contracts where the sum of the present value of future cash outflows and the risk adjustment for non-financial risk exceeds the present value of expected future cash inflows, a loss component that is part of the LRC and reflects the expected loss on initial recognition is recognised directly as an expense.

The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin.

For subsequent measurement of the LRC, the discounted cash flows and risk adjustment for non-financial risk are remeasured using updated assumptions and inputs. The contractual service margin is adjusted to reflect changes in non-financial assumptions (for example assumptions regarding biometric risks or claims development) of future coverage and new business margins, among other things, and is amortised as insurance contract services are provided over time.

In Solvency II, the expected profit and expected loss from the discounted cash flows and the risk margin are recognised directly in the excess of assets over liabilities.

**Short-term contracts**

IFRS 17 provides for use of the simplified measurement model PAA to measure short-term insurance contracts. We use this predominantly in the property-casualty business.

In doing so, the carrying amount is either increased with no impact on profit or loss by adding the premium payments received, or decreased by subtracting acquisition costs paid that are directly attributable to an insurance contract – provided that we do not make use of the option to directly recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner.

Under Solvency II, there is a similar concept for the premium provision in the property-casualty business. A risk margin, however, is determined separately for the premium provision, whereas no risk adjustment for non-financial risk is presented for the IFRS LRC in the PAA.

**Transitional deduction on technical provisions**

As outlined in section D 2 under “Calculation of technical provisions”, three insurance companies may apply a transitional deduction on technical provisions (Article 308(d) of Directive 2009/138/EC) under Solvency II. There is no corresponding deduction under IFRS.

## Quantification of the main differences between IFRS and Solvency II technical provisions

In addition to the qualitative assessment of differences between IFRS and Solvency II, the table "Reconciliation of technical provisions, IFRS vs. Solvency II" provides a quantitative overview. The starting point is IFRS technical provisions.

The item "Reclassification of balance sheet items" includes, as a key component, surplus funds recognised as a component of own funds under Solvency II, as well as receivables and liabilities and also general costs not accounted for as insurance under Solvency II/IFRS.

The adjustment for quantified methodological differences contains, as substantial contributions, methodological differences in contract boundaries and resulting from the modelling of short-term business pursuant to the IFRS premium allocation approach. In addition, under IFRS, deposits retained are not presented as a separate item as in the solvency balance sheet, but rather as part of the technical provisions.

Differences in scope and other differences result, among other things, from contracts that do not transfer significant insurance risk and that are recognised under IFRS 9 as financial instruments outside of technical provisions. In addition, some insurance companies, e.g. the corporate pension scheme ERGO-Pensionskasse, are not covered by the Solvency II rules.

The risk adjustment for non-financial risk under IFRS is lower than the risk margin under Solvency II. This is mainly due to the fact that – unlike in the calculation of the risk margin – the Group-wide risk diversification is included in the calculation of the risk adjustment for non-financial risk. It should also be noted that neither operational nor credit risks are taken into account in the calculation of the risk adjustment for non-financial risk under IFRS.

The contractual service margin for unearned profit is part of the technical provisions under IFRS, unlike under Solvency II.

### Reconciliation of technical provisions, IFRS vs. Solvency II<sup>1</sup>

31.12.2025	Reinsurance				ERGO	Total
	Life and health	Property-casualty	Life and Health Germany	Property-casualty Germany	International	
€m						
<b>IFRS technical provisions</b>	<b>8,896</b>	<b>64,362</b>	<b>112,311</b>	<b>6,911</b>	<b>16,113</b>	<b>208,593</b>
SII best estimate vs. IFRS present value of expected net cash flows	7,620	9,163	-8,236	-146	264	8,665
Reclassification of balance sheet items	3,082	7,683	1,092	248	724	12,828
Quantified methodological differences	12,523	992	-4,953	-58	-58	8,447
Differences in scope and other differences	-7,985	488	-4,375	-336	-402	-12,611
SII risk margin vs. IFRS risk adjustment	3,096	1,666	1,751	75	524	7,112
IFRS contractual service margin	-15,476	-483	-9,523	-361	-2,676	-28,518
<b>SII technical provisions without transitionals</b>	<b>4,137</b>	<b>74,708</b>	<b>96,303</b>	<b>6,479</b>	<b>14,225</b>	<b>195,852</b>
Impact of transitionals	0	0	0	0	-321	-321
<b>SII technical provisions with transitionals</b>	<b>4,137</b>	<b>74,708</b>	<b>96,303</b>	<b>6,479</b>	<b>13,905</b>	<b>195,531</b>

<sup>1</sup> Solvency II figures on technical provisions include long-term guarantee measures.

## Reinsurance recoverables under Solvency II

### General requirements for calculation

The calculation of amounts recoverable from reinsurance contracts and special purpose vehicles by insurance and reinsurance undertakings complies with the rules relating to technical provisions. The amounts recoverable from reinsurance contracts and special purpose vehicles are calculated consistently within the boundaries of the insurance or reinsurance contracts to which they relate.

Under Solvency II, separate calculations are carried out for

- the amounts recoverable from special purpose vehicles,
- the amounts recoverable from finite reinsurance contracts, and
- the amounts recoverable from other reinsurance contracts.

Furthermore, a separate calculation is carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium provisions and provisions for claims outstanding.

When calculating amounts recoverable from reinsurance contracts and special purpose vehicles, the time difference between recoverables and direct payments is taken into account.

Where cash flows from the special purpose vehicles to the insurance or reinsurance undertaking do not directly depend on the claims against the insurance or reinsurance undertaking ceding risks, the amounts recoverable from those special purpose vehicles for future claims are only taken into account to the extent that it can be verified in a prudent, reliable and objective manner that the structural mismatch between claims and amounts recoverable is not material.

For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, cash flows only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims are accounted for outside the amounts recoverable from reinsurance contracts and special purpose vehicles and other elements of the technical provisions. Where a deposit has been made for the cash flows, the amounts recoverable are adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

The cash flows relating to provisions for claims outstanding include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash flows relating to premium provisions include all other payments.

Reinsurance recoverables under Solvency II largely correspond to reinsurance contracts held under IFRS 17, taking account of the accounting policies applied.

### Counterparty default adjustment

The result from the calculation of the best estimate is adjusted to take account of expected losses due to default of the counterparty. That adjustment is based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom.

The adjustment to take account of expected losses due to default of a counterparty is calculated as the expected present value of the change in cash flows underlying the amounts recoverable from that counterparty that would arise if the counterparty defaulted – including as a result of insolvency or dispute – at a certain point in time. For that purpose, the change in cash flows does not take into account the effect of any risk-mitigating technique that reduces the credit risk of the counterparty, other than risk-mitigating techniques based on collateral holdings. The risk-mitigating techniques that are not taken into account are recognised separately, without increasing the amounts recoverable from reinsurance contracts and special purpose vehicles.

The calculation takes into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle, and whether and how the probability of default varies over time. It is carried out separately by each counterparty and for each line of business. In non-life insurance, it is also carried out separately for premium provisions and provisions for claims outstanding.

### D3 Other liabilities

According to Article 75(1)(b) of Directive 2009/138/EC, all other liabilities are to be valued at fair value in the solvency balance sheet. When valuing liabilities, no adjustment is made to take account of the own credit standing of the insurance or reinsurance undertaking.

Under IFRS 9, the financial liabilities are measured either at amortised cost or at fair value through profit or loss. Financial liabilities are assigned to the latter category if they are held for trading or if the fair value option was exercised upon initial recognition. Details on the categories to which financial liabilities are allocated at Munich Re can be found in this section under > Financial liabilities including derivatives and debts owed to credit institutions. As the valuation basis for Solvency II and IFRS is different, we explain the differences in greater detail for each of the liability items mentioned below. Where the differences between the fair values in the solvency balance sheet and the IFRS values are immaterial, we use the latter to measure other liabilities, as explained in more detail below.

In addition to the differences in valuation, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Therefore, the balance sheet items are not directly comparable. Where such differences in allocation exist, they are explained for the individual items. Where it was possible to reclassify liabilities as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we made this reclassification.

### Contingent liabilities

In the solvency balance sheet, contingent liabilities are to be recognised as a liability if they are material, i.e. if information about the current or potential amount or nature of the liability could influence the decision-making or judgement of the intended user of that information. As a further precondition for recognition, an outflow of resources must be more than a remote possibility.

We measure such contingent liabilities based on the expected present value of future cash flows that would have to be paid to a qualified third party to assume the financial risks involved in the liability. At Munich Re, valuation is made on a market-consistent basis in accordance with CDS spreads observable in the capital markets. It is assumed that the (present) value of a contingent liability is the same as the present value of the (probability-weighted) CDS premium payable in order to hedge against the financial risks arising from the contingent liability. Contingent liabilities that do not meet the recognition criteria are not recognised.

In accordance with IFRS, contingent liabilities are not recognised if there is only a potential obligation or there is a present obligation for which it is, however, deemed unlikely that an outflow of resources will occur, or it is not possible to make a sufficiently reliable estimate of the amount of the obligation.

#### Other liabilities

€m	Solvency II value	Statutory accounts value
Contingent liabilities	3	0
Provisions other than technical provisions	1,290	1,387
Pension benefit obligations	1,466	1,478
Deposits from reinsurers	1,102	0
Deferred tax liabilities	7,006	1,381
Derivatives	2,676	3,964
Debts owed to credit institutions	70	414
Financial liabilities other than debts owed to credit institutions	2,876	3,221
Insurance & intermediaries payables	10,216	0
Reinsurance payables	782	0
Payables (trade, not insurance)	4,873	5,064
Subordinated liabilities	8,279	7,434
Subordinated liabilities not in BOF	1,049	0
Subordinated liabilities in BOF	7,230	7,434
Any other liabilities, not elsewhere shown	224	6,158
<b>Other liabilities total</b>	<b>40,864</b>	<b>30,502</b>

## Provisions other than technical provisions

Both in the solvency balance sheet and under IFRS, our valuation of other provisions is based on a best estimate of the amount that would be required to settle the liabilities as at the balance sheet date, i.e. the amount we would reasonably have to pay to satisfy the liabilities or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the midpoint of the range is used. If the interest-rate effect is material, we value the provision at the present value of the expected expenditure. If it is immaterial, we disregard it.

## Pension benefit obligations

The following explanations do not relate exclusively to pension benefit obligations, but also take into account other material employee benefits.

Under Solvency II, we measure obligations for employee benefits in accordance with IAS 19. According to IAS 19, there are two different types of pension obligations: defined contribution plans and defined benefit plans.

Under defined contribution plans, the undertakings pay fixed contributions to an insurer or a pension fund. This fully covers the undertakings' obligations. Therefore, under both IFRS and Solvency II, a defined contribution plan is not recognised as an obligation in the balance sheet. In 2025, the contributions paid to defined contribution plans totalled €118m.

Under defined benefit plans, the staff member is promised a particular level of retirement benefit either by the undertakings or by a pension fund. The undertakings' contributions needed to finance this are not fixed in advance. If pension obligations are covered by assets held by a legally separate entity (e.g. a fund or a contractual trust arrangement) – assets that may only be used to cover the pension commitments given and are not accessible to creditors – the pension obligations are shown less the amount of these plan assets. If the fair value of the assets exceeds the related outsourced pension commitments, this reimbursement right must be recognised and is presented under "Other receivables".

Actuarial gains or losses from obligations for employee benefits and plan assets result from the deviation of actual risk experience from estimated risk experience. Since under IFRS, Munich Re recognises actuarial gains and losses directly in the period in which they occur, there is no difference to Solvency II.

In accordance with the definitions in IAS 19, the obligations for employee benefits recognised in the balance sheet break down as follows:

### Major benefits for employees

€m	Solvency II value
Short-term obligations (provisions for holidays and overtime, bonuses) <sup>1</sup>	343
Defined benefit plans (including medical cover) <sup>2</sup>	1,478
Other long-term benefits (semi-retirement and early retirement, provisions for anniversary benefits, multi-year performance) <sup>3</sup>	356
Benefits on termination of employment contract (semi-retirement, severance payments)	11

1 Part of SII balance sheet item "Payables (trade, not insurance)".

2 Net amount of pension obligations.

3 Part of SII balance sheet item "Provisions other than technical provisions".

Munich Re undertakings generally give commitments to their staff in the form of defined contribution plans or defined benefit plans (within the meaning of IAS 19). The type and the amount of the pension obligation are determined by the conditions of the respective pension plan.

The most important plans are the following:

The pension obligations of Munich Reinsurance Company include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The defined benefits granted up to 31 December 2007 are financed through a fund. New members on or after 1 January 2008 receive pension commitments in the form of defined contribution plans financed by means of insurance contracts securing the obligations under pension schemes. The fund and insurance contracts have been grouped in a contractual trust arrangement (CTA).

The pension obligations of the ERGO Group include disability and old-age pensions, and pensions for surviving dependants. The amount of the pensions generally depends on salary and length of service. The commitments are generally funded through pension provisions, although in the case of ERGO significant portions have been funded through a pension fund since 1 April 2022. New members receive pension commitments in the form of defined contribution plans financed by means of intra-Group insurance contracts securing the obligations under pension schemes. There are also medical-care benefit obligations.

The pension obligations of Munich Reinsurance America, Inc. include pensions for employees and surviving dependants. The amount of the pensions generally depends on includable compensation and length of service. The plan is financed through a fund and pension provisions. It was closed to new members effective 1 January 2006, and to all remaining members effective 31 December 2011. With effect from 1 January 2012, all members now receive pension commitments in the form of defined contribution plans. There are also retiree medical-care benefit obligations.

Under Solvency II, pension obligations are recognised in accordance with IAS 19 Employee Benefits, using the

projected unit credit method. The calculation includes not only the pension entitlements and current pensions known at the balance sheet date, but also their expected future development. The assumptions for the future development are determined on the basis of the circumstances in the individual countries.

The discount rate applied to the pension obligations is based on the yields for long-term, high-quality corporate bonds.

Pension obligations are measured using assumptions about future developments. The consolidated companies used the following actuarial assumptions (weighted average values):

#### Actuarial assumptions

%	2025
Discount rate	4.1
Future increases in entitlement/salary	1.6
Future pension increases	1.3
Medical cost trend rate	3.5

Munich Re uses generally recognised biometric actuarial assumptions, adjusted as a rule to take account of company-specific circumstances.

#### Breakdown of the fair value of plan assets for defined benefit plans

%	31.12.2025
<b>Quoted market price in an active market</b>	
Fixed-interest securities	25
Non-fixed-interest securities	
Equities	2
Investment funds	13
Other	0
	<b>15</b>
Others	0
<b>No quoted market price in an active market</b>	
Cash and cash equivalents	0
Real estate	1
Fixed-interest securities	0
Non-fixed-interest securities	
Equities	0
Investment funds	2
Other	0
	<b>2</b>
Insurance contracts	56
Others	1

## Deposits from reinsurers

Deposits from reinsurers are collateral for technical provisions covering business ceded to reinsurers and retrocessionaires. As a rule, the changes in these deposits derive from changes in the relevant technical provisions covering ceded business. Deposits from reinsurers thus do not have a fixed maturity date, their release generally being dependent on run-off of the corresponding provisions.

In the solvency balance sheet, we measure deposits from reinsurers at fair value.

In the IFRS consolidated balance sheet, deposits retained are not presented separately, but are included in the insurance items.

## Deferred tax liabilities

Under Solvency II, deferred taxes are determined pursuant to Article 15 in conjunction with Article 9 of Delegated Regulation (EU) 2015/35.

In accordance with Article 9(1) and (2) of the Delegated Regulation, assets and liabilities must be recognised and valued in accordance with IFRS requirements, provided that these are consistent with Article 75 of Directive 2009/138/EC. Therefore, under Solvency II, deferred tax liabilities are recognised and valued in accordance with IAS 12.

Deferred taxes are calculated on the basis of the difference between the values ascribed to liabilities recognised and valued in accordance with Article 75 of Directive 2009/138/EC, and the values ascribed to liabilities recognised and valued for tax purposes. Deferred tax liabilities are recognised in cases where asset items have to be valued higher, or liability items lower, in the solvency balance sheet than in the tax accounts of the Group company concerned, and these differences will be eliminated at a later date with a corresponding effect on taxable income (temporary differences).

Further information on accounting for deferred taxes can be found in section D 1 > Deferred tax assets.

## Financial liabilities including derivatives and debts owed to credit institutions

In the solvency balance sheet, financial liabilities including derivatives and debts owed to credit institutions are to be measured at fair value. After initial recognition, no adjustments are made to take account of the own credit standing of the insurance or reinsurance undertaking. Thus, financial liabilities are measured at fair value at the reporting date without taking account of any improvement or deterioration in Munich Re's own credit risk. If the impact of such an improvement or deterioration is immaterial, we do not adjust the fair values accordingly.

For Munich Re bonds and derivatives traded on a stock exchange, the fair values are the stock-market prices, if available. For the other financial liabilities, we determine the fair values using net present-value methods with observable market inputs. Further details are set out below:

- With regard to the valuation models used for determining the fair value of derivatives, reference is made to the table "Valuation techniques for assets and liabilities" and the corresponding explanations given in section D 1 > Determining fair values.
- For bonds that we have issued, we use the market prices provided by external providers for the corresponding assets to determine fair value.
- The fair values of our debts owed to credit institutions are determined using the present-value method, in part exclusively using observable market inputs, and partly also taking into account non-observable inputs.
- The fair value of insurance contracts with non-significant risk transfer, which are consequently recognised as financial instruments, is primarily based on biometric and lapse rates, and on historical event data.

For subsequent measurement, IFRS 9 specifies that financial liabilities must be classified as "measured at amortised cost" or "measured at fair value through profit or loss".

Most of our financial liabilities are measured at amortised cost using the effective interest method. These primarily include subordinated liabilities as well as bonds and liabilities to credit institutions.

The category of financial liabilities at fair value through profit or loss at Munich Re includes predominantly derivative liabilities. Due to fair value measurement, no rules exist under Solvency II regarding the unbundling of embedded derivatives or hedge accounting.

In addition, we have made loan commitments to a small extent. Since the financial instruments arising from these loan commitments are subsequently measured at fair value, we recognise the loan commitments at fair value through profit or loss.

Moreover, most financial liabilities resulting from insurance contracts that do not transfer significant insurance risk are managed on a fair value basis. Changes in fair value are considered when evaluating the performance of these contracts, which then serves as the basis for reporting to management. For these contracts, we exercise the option to designate them as measured at fair value through profit or loss. Insurance-related liabilities, where they are not exclusively derivative liabilities, are to be measured and reported for solvency purposes as insurance contracts as part of the technical provisions. More details on fair value measurement, the different measurement hierarchy levels and the models used for determining fair values can be found in section D 1 > Determining fair values.

## Insurance and intermediaries payables

In the solvency balance sheet, insurance and intermediaries payables must be recognised at fair value.

In the IFRS consolidated balance sheet, insurance and intermediaries payables are not presented separately, but are included in the insurance items.

## Reinsurance payables

In the solvency balance sheet, reinsurance payables must be recognised at fair value.

In the IFRS consolidated balance sheet, reinsurance payables are not presented separately, but are included in the insurance items.

## Payables (trade, not insurance)

In the solvency balance sheet, the item "Payables (trade, not insurance)" covers in particular payables from dividends, payables from profit pooling or transfer agreements, payables from taxes, and other payables. These payables are measured at fair value at the reporting date without taking account of any improvement or deterioration in the undertaking's own credit risk. However, for reasons of simplification, we measure payables from dividends and payables from profit pooling or transfer agreements at their IFRS carrying amount, i.e. at amortised cost.

Payables from taxes and other payables are discounted, taking into account the actual risk-free interest rates and relevant interest-rate spreads.

Under Solvency II, all insurance contracts are recognised under technical provisions irrespective of the level of insurance risk involved in the individual contracts. Therefore, payables resulting from insurance or reinsurance contracts with non-significant risk transfer are – notwithstanding IFRS – not reported as insurance-related liabilities, but as part of the technical provisions.

## Subordinated liabilities

Subordinated liabilities are liabilities which, in the event of liquidation or insolvency, are only satisfied after the claims of other creditors.

They are recognised at fair value in the solvency balance sheet. For Munich Re subordinated bonds, we take the stock market prices as fair values. Credit spreads relevant for Munich Re are obtained from an external provider and are based on CDS. For the purposes of calculating the Solvency II value, the quoted stock-market prices are adjusted to reflect the effect of changes in our own credit risk since the date of issuance.

For the other subordinated liabilities, we determine the fair values using net present-value methods with observable market inputs. Whether or not subordinated liabilities are eligible for inclusion in basic own funds is unimportant for valuation purposes.

Under IFRS, we value all subordinated liabilities at amortised cost using the effective interest method.

## Any other liabilities, not elsewhere shown

This item includes liabilities from prepayments received prior to the reporting date that are not earned or due until after the balance sheet date. Liabilities for these prepayments are recognised at the reporting date to take into account that the prepayments received relate to outstanding obligations of the undertaking. Thus, recognition is mandatory to represent the correct amount of own funds as at the reporting date.

In our financial reporting, we show derivatives (€600m) as a separate sub-item of liabilities.

Any other liabilities generally have to be measured at fair value in the solvency balance sheet. Where the discounting effect is immaterial, we do not discount the liabilities concerned.

#### D4 Alternative methods for valuation

Detailed information on determining the fair values of the individual assets and other liabilities can be found in the Munich Re Group Annual Report 2025 > Consolidated financial statements and notes > Notes to the consolidated financial statements > pages 238-239. For an overview of the models used to determine the fair values of our assets and liabilities if no market prices are available, please refer to the table > Valuation techniques for assets and liabilities > pages 340-341. The valuation techniques described therein are regularly tested by our asset managers as regards their suitability for valuation of the assets and liabilities concerned, and adapted if necessary.

#### D5 Any other information

We do not know of any other material information not already covered in the other sections of Part D.

# Capital management

E

## E Capital management

### E1 Own funds

#### Aims, policies and processes to manage own funds

Optimising our capital structure is one of the main objectives of our active capital management system, with which we also strive to ensure that Munich Re's capital satisfies all applicable standards. In addition to the capital requirements determined using our internal risk model, further requirements specified by regulatory authorities, rating agencies and our key insurance markets must be met. We aim to ensure that our financial strength is such that it enables us to take advantage of profitable opportunities for growth, is not significantly affected by normal fluctuations in capital market conditions, and remains at a reasonable level even in the wake of major loss events or substantial falls in the stock markets.

At the same time, we also define an appropriate level of Group own funds as one which does not lastingly exceed that which is required. Excess capital is returned to our shareholders via dividends and share buy-backs. In practice, capital repatriation comes up against limits because, for example, the German Commercial Code (HGB) obligates our parent, Munich Reinsurance Company, to conduct prudent accounting – with regard to the claims equalisation provision, for instance. This restricts the revenue reserves and profit distribution possibilities, but stabilises results in years with high claims expenditure.

Between 2006 and 2025, Munich Re returned a total of €44.7bn to its shareholders in the form of dividends and share buy-backs. During the reporting year, shares with a total volume of €1,881m were bought back, €1,479m of which as part of the €2.0bn share buy-back programme launched by the Board of Management in February 2025. This means that own shares with a maximum volume of €521m are still to be acquired in the period leading up to the Annual General Meeting to be held on 29 April 2026. Munich Re will pay a higher dividend of €24.00 per share for the past financial year, provided that the Annual General Meeting approves.

Capital management planning takes place as part of our annual medium-term business planning. Relevant capital management key performance indicators are regularly checked as part of the risk management system. There were no significant changes during the reporting period.

#### Differences between IFRS equity and Solvency II excess of assets over liabilities

The main differences between the IFRS equity of Munich Re and the excess of assets over liabilities in the solvency balance sheet are due to the differing rules for recognition and valuation.

The Solvency II methodology makes more extensive use of market values in the balance sheet than IFRS. For example, investments are recognised in the solvency balance sheet at market value. Under IFRS, this applies to the majority of our financial investments, which – depending on whether or not they pass the SPPI test – are measured either at fair value through other comprehensive income or at fair value through profit or loss. Differences between IFRS and Solvency II therefore arise for investment items that are measured at amortised cost under IFRS. Among our non-financial investments, these include part of our investment property portfolio. By contrast, goodwill and other intangible assets are valued at zero under Solvency II. The difference between the valuation methodology for underwriting items in accordance with Solvency II and the valuation in our IFRS consolidated financial statements is described in section D 2 "Deferred tax liabilities". The value of the technical provisions in accordance with Solvency II corresponds to the current amount that insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance liabilities immediately to another insurance or reinsurance undertaking.

The quantitative assessment of the differences can be seen in the table below.

**Excess of assets over liabilities (Solvency II) in comparison with IFRS equity**

€m	Solvency II	IFRS1	Difference
Goodwill and other intangible assets	0	5,872	-5,872
Surplus funds	0	-3,034	3,034
Investments, including cash	238,719	238,277	443
Subordinated liabilities <sup>2</sup>	-8,279	-7,434	-845
Deferred tax (net)	-6,798	215	-7,013
Other assets and liabilities	-1,753	1,766	-3,519
Underwriting assets and liabilities, including deposits retained on assumed reinsurance, and accounts receivable and payable	-167,354	-202,241	34,887
<b>Excess of assets over liabilities</b>	<b>54,536</b>	<b>33,421</b>	<b>21,115</b>

1 Some IFRS figures have been reclassified to ensure comparability with Solvency II.

2 Including accrued interest.

**Consolidation methods for own funds**

Group solvency is calculated on the basis of the consolidated accounts (Method 1; namely as set out in Article 230 of Directive 2009/138/EC).

The table "Consolidation method for Group own funds" shows how consolidated data is calculated for the respective related undertakings in the Group.

**Consolidation method for Group own funds**

Type of undertaking	SII DR (EU) 2015/35/ Article	Determination of consolidated data (method 1)
<b>Dominant influence</b>		
Insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies	335 (1) (a)	Full consolidation
Ancillary services undertakings	335 (1) (a)	Full consolidation
Institutions for occupational retirement provision	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Credit institutions, investment firms and financial institutions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Alternative investment fund managers	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
UCITS management companies	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Special purpose vehicles meeting the requirements of Article 211	335 (1) (b) 329 (3)	Not taken into account
Other special purpose vehicles	335 (1) (b)	Full consolidation
Non-regulated undertakings that conduct financial transactions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Other undertakings	335 (1) (f); 13	Other methods*
Undertakings for collective investment in transferable securities (UCITS/AIF)	335 (1) (f); 13	Other methods*
<b>Significant influence/joint venture</b>		
Insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies	335 (1) (c), (d)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Ancillary services undertakings	335 (1) (c), (f)	Proportional consolidation and/or other methods*
Institutions for occupational retirement provision	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Credit institutions, investment firms and financial institutions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Alternative investment fund managers	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
UCITS management companies	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Non-regulated undertakings that conduct financial transactions	335 (1) (e)	Proportional share of the own funds calculated in accordance with the relevant sectoral rules
Other undertakings	335 (1) (f); 13	Other methods*
Undertakings for collective investment in transferable securities (UCITS/AIF)	335 (1) (f); 13	Other methods*

\* Other methods – valuation hierarchy in accordance with Article 13 of Delegated Regulation (EU) 2015/35.

## Composition of own funds

### Eligible own funds

The starting point for the calculation of the eligible own funds is the excess of assets over liabilities.

Then the basic own funds are calculated by adjusting the excess of assets over liabilities according to Solvency II for the factors relevant to Munich Re.

Subordinated liabilities should be added provided that they are available at all times to cover losses on a going-concern basis. Munich Re's subordinated liabilities for the most part meet this requirement. Share buy-backs that have been announced but not completed as at the reporting date, own shares and foreseeable dividends must be deducted from own funds. Certain own-fund items belonging to Munich Re subsidiaries are subject to further restrictions with regard to their transferability and fungibility at Group level. These own-fund items must also be deducted.

In addition, the carrying amounts of shareholdings in companies in other financial sectors such as credit institutions and investment firms must be deducted. Finally, capital calculated in accordance with sectoral regulations that is allocated to other financial sectors is included to obtain the Group's eligible own funds.

For Solvency II, own funds are divided into three levels of quality (Tier 1 to Tier 3) depending on their ability to absorb losses. Tier 1 is broken down further into "unrestricted" and "restricted" own funds. Tier 1 unrestricted is the highest quality, and Tier 3 is the lowest.

The division into tiers meets the requirements of the Solvency II Directive (2009/138/EC, Articles 93 to 96), the Delegated Regulation (Delegated Regulation (EU) 2015/35,

Articles 69 to 78) and EIOPA-BoS-14/168 – Guidelines on classification of own funds. The following own-fund items are classified as Tier 1 unrestricted: share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve. Classification of the surplus funds as Tier 1 unrestricted takes into consideration the national legal provisions of the respective units. We have classified the subordinated liabilities essentially as Tier 2 owing to the underlying contractual terms and conditions. An amount equal to the value of net deferred tax assets is classified as Tier 3 own funds.

The tables "Own funds" contain information about the structure, amount and tier allocation of eligible own funds as at 31 December 2025 and the previous year. They also show the deductions of non-available own funds as a result of restrictions on transferability and fungibility. At Munich Re, these are essentially surplus funds, subordinated liabilities, minority interests and net deferred tax assets.

As can be seen in the first table, during the reporting period there were no significant restrictions on the fungibility and transferability of eligible own funds to meet the Group's solvency capital requirement. Restrictions are considered significant if an omission or misstatement of related information could influence the decision-making process or judgement of the users. Furthermore, it is clear that there is no effect due to limits in respect of eligible own funds classified as Tier 2, Tier 3, or Tier 1 unrestricted. Allocation of the own-fund items to the individual tiers remained unchanged compared with the previous year.

## Own funds

31.12.2025					
€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Surplus funds	3,034	3,034			
Non-available surplus funds to be deducted at group level	1,492	1,492			
Reconciliation reserve	38,395	38,395			
Subordinated liabilities	7,230		13	7,162	55
Non-available subordinated liabilities to be deducted at group level	55		0	0	55
An amount equal to the value of net deferred tax assets	212	0			212
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	135				135
Minority interests	341	341	0	0	0
Non-available minority interests to be deducted at group level	301	301	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1				
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	289	289	0	0	0
Total of non-available own fund items to be deducted	1,984	1,793	0	0	191
<b>Total deductions</b>	<b>2,272</b>	<b>2,082</b>	<b>0</b>	<b>0</b>	<b>191</b>
<b>Total basic own funds after deductions</b>	<b>54,372</b>	<b>47,120</b>	<b>13</b>	<b>7,162</b>	<b>77</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	79	79	0	0	
Institutions for occupational retirement provision	205	205	0	0	0
Non regulated undertakings carrying out financial activities	5	5	0	0	0
Total own funds of other financial sectors	289	289	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,372	47,120	13	7,162	77
Total available own funds to meet the minimum consolidated group SCR	54,295	47,120	13	7,162	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,372	47,120	13	7,162	77
Total eligible own funds to meet the minimum consolidated group SCR	50,172	47,120	13	3,039	
<b>Minimum consolidated Group SCR</b>	<b>15,197</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>330%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>54,660</b>	<b>47,409</b>	<b>13</b>	<b>7,162</b>	<b>77</b>
<b>Total Group SCR</b>	<b>18,230</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>300%</b>				

## Own funds

31.12.2024					
€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Surplus funds	2,913	2,913			
Non-available surplus funds to be deducted at group level	1,175	1,175			
Reconciliation reserve	39,141	39,141			
Subordinated liabilities	6,080		13	6,007	60
Non-available subordinated liabilities to be deducted at group level	60		0	0	60
An amount equal to the value of net deferred tax assets	357				357
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	185				185
Minority interests	278	278	0	0	0
Non-available minority interests to be deducted at group level	243	243	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1				
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	276	276	0	0	0
Total of non-available own fund items to be deducted	1,664	1,418	0	0	246
<b>Total deductions</b>	<b>1,940</b>	<b>1,695</b>	<b>0</b>	<b>0</b>	<b>246</b>
<b>Total basic own funds after deductions</b>	<b>54,260</b>	<b>48,069</b>	<b>13</b>	<b>6,007</b>	<b>172</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	65	65	0	0	
Institutions for occupational retirement provision	207	207	0	0	0
Non regulated undertakings carrying out financial activities	5	5	0	0	0
Total own funds of other financial sectors	276	276	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,260	48,069	13	6,007	172
Total available own funds to meet the minimum consolidated group SCR	54,089	48,069	13	6,007	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	54,260	48,069	13	6,007	172
Total eligible own funds to meet the minimum consolidated group SCR	51,178	48,069	13	3,097	
<b>Minimum consolidated Group SCR</b>	<b>15,483</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>331%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>54,537</b>	<b>48,345</b>	<b>13</b>	<b>6,007</b>	<b>172</b>
<b>Total Group SCR</b>	<b>18,895</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>289%</b>				

The solvency ratio shown of 300% (289%) includes transitional measures under Solvency II. Without transitional measures, the solvency ratio was 298% (287%) as at 31 December 2025. The dividend of €3.1bn proposed by the Board of Management for the 2025 financial year was taken into account. Purchases not yet made at the reporting date under the share buy-back programme for 2025/2026 in the amount of €0.5bn were also taken into account.

The table "Composition of reconciliation reserve and EPIFP" shows the calculation of the Group's reconciliation reserve as at 31 December 2025 and the previous year. It

also shows the expected profit included in future premiums (EPIFP) for life and non-life insurance.

The reconciliation reserve is subject to fluctuation during the year, mainly on account of the development of economic earnings and capital measures (share buy-back programmes, capital increases, dividends, etc.). These fluctuations in own funds are addressed by means of asset-liability management (ALM). ALM reflects the influence of the capital market environment on the valuation of asset and liability items in the solvency balance sheet, and hence especially the volatility of the reconciliation reserve.

#### Composition of reconciliation reserve and EPIFP

€m	31.12.2025	31.12.2024
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	54,536	54,315
Own shares (held directly and indirectly)	1,508	1,147
Foreseeable dividends, distributions and charges	3,613	3,047
Other basic own fund items	11,019	10,980
<b>Reconciliation reserve</b>	<b>38,395</b>	<b>39,141</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) – Life business	27,472	21,678
Expected profits included in future premiums (EPIFP) – Non-life business	2,638	3,066
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>30,110</b>	<b>24,744</b>

#### Composition of subordinated liabilities

€m	Total	Tier 1 total	Tier 1, counted under transitionals	Tier 2 total	Tier 2, counted under transitionals	Tier 3
Dated subordinated liabilities	7,217	0	0	7,162	0	55
Undated subordinated liabilities with a contractual opportunity to redeem	13	13	13	0	0	0
<b>Total subordinated liabilities</b>	<b>7,230</b>	<b>13</b>	<b>13</b>	<b>7,162</b>	<b>0</b>	<b>55</b>

#### Subordinated liabilities

Munich Re's subordinated liabilities amounted to €7.2bn (6.1bn) as at the reporting date. In addition to Munich Reinsurance Company, both ERGO Versicherung AG, Vienna, and HSB Group Inc., Dover, also recognised subordinated liabilities totalling €68m (73m) as at the reporting date.

Apart from changes in fair value, the rise in subordinated liabilities was chiefly due to the issuance of a subordinated bond with a nominal volume of €1.25bn by Munich Reinsurance Company in the third quarter of 2025. The bond will mature in 2046 and is callable by us for the first time on 26 November 2035.

Subordinated liabilities subject to transitional measures<sup>3</sup> can be seen in the table "Composition of subordinated liabilities". Overall, two subordinated bonds of ERGO Versicherung AG, Vienna, totalling €13m are subject to transitional measures. They were issued before Solvency II

came into force, and could be used as at 31 December 2015 to at least 50% to meet the available solvency margin requirements under Solvency I. They are thus classified as Tier 1 restricted.

Munich Reinsurance Company's six (five) subordinated bonds totalling €7.2bn (6.0bn) meet the criteria for Tier 2 classification.

In particular, two requirements must be met: the original maturity is at least ten years and the first contractual opportunity to redeem is at least five years subsequent to the date of issuance.

We refer to sections D 1 > "Deferred tax assets", and D 2 > "Deferred tax liabilities", in this report for information on deferred taxes in connection with own funds.

<sup>3</sup> Transitional measures for own funds pursuant to Article 308b(9) and (10) of Directive 2014/51/EU dated 16 April 2014 amending Directive 2009/138/EC

### Change in own funds

During the reporting period, the eligible own funds, after adjusting the opening balance, rose by €2,073m. The main drivers are presented in the table "Change in own funds". The economic earnings led to an increase of €6,249m in eligible own funds in the reporting period, mainly driven by a strong operating result of €10,957m. On the other hand, own funds were reduced by negative market variances totalling €2,857m and capital measures amounting to €3,821m. The latter is attributable to the dividend of €3,060m proposed by the Board of Management for the 2025 financial year and €2,000m in expenses for the 2025/2026 share buyback programme. The decline in equity due to capital measures was only partially offset by the inflows from a subordinated bond totalling €1,239m issued in the third quarter of 2025. Value changes of €36m attributable to marginally reduced transitional measures and higher eligibility restrictions amounting to €319m resulted in a corresponding reduction in eligible own funds.

### Change in own funds

€m	
<b>Eligible own funds as at 31 December 2024</b>	<b>54,537</b>
Opening adjustments <sup>1</sup>	-1,949
<b>Economic earnings</b>	<b>6,249</b>
Operating impact	10,957
Market variances	-2,857
Other incl. tax	-1,851
Change in eligibility restrictions	-319
Other changes	0
Capital management	-3,821
Value change due to transitionals	-36
<b>Eligible own funds as at 31 December 2025</b>	<b>54,660</b>

<sup>1</sup> Changes to eligible own funds that do not represent economic value added in the period – such as changes due to mergers and acquisitions or model changes.

## E2 Solvency capital requirement and minimum capital requirement

### Solvency capital requirement (SCR)

Munich Re has a comprehensive internal model that determines the capital needed to ensure that the Group is able to meet its commitments even after extreme loss events. We use the model to calculate the capital required under Solvency II (the solvency capital requirement, or SCR).

The SCR is the amount of eligible own funds that Munich Re needs to have available, with a given risk tolerance, to cover unexpected losses in the following year. It corresponds to the value at risk of the economic profit and loss distribution over a one-year time horizon with a confidence level of 99.5%, and thus equates to the economic loss for Munich Re that, given unchanged exposures, will be exceeded each year with a statistical probability of 0.5%.

As at 31 December 2025, Munich Re's SCR was €18.2bn, representing a decrease of 3.6% compared to the previous year. The decrease was driven primarily by the substantial depreciation of the US dollar, meaning that all risks underwritten in US dollars were converted into a lower euro amount. In addition, the currency risk within the market risk also decreased as a result of active portfolio restructuring. This was offset by the expansion of life and health business and a reduction of external retrocession in reinsurance business. The risk increased further due to the planned reduction in corporation tax and the corresponding effect on its tax deductibility.

The solvency capital requirement was reduced by €3.6bn owing to the loss absorbency of deferred taxes. A considerable portion of this figure comprises deferred tax liabilities that are directly attributable to Munich Reinsurance Company. Apart from the fact that – in the event of losses – tax payments expected to be made for the current financial year will not materialise, we recognise deferred tax assets resulting from a loss only if they are not greater than the deferred tax liabilities.

Volatility adjustment was also taken into account in calculating the solvency capital requirement for the Group. As in the previous year, dynamic modelling of volatility adjustment was incorporated for the German undertaking ERGO Lebensversicherung AG, while static volatility adjustment was applied to the Belgian undertakings DKV Belgium S.A. and ERGO Insurance N.V., the Austrian undertaking ERGO Versicherung AG, and the Greek undertaking ERGO Insurance Company S.A.

Three insurance companies – ERGO

Lebensversicherung AG; ERGO Versicherung AG, Vienna; and ERGO Insurance Company S.A., Athens – may apply transitional measures that allow for a transitional deduction on technical provisions. ERGO Lebensversicherung AG currently does not apply a transitional deduction on technical provisions. The effect of these transitional measures on the solvency capital requirement of the Munich Re Group is negligible.

Within the Munich Re Group, the following companies use an internal model to calculate their solvency capital requirement at solo undertaking level:

- Munich Reinsurance Company, Munich, Germany
- Munich Re of Malta p.l.c., Ta' Xbiex, Malta
- DKV Deutsche Krankenversicherung AG, Cologne, Germany
- ERGO Versicherung AG, Düsseldorf, Germany
- ERGO DIREKT Versicherung AG, Nuremberg, Germany
- Great Lakes Insurance SE, Munich, Germany
- Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Zopot, Poland
- ERGO Lebensversicherung AG, Hamburg, Germany

Munich Re underwrites risks as a member of the association of underwriters known as Lloyd's via the company Munich Re Syndicate Ltd., London. The risks of these companies are taken into account in the Munich Re internal model; at the same time, they are also taken into account in the Lloyd's internal model.

For further details about the solvency capital requirement broken down by risk category, please refer to > Part C > "Risk profile". An SCR breakdown by risk category can be found in this report > Annex > QRT S.25.05.22 "Solvency capital requirements – for groups using a full internal model".

### Minimum capital requirement (MCR)

The minimum capital requirement for the Group is the sum of the minimum capital requirements for the solo undertakings in the Group. The MCR of the solo undertakings is calculated by means of a factor approach, primarily on the basis of premiums and technical provisions. At the same time, the MCR must constitute at least 25% but no more than 45% of the SCR. For solo undertakings outside the European Economic Area, the local minimum capital requirements are applied. The MCR for the Group was €15.2bn as at 31 December 2025.

### E3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Munich Re does not use a duration-based equity risk sub-module to calculate the solvency capital requirement at the consolidated Group level.

Germany did not exercise the option to permit the use of a duration-based equity risk sub-module to calculate the solvency capital requirement, as no approval for doing so was issued by the supervisory authority.

## E4 Differences between the standard formula and any internal model used

### Scope of the internal model

Our internal model is based on specially modelled distributions for the risk categories property-casualty, life and health, market, credit and operational risks. We use primarily historical data for the calibration of these distributions, complemented in some areas by expert judgement. Our historical data covers a long period to provide a stable and appropriate estimate of our risk parameters.

The dependencies between the risk categories are calibrated by means of scenarios that affect more than one risk category simultaneously, and comparisons with relevant standards. We also take account in our risk model of the risk-mitigating effect of technical provisions in life and health primary insurance.

We then determine the effect of the loss absorbency of deferred taxes.

The internal model adequately covers material quantifiable risks arising from underwriting (property-casualty, life and health), market risk, credit risk, and operational risk. It also covers biometric risks from pension liabilities in all of Munich Re's areas of operation.

Details about the stated categories and about non-quantified risks can be found in Part C "Risk profile".

### Methods of the internal model

The core principles used in modelling the individual risk categories are set out below:

#### Property-casualty underwriting risk

In property-casualty reinsurance, we apply appropriate methodology in our modelling for basic losses, large losses and accumulation losses – especially those resulting from natural catastrophes, pandemics and cyber risks. Basic losses are modelled using stochastic simulation methods, which are used to calculate the difference in the ultimate loss status. For the modelling of large and accumulation losses, we use collective models, determining the frequency and loss amount using historical loss experience and based on physical models.

The methodology used for modelling property-casualty risks at our primary insurance undertakings is generally the same as that applied in reinsurance. Where the risk profiles of these undertakings display particular features, the methodology is adapted accordingly.

#### Life and health underwriting risk

Mortality, longevity, disability, customer behaviour, administration expenses and the costs of benefits paid in health insurance are modelled as separate risk drivers in the internal model.

In life reinsurance, possible future scenarios are determined by Monte Carlo simulations of those risk drivers.

The modelling in life primary insurance and German health primary insurance is based on stress scenarios; their effect on the stochastic valuation models is analysed.

#### Market risk

Market risks are modelled in the internal model by means of a Monte Carlo simulation of possible future capital-market scenarios, taking account of risk drivers relevant to the Munich Re Group at a granular level. We revalue our assets and liabilities for each simulated market scenario, thus showing the probability distribution for changes to basic own funds.

#### Credit risk

A Monte Carlo simulation is used to model credit risk in the internal model, and we take particular account of the creditworthiness of each counterparty.

#### Operational risk

We use scenarios based on expert estimates to quantify operational risk in the internal model.

#### Diversification

The main sources of diversification in the internal model are our worldwide spread across the different risk categories (underwriting, market, credit) and our combination of primary insurance and reinsurance business. We also take into account dependencies between the risks that generally result in higher capital requirements than would be the case if no dependency were assumed.

## Material differences to standard formula

The most relevant differences between the assumptions of the standard formula and the risk profile of the Munich Re Group are:

- The standard formula does not take sufficient account of the effects of Munich Re’s diversified portfolio structure. This applies to both underlying exposures and markets, and to the broad geographic diversification.
- The standard formula oversimplifies risks that are not material for most European insurance undertakings. The most important examples of solvency capital requirements with respect to Munich Re that are insufficiently recognised in the standard formula are the requirements for
  - non-proportional property insurance,
  - our global portfolio of natural catastrophe covers, life reinsurance, and
  - assets in foreign currencies that are required for the operation of non-European subsidiaries.
- By applying the standard formula to Munich Reinsurance Company, subsidiaries are depicted on the basis of equity stress and are therefore treated differently to the Munich Re Group as regards the corresponding calculation of the standard formula. In contrast, our internal model takes account of the actual risk drivers for subsidiaries of Munich Reinsurance Company and the Munich Re Group in the same transparent way.

As a result of these limitations in the standard formula, Munich Re decided to use an internal model to calculate its solvency capital requirements. Below, we compare the assumptions of the internal model with those of the standard formula, and explain why the approach taken in the internal model is more appropriate.

The quantitative impact of the differences between the standard formula and the internal model on the resulting SCR is typically much larger in the reinsurance segment than in the primary insurance segment. This is mainly due to the fact that the standard formula was designed for an average-sized European insurance undertaking, and not for a global reinsurance portfolio as in our reinsurance segment. Consequently, the solvency capital requirements based on the standard formula are to a large extent inappropriate for most lines of business or geographical areas in reinsurance. For primary insurance in the European Economic Area (EEA), our business profile matches the assumptions of the standard formula better than in the reinsurance segment. Nevertheless, the internal model also provides a more appropriate view of our risks in this segment.

### Life underwriting risk

The life reinsurance model simulates the deviations of projected net cash flows from the best estimate on the basis of stochastically varying biometric and lapse risk drivers. The value at risk of 99.5% over a one-year period is derived using the linear regression finance approach. Each risk driver comprises a process, basis, trend and calamity risk component. The standard formula is less sophisticated, with each biometric risk driver being represented by only one deterministic scenario, which is generated by consistent stress on the best-estimate assumptions.

Where possible, the parameters of the Life Re module of the internal model are estimated using historical data. The mortality trend risk parameters are estimated based on historical population mortality rates. Basis risk is calibrated such that the model reproduces the standard deviation of historical operating assumption change rates. The stress parameters used for life primary insurance SCR calculations are derived from application of the Life Re model to ERGO portfolio data sets. This is carried out by means of stress scenarios on the basis of stochastic corporate models.

The pandemic risk in the internal model explicitly contains an allowance for the portfolio’s age distribution and underlying base mortality.

### Health underwriting risk

For NSLT (not similar to life techniques) health business, premium and reserve risk is calculated similarly to the non-life underwriting risk in the standard formula (loading factors). Overall, reinsurance business is NSLT. Therefore, non-life insurance techniques are used to calculate the economic risk capital.

In primary insurance, health insurance using similar to life techniques (SLT health business) is handled similarly to life primary insurance business. Account is taken of the fact that in the health insurance segment, premiums or benefits may be adjusted during the contract term.

### Non-life underwriting risk

In the standard formula, the premium and reserve risk is determined using loading factors applied to premium measures and technical provisions. In the internal model, premium and reserve risk is measured incorporating historical loss experience and loss development patterns, at the level of a Munich Re risk-specific segmentation.

For catastrophe risk, the standard formula distinguishes between EEA exposures (higher granularity of input data) and non-EEA exposures (more simplistic approach). In the internal model, the risk from natural catastrophes – one of the biggest risks on Munich Re’s balance sheet – is modelled using a stochastic and risk-sensitive approach which captures key accumulation risks in all geographical

locations. The same holds true for man-made catastrophe accumulations.

For both catastrophe and non-catastrophe risks, the geographical diversification inherent in Munich Re's global portfolio is only partially recognised in the standard formula.

### Market risk

The calculation of market risk figures is based on risk drivers that describe the change in value of financial instruments. The calibration of the scenarios describing the possible future realisation of these risk drivers is based on long-term historical data (over-the-cycle calibration). A comparison of the risk drivers used within the internal model with the standard formula approach shows that the granularity of the internal model (with more than 500 distinct risk drivers) is far more elaborate than the standard formula approach. In addition, the internal model captures specific risk drivers that are not accounted for in the standard formula, namely spreads on sovereign bonds, inflation expectations, and implied volatilities on equities and interest rates.

In most relevant cases in this risk category, there is no significant difference between the corresponding quantiles of the scenarios and the shocks of the standard formula.

### Credit risk

The counterparty default risk in the standard formula only captures the risk of default for specific assets (namely those that are not covered by the spread risk module in the market risk calculation). By contrast, the credit risk module under the internal model takes account of all items involving credit risk. Besides fixed-interest investments, this includes deposits with ceding institutions, reinsurance recoverables, receivables, counterparty risk on derivatives, cash, and guarantees. In addition to losses from defaults, the internal model covers potential losses from rating downgrades.

### Operational risk

Under the standard formula, the operational risk (OpRisk) SCR is determined using a simplistic factor-based approach as a function of premiums, technical provisions and the basic SCR. Under the internal model, by contrast, individual scenarios are examined, which are based on estimates from relevant experts and insights from our internal control system.

## Risk measures and time period used in the internal model

The risk measures and time period used in the internal model for purposes of calculating the SCR are compliant with the requirements of Article 101(3) of Directive 2009/138/EC. The confidence level used for the SCR is the value-at-risk (VaR) measure on the 99.5% quantile.

## Data used in the internal model

A common data policy has been established for Munich Re that sets Group-wide data quality standards. An individual data directory is compiled for each solo undertaking in the Group. This provides justification that the calculation of the regulatory capital according to the internal model is based on data of sufficient quality.

When using the term data, we refer to numerical, statistical or classification information, but not qualitative information. This also applies to information used to develop model assumptions. The assumptions themselves are not regarded as data.

A specific Solvency II requirement is the compilation of a data directory. It comprises all data used in the internal model, specifying its source, characteristics and usage. Responsibility for the data directory's input and maintenance lies with the respective process owners.

In accordance with Solvency II requirements, the quality of data has to meet the criteria of accuracy, completeness and appropriateness. The interpretation of the three data quality criteria is defined at a high level, and is applicable to all areas where the assessment of the data quality is required. The data used in the respective areas is highly complex and diverse. Accordingly, the principle of proportionality is naturally important in this principles-based approach. Applying the principle of proportionality when considering data quality means that the requirements should be seen in relation to the intended purpose of the analysis or assessment. For portfolios where underlying risks are considered simple in terms of nature, scale and complexity, "appropriate" is interpreted differently than in a situation where the risks are complex. This means that we proceed on the assumption that less detailed data is required for the assessment of simple risks.

While the assessment of the two criteria (completeness and appropriateness) should be considered at a higher level, accuracy is assessed at a more granular level.

## E5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

Munich Re had adequate own funds at all times during the reporting period to cover the minimum capital requirement and the solvency capital requirement.

## E6 Any other information

Munich Reinsurance Company once again initiated a share buy-back programme in February 2026. By the Annual General Meeting on 29 April 2027, own shares up to a maximum value of €2,250m (excluding incidental expenses) are to be bought back.

We do not have any other material information about Munich Re's capital management.

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# Annex

Templates in accordance with Commission Implementing Regulation (EU) 2023/895 of 4 April 2023

## S.02.01.02

### Balance sheet - assets

€m	Solvency II value
Goodwill	
Deferred acquisition costs	
Intangible assets	0
Deferred tax assets	209
Pension benefit surplus	295
Property, plant & equipment held for own use	3,881
Investments (other than assets held for index-linked and unit-linked contracts)	213,056
Property (other than for own use)	9,922
Holdings in related undertakings, including participations	6,032
Equities	2,933
Equities – listed	114
Equities – unlisted	2,819
Bonds	122,489
Government bonds	64,535
Corporate bonds	47,289
Structured notes	4,560
Collateralised securities	6,104
Collective investment undertakings	64,778
Derivatives	2,107
Deposits other than cash equivalents	2,376
Other investments	2,418
Assets held for index-linked and unit-linked contracts	9,788
Loans and mortgages	12,108
Loans on policies	117
Loans and mortgages to individuals	3,531
Other loans and mortgages	8,459
Reinsurance recoverables from:	6,136
Non-life and health similar to non-life	2,145
Non-life excluding health	2,097
Health similar to non-life	48
Life and health similar to life, excluding health and index-linked and unit-linked	3,991
Health similar to life	2,800
Life excluding health and index-linked and unit-linked	1,190
Life index-linked and unit-linked	0
Deposits to cedants	16,723
Insurance and intermediaries receivables	16,393
Reinsurance receivables	1,026
Receivables (trade, not insurance)	5,444
Own shares (held directly)	1,508
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	3,768
Any other assets, not elsewhere shown	597
<b>Total assets</b>	<b>290,931</b>

**Balance sheet - liabilities**

€m	Solvency II value
Technical provisions – non-life	84,546
Technical provisions – non-life (excluding health)	81,941
TP calculated as a whole	0
Best estimate	79,659
Risk margin	2,283
Technical provisions – health (similar to non-life)	2,605
TP calculated as a whole	0
Best estimate	2,507
Risk margin	98
Technical provisions – life (excluding index-linked and unit-linked)	100,683
Technical provisions – health (similar to life)	56,564
TP calculated as a whole	0
Best estimate	52,235
Risk margin	4,329
Technical provisions – life (excluding health and index-linked and unit-linked)	44,119
TP calculated as a whole	0
Best estimate	39,136
Risk margin	4,984
Technical provisions – index-linked and unit-linked	10,301
TP calculated as a whole	114
Best estimate	10,025
Risk margin	162
Contingent liabilities	3
Provisions other than technical provisions	1,290
Pension benefit obligations	1,466
Deposits from reinsurers	1,102
Deferred tax liabilities	7,006
Derivatives	2,676
Debts owed to credit institutions	70
Financial liabilities other than debts owed to credit institutions	2,876
Insurance & intermediaries payables	10,216
Reinsurance payables	782
Payables (trade, not insurance)	4,873
Subordinated liabilities	8,279
Subordinated liabilities not in BOF	1,049
Subordinated liabilities in BOF	7,230
Any other liabilities, not elsewhere shown	224
<b>Total liabilities</b>	<b>236,395</b>
<b>Excess of assets over liabilities</b>	<b>54,536</b>

**S.05.01.02****Premiums, claims and expenses by line of business**

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
€m	Medical expense insurance	Income protection insurance	Workers' compen- sation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
<b>Premiums written</b>									
Gross – Direct Business	2,022	790	7	3,004	1,974	1,382	6,665	2,367	565
Gross – Proportional reinsurance accepted	9	326	97	2,751	2,166	930	7,621	2,892	865
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	13	20	1	196	120	177	566	133	151
Net	2,019	1,096	103	5,559	4,020	2,134	13,720	5,126	1,279
<b>Premiums earned</b>									
Gross – Direct Business	1,993	782	6	2,997	1,967	1,383	6,585	2,359	527
Gross – Proportional reinsurance accepted	13	334	103	2,760	2,168	963	7,678	2,969	859
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	13	20	5	207	118	174	479	120	134
Net	1,993	1,096	104	5,551	4,016	2,171	13,785	5,207	1,253
<b>Claims incurred</b>									
Gross – Direct Business	1,294	223	-3	1,891	1,276	759	2,791	1,443	202
Gross – Proportional reinsurance accepted	8	181	68	2,364	1,446	700	3,371	3,471	403
Gross – Non-proportional reinsurance accepted									
Reinsurers' share	13	8	-5	66	82	192	133	37	37
Net	1,289	396	70	4,189	2,639	1,267	6,029	4,877	569
<b>Expenses incurred</b>	<b>614</b>	<b>444</b>	<b>40</b>	<b>1,882</b>	<b>1,208</b>	<b>699</b>	<b>5,051</b>	<b>2,007</b>	<b>430</b>
<b>Balance - other technical expenses/income</b>									
<b>Total technical expenses</b>									

	Line of business for: non-life insurance and reinsurance obligations <sup>1</sup>				Line of business for: accepted non-proportional reinsurance			Total
	Legal expenses insurance	Assistance	Miscel- laneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
€m								
<b>Premiums written</b>								
Gross – Direct Business	1,046	217	523					<b>20,562</b>
Gross – Proportional reinsurance accepted	7	-3	913			0	0	<b>18,573</b>
Gross – Non-proportional reinsurance accepted				67	878	238	4,545	<b>5,728</b>
Reinsurers' share	71	11	59	0	7	23	282	<b>1,829</b>
Net	983	203	1,377	67	872	215	4,263	<b>43,034</b>
<b>Premiums earned</b>								
Gross – Direct Business	1,046	203	509					<b>20,356</b>
Gross – Proportional reinsurance accepted	7	-2	938					<b>18,791</b>
Gross – Non-proportional reinsurance accepted				67	849	247	4,657	<b>5,819</b>
Reinsurers' share	74	11	67	0	7	24	282	<b>1,733</b>
Net	980	191	1,380	67	842	223	4,374	<b>43,233</b>
<b>Claims incurred</b>								
Gross – Direct Business	411	60	182					<b>10,530</b>
Gross – Proportional reinsurance accepted	2	-1	342					<b>12,353</b>
Gross – Non-proportional reinsurance accepted				0	1,342	65	1,248	<b>2,656</b>
Reinsurers' share	6	6	11	2	30	4	-130	<b>490</b>
Net	408	53	514	-2	1,312	62	1,379	<b>25,049</b>
<b>Expenses incurred</b>	<b>512</b>	<b>97</b>	<b>645</b>	<b>7</b>	<b>218</b>	<b>47</b>	<b>789</b>	<b>14,691</b>
<b>Balance - other technical expenses/income</b>								<b>137</b>
<b>Total technical expenses</b>								<b>14,828</b>

<sup>1</sup> Direct business and accepted proportional reinsurance.

## Premiums, claims and expenses by line of business

Line of business for: life insurance obligations									
€m					Annuities stemming from non-life insurance contracts and relating to		Life reinsurance obligations		
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Health insurance obligations	Other insurance obligations <sup>1</sup>	Health reinsurance	Life reinsurance	Total
<b>Premiums written</b>									
Gross	7,378	2,862	872	256	0	0	4,707	10,657	<b>26,733</b>
Reinsurers' share	3	54	0	17	0	0	177	-3	<b>247</b>
Net	7,376	2,808	871	239	0	0	4,531	10,660	<b>26,485</b>
<b>Premiums earned</b>									
Gross	7,371	2,870	872	254	0	0	4,717	7,148	<b>23,233</b>
Reinsurers' share	3	54	0	17	0	0	177	-30	<b>220</b>
Net	7,368	2,816	872	237	0	0	4,540	7,179	<b>23,012</b>
<b>Claims incurred</b>									
Gross	6,044	4,473	638	104	29	2	4,032	8,916	<b>24,239</b>
Reinsurers' share	0	95	0	5	0	-2	124	81	<b>303</b>
Net	6,044	4,378	638	100	29	4	3,908	8,835	<b>23,936</b>
<b>Expenses incurred</b>	<b>1,169</b>	<b>482</b>	<b>165</b>	<b>103</b>	<b>0</b>	<b>0</b>	<b>870</b>	<b>1,926</b>	<b>4,714</b>
<b>Balance - other technical expenses/income</b>						<b>0</b>			<b>71</b>
<b>Total technical expenses</b>						<b>0</b>			<b>4,785</b>
<b>Total amount of surrenders</b>	<b>56</b>	<b>723</b>	<b>266</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>51</b>	<b>1,105</b>

1 With the exception of health insurance obligations.

## S.05.02.04

## Premiums, claims and expenses by country

	Top 5 countries (by amount of gross premiums written) – non-life obligations						
€m	Home country	USA	United Kingdom	Poland	Spain	Gibraltar	Total - Top 5 and home country
<b>Premiums written</b>							
Gross - Direct Business	4,631	4,944	3,359	2,319	916	0	<b>16,169</b>
Gross – Proportional reinsurance accepted	751	5,974	1,284	104	734	1,723	<b>10,568</b>
Gross – Non-proportional reinsurance accepted	309	1,524	569	27	130	36	<b>2,595</b>
Reinsurers' share	233	238	350	131	53	-24	<b>981</b>
Net	5,459	12,204	4,862	2,318	1,726	1,782	<b>28,351</b>
<b>Premiums earned</b>							
Gross - Direct Business	4,623	4,766	3,399	2,243	934	0	<b>15,965</b>
Gross – Proportional reinsurance accepted	776	6,183	1,310	110	731	1,717	<b>10,827</b>
Gross – Non-proportional reinsurance accepted	311	1,558	563	27	131	39	<b>2,628</b>
Reinsurers' share	227	219	303	120	51	-11	<b>909</b>
Net	5,482	12,287	4,970	2,259	1,745	1,767	<b>28,510</b>
<b>Claims incurred</b>							
Gross - Direct Business	2,260	2,349	1,595	1,250	678	0	<b>8,132</b>
Gross – Proportional reinsurance accepted	1,093	3,830	982	57	440	1,212	<b>7,614</b>
Gross – Non-proportional reinsurance accepted	52	1,258	261	18	46	33	<b>1,668</b>
Reinsurers' share	54	54	168	61	27	-6	<b>358</b>
Net	3,351	7,384	2,670	1,264	1,138	1,251	<b>17,056</b>
<b>Expenses incurred</b>	<b>2,832</b>	<b>4,511</b>	<b>1,659</b>	<b>844</b>	<b>353</b>	<b>538</b>	<b>10,738</b>
<b>Balance - other technical expenses/income</b>							<b>102</b>
<b>Total technical expenses</b>							<b>10,839</b>

## Premiums, claims and expenses by country

Top 5 countries (by amount of gross premiums written) – life obligations							
€m	Home country	USA	Canada	United Kingdom	Belgium	Bermuda	Total - Top 5 and home country
<b>Premiums written</b>							
Gross	10,515	4,397	2,217	2,192	754	586	<b>20,659</b>
Reinsurers' share	1	97	18	0	45	0	<b>161</b>
Net	10,514	4,300	2,199	2,191	709	586	<b>20,499</b>
<b>Premiums earned</b>							
Gross	10,522	889	2,217	2,192	748	586	<b>17,154</b>
Reinsurers' share	1	69	18	0	45	0	<b>133</b>
Net	10,521	820	2,199	2,191	703	586	<b>17,021</b>
<b>Claims incurred</b>							
Gross	10,507	4,073	1,712	2,134	596	512	<b>19,534</b>
Reinsurers' share	20	53	16	-17	79	-1	<b>150</b>
Net	10,487	4,020	1,696	2,151	516	513	<b>19,384</b>
<b>Expenses incurred</b>	<b>2,248</b>	<b>687</b>	<b>564</b>	<b>30</b>	<b>163</b>	<b>99</b>	<b>3,791</b>
<b>Balance - other technical expenses/income</b>							<b>80</b>
<b>Total technical expenses</b>							<b>3,871</b>
<b>Total amount of surrenders</b>	<b>788</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110</b>	<b>0</b>	<b>899</b>

**S.22.01.22****Impact of long term guarantees and transitional measures**

	<b>Amount with Long Term Guarantee measures and transitionals</b>	<b>Impact of transitional on technical provisions</b>	<b>Impact of transitional on interest rate</b>	<b>Impact of volatility adjustment set to zero</b>	<b>Impact of matching adjustment set to zero</b>
€m					
Technical provisions	195,531	321	0	218	0
Basic own funds	54,372	-247	0	-155	0
Eligible own funds to meet Solvency Capital Requirement	54,660	-247	0	-155	0
Solvency Capital Requirement	18,230	0	0	266	0

**S.23.01.22****Own funds**

€m	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
<b>Basic own funds before deduction</b>					
Ordinary share capital (gross of own shares)	588	588		0	
Non-available called but not paid in ordinary share capital to be deducted at group level	0	0		0	
Share premium account related to ordinary share capital	6,845	6,845		0	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Non-available subordinated mutual member accounts to be deducted at group level	0		0	0	0
Surplus funds	3,034	3,034			
Non-available surplus funds to be deducted at group level	1,492	1,492			
Preference shares	0		0	0	0
Non-available surplus funds to be deducted at group level	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Non-available share premium account related to preference shares at group level	0		0	0	0
Reconciliation reserve	38,395	38,395			
Subordinated liabilities	7,230		13	7,162	55
Non-available subordinated liabilities to be deducted at group level	55		0	0	55
An amount equal to the value of net deferred tax assets	212				212
The amount equal to the value of net deferred tax assets not available to be deducted at the group level	135				135
Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	0	0	0	0	0
Minority interests	341	341	0	0	0
Non-available minority interests to be deducted at group level	301	301	0	0	0
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	1	0			
<b>Deductions</b>					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	289	289	0	0	0
Whereof deducted according to art 228 of the Directive 2009/138/EC	0	0	0	0	
Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	0
Deduction for participations included via Deduction and Aggregation method (D&A) when a combination of methods are used	0	0	0	0	0
Total of non-available own fund items to be deducted	1,984	1,793	0	0	191
<b>Total deductions</b>	<b>2,272</b>	<b>2,082</b>	<b>0</b>	<b>0</b>	<b>191</b>
<b>Total basic own funds after deductions</b>	<b>54,372</b>	<b>47,120</b>	<b>13</b>	<b>7,162</b>	<b>77</b>

## Own funds

€m	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Ancillary own funds</b>					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Non available ancillary own funds to be deducted at group level	0			0	0
Other ancillary own funds	0			0	0
<b>Total ancillary own funds</b>	<b>0</b>			<b>0</b>	<b>0</b>
<b>Own funds of other financial sectors</b>					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	79	79	0	0	
Institutions for occupational retirement provision	205	205	0	0	0
Non regulated undertakings carrying out financial activities	5	5	0	0	0
Total own funds of other financial sectors	289	289	0	0	0
<b>Own funds when using the D&amp;A, exclusively or in combination with method 1</b>					
Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	0	0	0	0	0
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	54,372	47,120	13	7,162	77
Total available own funds to meet the minimum consolidated group SCR	54,295	47,120	13	7,162	
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sectors and from the undertakings included via D&A)	54,372	47,120	13	7,162	77
Total eligible own funds to meet the minimum consolidated group SCR	50,172	47,120	13	3,039	

## Own funds

€m	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Minimum consolidated Group SCR</b>	<b>15,197</b>				
<b>Ratio of eligible own funds to minimum consolidated Group SCR</b>	<b>330%</b>				
<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>	<b>54,660</b>	<b>47,409</b>	<b>13</b>	<b>7,162</b>	<b>77</b>
<b>Total Group SCR</b>	<b>18,230</b>				
<b>Ratio of total eligible own funds to total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>	<b>300%</b>				

## Reconciliation reserve

€m	31.12.2025
<b>Reconciliation reserve</b>	
Excess of assets over liabilities	54,536
Own shares (held directly and indirectly)	1,508
Forseeable dividends, distributions and charges	3,613
Other basic own fund items	11,019
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Other non available own funds	0
<b>Reconciliation reserve</b>	<b>38,395</b>
<b>Expected profits</b>	
Expected profits included in future premiums (EPIFP) – Life business	27,472
Expected profits included in future premiums (EPIFP) – Non-life business	2,638
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>30,110</b>

**S.25.05.22****Solvency capital requirement - for groups using a full internal model**

€m	Solvency Capital Requirement	Amount modelled	USP	Simplifications
Risk type				
Total diversification	-10,984			
Total diversified risk before tax	21,870			
Total diversified risk after tax	18,230			
Total market & credit risk	22,846			
Market & credit risk - diversified	10,907			
Credit event risk not covered in market & credit risk	0			
Credit event risk not covered in market & credit risk - diversified	0			
Total business risk	0			
Total business risk - diversified	0			
Total net non-life underwriting risk	20,989			
Total net non-life underwriting risk - diversified	11,785			
Total life & health underwriting risk	12,611			
Total life & health underwriting risk - diversified	7,686			
Total operational risk	1,631			
Total operational risk - diversified	1,631			
Other risk	844			

**Calculation of Solvency Capital Requirement**

€m	
Total undiversified components	32,853
Diversification	-10,984
Adjustment due to RFF/MAP nSCR aggregation	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement calculated on the basis of Art. 336 (a) of Delegated Regulation (EU) 2015/35, excluding capital add-on	17,386
Capital add-ons already set	0
of which, capital add-ons already set - Article 37 (1) Type a	0
of which, capital add-ons already set - Article 37 (1) Type b	0
of which, capital add-ons already set - Article 37 (1) Type c	0
of which, capital add-ons already set - Article 37 (1) Type d	0
Consolidated Group SCR	18,230
<b>Other information on SCR</b>	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	-4,824
Amount/estimate of the loss absorbing capacity for deferred taxes	-3,640
Capital requirement for duration-based equity risk sub-module	0
Total amount of notional Solvency Capital Requirements for remaining part	0
Total amount of notional Solvency Capital Requirements for ring-fenced funds	0
Total amount of notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Minimum consolidated group solvency capital requirement	15,197
<b>Information on other entities</b>	
Capital requirement for other financial sectors (Non-insurance capital requirements)	288
Capital requirement for other financial sectors (Non-insurance capital requirements) - credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	93
Capital requirement for other financial sectors (Non-insurance capital requirements) - institutions for occupational retirement provisions	190
Capital requirement for other financial sectors (Non-insurance capital requirements) - capital requirement for non-regulated undertakings carrying out financial activities	4
Capital requirement for non-controlled participation	557
Capital requirement for residual undertakings	0
Capital requirement for collective investment undertakings or investments packaged as funds	0
<b>Overall SCR</b>	
SCR for undertakings included via D&A method	0
<b>Total group solvency capital requirement</b>	<b>18,230</b>

**S.32.01.22****Undertakings in the scope of the group**

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