

2/2020

Key figures (IFRS)¹

Munich Re at a glance

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Consolidated result	€m	800	1,626	-50.8	579	993	-41.7
Thereof attributable to non-controlling interests	€m	-1	1	-	-1	1	-
Earnings per share	€	5.71	11.22	-49.2	4.14	6.88	-39.8
Return on equity (RoE)	%	7.1	14.3		10.4	17.4	
Return on investment (Rol)	%	2.9	3.1		2.7	3.2	
					30.6.2020	31.12.2019	
Share price	€				231.40	263.00	-12.0
Munich Reinsurance Company's market capitalisation	€bn				32.4	38.0	-14.6
Carrying amount per share	€				211.74	215.32	-1.7
Investments	€m				230,080	228,764	0.6
Insurance-related investments	€m				10,104	9,163	10.3
Equity	€m				29,766	30,576	-2.6
Off-balance-sheet unrealised gains and losses ²	€m				21,143	19,913	6.2
Net technical provisions	€m				219,104	217,941	0.5
Balance sheet total	€m				294,358	287,553	2.4
Number of staff					39,693	39,662	0.1

Reinsurance

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	18,091	15,963	13.3	8,856	7,583	16.8
Combined ratio property-casualty	%	103.0	92.1		99.9	86.9	
Investment result	€m	1,588	1,445	9.9	659	804	-18.0
Consolidated result	€m	555	1,406	-60.5	407	858	-52.6
Thereof: Reinsurance – Life and Health	€m	67	335	-80.1	59	154	-61.9
Thereof: Reinsurance – Property-casualty	€m	488	1,071	-54.4	348	704	-50.6

ERGO

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	9,021	9,212	-2.1	3,971	4,217	-5.8
Combined ratio Property-casualty Germany	%	92.9	91.9		92.5	86.2	
Combined ratio International	%	92.7	95.2		90.1	95.0	
Investment result	€m	2,029	2,231	-9.1	1,038	1,116	-6.9
Consolidated result	€m	245	220	11.2	173	135	27.4
Thereof: Life and Health Germany	€m	69	135	-49.1	63	72	-11.9
Thereof: Property-casualty Germany	€m	71	69	3.2	50	55	-8.8
Thereof: International	€m	105	16	544.3	59	8	597.2

1 Previous year's figures adjusted owing to IAS 1; see "Recognition and measurement".

2 Including those apportionable to minority interests and policyholders.

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Interim management report

Business environment

The coronavirus pandemic and the restrictions implemented to contain it plunged the global economy into a deep recession. There was considerable uncertainty during the first half of 2020 about the duration and severity of the pandemic. Considering the depth of the recessions in a lot of countries, there was uncertainty as to when and how robustly the global economy would recover – despite extensive support from fiscal and monetary policymakers. Many central banks took far-reaching measures to cushion the impact of the economic crisis and to stabilise the financial system. Within just two weeks in March, the Federal Reserve in the United States lowered its policy rate corridor by 1.5 percentage points to 0–0.25%. The Fed also announced that it would resume its unlimited bond-buying programme. The European Central Bank (ECB) increased its monthly net purchases of assets in March, and announced a pandemic emergency purchase programme (PEPP). The overall scope of the PEPP was expanded in June to €1.35tn. In addition, the ECB kept its key interest rate at 0%.

Yields on ten-year government bonds in the United States and Germany dropped to record lows in March, and remained very low in Q2 – despite the widespread expectation that governments would run up more debt and issue more bonds. The very low yields were attributable to the policy rate cut in the USA, the expansion of bond-buying programmes by the Fed and the ECB, and many investors' flight to safe assets. The yield differential compared with German government bonds rose considerably in Q1 for some eurozone countries in southern Europe, but fell somewhat thereafter.

Exchange rates

One foreign currency unit is equivalent to €:	30.6.2020	31.12.2019	Q2 2020	Q2 2019
Australian dollar	0.61301	0.62623	0.59654	0.62302
Canadian dollar	0.65370	0.68700	0.65541	0.66518
Pound sterling	1.10011	1.18015	1.12723	1.14397
Polish zloty	0.22508	0.23522	0.22194	0.23356
Swiss franc	0.93963	0.91996	0.94237	0.88738
US dollar	0.89035	0.89087	0.90788	0.88992
Yen	0.00825	0.00820	0.00844	0.00809
Yuan renminbi	0.12586	0.12789	0.12809	0.13044

Yields on ten-year government bonds

%	30.6.2020	31.12.2019
USA	0.7	1.9
Germany	-0.5	-0.2

Volatility in international financial markets was very high. Equity markets worldwide fell sharply in late February, partially in response to the rapid spread of the coronavirus and on account of an escalation in the oil market's price war. Important equity indices, such as the US Dow Jones and the DJ EuroStoxx 50, were down more than a third in mid-March from their levels at the end of 2019. Following massive intervention by central banks, a lot of equity markets rebounded strongly in late March. By the end of June, the US Dow Jones and the DJ EuroStoxx 50 had recouped more than half of their Q1 losses.

Equity markets

	30.6.2020	31.12.2019
DJ EuroStoxx 50	3,234	3,745
Dow Jones Index	25,813	28,538

Currency markets likewise experienced sharp fluctuations. The US dollar ranged between €0.87 and €0.94 in March, before finishing June at the same level as at the end of 2019. The British pound and the Canadian dollar were much lower against the euro at the end of the first half of 2020 compared with the end of 2019. On average, the year-on-year value of the euro in the first half of 2020 was far lower against the US dollar, somewhat lower against the Canadian dollar, and slightly higher against the British pound.

Business performance of the Group and investment performance

Key figures¹

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	27,112	25,175	7.7	12,827	11,799	8.7
Technical result	€m	519	1,893	-72.6	400	1,245	-67.9
Investment result	€m	3,617	3,676	-1.6	1,697	1,919	-11.6
Insurance-related investment result	€m	-549	680	-	596	127	371.0
Operating result	€m	1,153	2,190	-47.4	755	1,419	-46.8
Currency result	€m	167	85	95.4	23	27	-14.6
Taxes on income	€m	-393	-466	15.8	-138	-344	59.9
Return on equity (RoE) ²	%	7.1	14.3		10.4	17.4	
Consolidated result	€m	800	1,626	-50.8	579	993	-41.7
					30.6.2020	31.12.2019	Change
					€bn	€bn	%
Equity					29.8	30.6	-2.6

¹ Previous year's figures adjusted owing to IAS 1 (see "Recognition and measurement") and IAS 8 (see 2019 Annual Report).

² The annualised RoE is calculated on the basis of the consolidated result, including the result attributable to non-controlling interests. We use the figures as at 31 December 2019 (€23.1bn) and 30 June 2020 (€21.8bn), adjusted for unrealised gains and losses and for currency translation, to calculate the average equity for the first six months of 2020.

Munich Re's consolidated result for the first half-year of 2020 fell considerably short of our original expectations. This is primarily due to the impact of the coronavirus pandemic in reinsurance. For example, claims costs for major losses in property-casualty reinsurance were well above the long-term average, particularly on account of losses from the cancellation or postponement of major events. The technical result in life and health reinsurance was impacted by higher mortality in the USA, with COVID-19 substantially contributing to the increase in Q2. Overall, we incurred COVID-19-related losses totalling around €1.5bn in reinsurance in the first half of the year. At ERGO, COVID-19-related losses from business interruption, event, and travel insurance were partly offset by positive effects, such as lower losses in personal lines business, particularly in motor, and lower major losses, both from natural catastrophes and man-made.

The investment result decreased slightly year on year, particularly due to write-downs on our equity portfolio on account of turmoil in the capital markets in Q1. On the other hand, positive contributions came from derivatives and the result from the disposal of non-derivative investments. Changes in exchange rates during the first

half of 2020 led to a currency gain. The tax burden in the first half of the year was essentially within our anticipated range, with an effective tax rate of 32.9% (22.3%).

Our premium income increased year on year due to new treaties and currency translation effects in reinsurance business.

Group equity was lower at the reporting date than at the start of the year, primarily owing to the dividend payout in April. Our debt-to-equity ratio was 11.9% (12.0%), which is low by industry comparison.

In early March 2020, we concluded our 2019/2020 share buy-back programme as planned by repurchasing 4.2 million Munich Re shares worth a total of €1.0bn. We communicated on 31 March 2020 that implementation of the 2020/2021 share buy-back programme announced on 26 February 2020 would be discontinued until further notice and until there is greater clarity both on the actual burdens arising from COVID-19 and on capital requirements for potential business opportunities. On 20 July 2020, we reported that we would definitely not implement the 2020/2021 share buy-back programme.

Investment mix

€m	Carrying amounts		Unrealised gains/losses ¹		Fair values	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Land and buildings, including buildings on third-party land	6,730	5,989	5,631	5,600	12,361	11,589
Investments in affiliated companies associates and joint ventures	3,094	2,847	962	968	3,949	3,646
Loans	51,857	52,507	13,292	12,147	65,149	64,654
Other securities available for sale	151,773	151,558	15,414	14,370	151,773	151,558
Thereof: Fixed-interest	136,205	132,120	13,058	10,738	136,205	132,120
Thereof: Non-fixed-interest	15,568	19,438	2,355	3,632	15,568	19,438
Other securities at fair value through profit or loss	3,503	2,781	0	0	3,503	2,781
Thereof: Derivatives	2,934	2,099	0	0	2,934	2,099
Deposits retained on assumed reinsurance	8,089	7,938	0	0	8,089	7,938
Other investments	5,035	5,144	0	0	5,035	5,144
Total	230,080	228,764	35,298	33,085	249,858	247,310

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

The fair value of our investment portfolio increased in the first half of 2020, largely owing to falling interest rates. This was offset in particular by somewhat higher risk spreads and falling stock market prices. Our portfolio continues to be dominated by fixed-interest securities and loans.

A total of 54% of our fixed-interest portfolio was invested in government bonds at the reporting date. In the first six months, our new investments were mainly made in Australian and German government bonds. Reductions focused on our holdings of bonds from UK and US issuers. The vast majority of our government bonds continue to come from countries with a high credit rating.

Fixed-interest portfolio by economic category¹

Total: €213bn (208bn)



Government bonds ²	54	(53)%
Thereof: Inflation-linked bonds	7	(8)%
Pfandbriefs/Covered bonds	19	(21)%
Corporate bonds	13	(13)%
Cash positions/Other	6	(5)%
Policy and mortgage loans	4	(4)%
Bank bonds	2	(1)%
Structured products (credit structures)	2	(2)%

1 Presentation essentially shows fixed-interest securities and loans, including deposits and cash at banks, at fair value. The approximation is not fully comparable with IFRS figures.

2 Including other public-sector issuers and government-guaranteed bank bonds.

Our investment in bank bonds is limited and at the reporting date amounted to 2% (1%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors totalled 13% (13%).

The carrying amount of our equity portfolio decreased as a result of the sale of equities and the overall negative market development. The equity-backing ratio fell to 5.6% (7.1%). We increased our hedging derivatives. Including derivatives, our equity-backing ratio was 4.5% (6.4%). To hedge against accelerating inflation, we held inflation-linked bonds in the amount of €7.8bn (8.6bn) (at fair values). Real and financial assets such as shares, real estate, commodities, and investments in infrastructure, renewable energies and new technologies also serve to guard against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

The increase in our real estate portfolio is largely explained by the acquisition of a high-rise office building in New York City in Q1 2020. In Q2, the current coronavirus pandemic led to an assessment of the value of properties that have been particularly affected by the impact of the crisis. Impairment losses due to decreasing market values were limited in Q2.

Investment result¹

	Q1-2 2020	Return ²	Q1-2 2019	Return ²	Q2 2020	Q2 2019
	€m	%	€m	%	€m	€m
Regular income	3,265	2.6	3,459	2.9	1,721	1,848
Write-ups/write-downs of non-derivative investments	-1,567	-1.3	-181	-0.2	-108	-98
Gains/losses on the disposal of non-derivative investments	1,566	1.3	1,038	0.9	1,189	436
Net balance of derivatives	694	0.6	-329	-0.3	-906	-97
Other income/expenses	-342	-0.3	-311	-0.3	-200	-169
Total	3,617	2.9	3,676	3.1	1,697	1,919

1 The investment result by type of investment can be found on page 45 of the Notes to the consolidated financial statements.

2 Annualised return in % p.a. on the average fair value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (2.9%) for the first six months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2019 (€228,764m), 31 March 2020 (€227,949m) and 30 June 2020 (€230,080m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property and insurance-based loans) as at 31 December 2019 (€18,546m), 31 March 2020 (€19,246m) and 30 June 2020 (€19,778m).

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

For the period from April to June, the return on reinvestment for our fixed-interest investments averaged 1.6% (2.2%).

Owing to the impact of the coronavirus pandemic on the capital markets, we posted considerably higher net write-downs of non-derivative investments in the first half-year compared to the same period in 2019, particularly on our share portfolio. The write-downs on our share portfolio amounted to €1,464m (162m) in the first half of 2020. In Q2, the write-ups and write-downs were roughly at the same level as last year.

From January to June, the result from the disposal of non-derivative investments was higher than in the same period last year. This is particularly attributable to profits from property sales in Q1 and higher gains on the disposal of

fixed-interest securities in primary insurance for financing the additional interest reserve. The higher gains on disposals in Q2 are partly due to the disposal of fixed-interest securities for financing the additional interest reserve and higher gains on disposals in reinsurance that arise from normal portfolio restructuring of fixed-interest securities in an environment of falling interest rates.

The net balance of derivatives improved markedly compared with the first half of 2019. This increase was attributable mainly to gains on equity derivatives in primary insurance and gains on interest-rate derivatives in reinsurance, where we further increased our duration position to hedge our equity and credit holdings. The net balance of derivatives in Q2 decreased year on year. This balance declined mainly due to losses on equity and credit derivatives held for hedging purposes. It was possible to partially offset the losses on equity derivatives in primary insurance thanks to high gains on disposals and dividends.

Business performance of the segments

Reinsurance – Life and health

Key figures

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	6,411	5,636	13.7	3,332	2,740	21.6
Share of gross premiums written in reinsurance	%	35.4	35.3		37.6	36.1	
Technical result, including the result from reinsurance treaties without significant risk transfer	€m	104	184	-43.5	48	72	-33.2
Investment result	€m	400	587	-31.8	174	344	-49.3
Operating result	€m	118	395	-70.2	51	205	-75.1
Consolidated result	€m	67	335	-80.1	59	154	-61.9

Premium

Growth in the first half of the year primarily derived from Europe and Asia, and to a lesser extent also from North America. The increase in premium in Europe was aided by the conclusion of two new longevity treaties, one of which was written outside the United Kingdom for the very first time. The ongoing strong demand for financially motivated reinsurance also contributed to the development in premium income.

We write the majority of our business in non-euro currencies (around 86%). Exchange-rate fluctuations therefore have a significant impact on premium development. If exchange rates had remained unchanged, gross premiums written would have seen a year-on-year increase of 12.7% in the first half of the year and 21.8% in Q2.

Result

At €21m, the technical result for the first half-year was appreciably lower than in the same period last year (€129m) and thus also fell below our expectations. This was mainly due to higher major-loss expenditure in our US business over the first six months and, above all, to significant expenditure for COVID-19 claims in Q2. These claims chiefly stemmed from increased mortality rates under life covers in the USA. In the United Kingdom, losses attributable to COVID-19 in mortality business were offset by positive effects on our longevity business. Likewise, in Canada additional expenditure for mortality covers was compensated for by lower benefit payments in health business. Australian disability business was also slightly impacted by claims expenditure. Otherwise, we were not

affected by significant COVID-19 losses in any other regions. Overall, in the first half of the year COVID-19-related losses amounted to around €100m.

Without the exceptional expenditure owing to COVID-19, our result for Q2 was in line with our expectations.

In our US business, generally higher claims expenditure had an adverse effect on the result in the first half of the year. Following several years of positive claims experience, higher mortalities – independent of COVID-19 – were observed in particular in individual business. In addition, in Q1 claims reserves for our Canadian business needed to be adapted to the lower interest-rate level. This was partly offset by moderately positive performance overall in Asia and Europe during the first half of the year. The result of our Australian business for the first half of the year was within expectations, with Q1 benefiting from favourable claims experience and Q2 impacted by claims expenditure in excess of our expectations.

The result from the part of the business that is not recognised in the technical result as a consequence of non-significant risk transfer continued to develop in a very satisfying manner and, at €83m for the first half of the year, is higher than in the same period last year (€55m) on account of business growth.

The investment result for the first half-year and for Q2 was down overall year on year. This is due in particular to lower gains from the sale of fixed interest securities.

Reinsurance – Property-casualty

Key figures

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	11,680	10,327	13.1	5,524	4,842	14.1
Share of gross premiums written in reinsurance	%	64.6	64.7		62.4	63.9	
Loss ratio	%	72.4	59.3		68.9	54.1	
Thereof: Major losses	Percentage points	18.0	6.9		14.8	4.1	
Expense ratio	%	30.5	32.8		31.0	32.7	
Combined ratio	%	103.0	92.1		99.9	86.9	
Technical result	€m	217	1,366	-84.1	291	948	-69.3
Investment result	€m	1,188	858	38.5	485	460	5.4
Operating result	€m	645	1,401	-53.9	414	957	-56.8
Consolidated result	€m	488	1,071	-54.4	348	704	-50.6

Premium

Gross premiums written chiefly benefited from new business, and to a lesser extent from currency translation effects. If exchange rates had remained unchanged, premium income would have seen a year-on-year increase of 11.5% for the first six months and 12.9% for the second quarter.

As at 1 January 2020, around half of property-casualty reinsurance business was up for renewal, with a focus on Europe, the USA (mainly excluding nat cat) and global business. Reinsurance treaty renewals once again took place in a very competitive market environment. In this context, price trends varied among the different sectional markets in line with preceding claims experience. Prices rose – considerably in some instances – for reinsurance cover in regions and classes of business with high claims experience, with the Caribbean and aviation and space being two examples. Conversely, prices remained mostly stable in regions and classes of business with low claims experience – such as Europe and Asia (excluding Japan). In the USA, for example, we withdrew from business that no longer met our price expectations. All in all, prices for the Munich Re portfolio increased by 1.2%. Written business volume was increased by 4.4% to €10.6bn.

The renewals at 1 April 2020 involved a relatively small volume of business of around 10% of the overall portfolio in the property-casualty reinsurance segment. The main focus of the renewals was business in Asia, particularly in Japan and India. It was possible to tap into growth opportunities, especially in Asia and with our global clients. By contrast, Munich Re once again selectively discontinued business – including third-party liability in the United States, which no longer met risk/return expectations. Price trends in the April renewals also varied in the different sectional markets in line with preceding claims experience. For instance, prices rose – considerably in some instances – for reinsurance cover in markets with high claims. One example is Japan, which experienced significant losses from typhoons in the last two years. Overall, prices increased by 3.0% in the April renewals. Premium volume rose by 25.7% to €2.1bn.

Result

The technical result declined significantly in the first half of the year, mainly owing to the high major-loss expenditure on account of the coronavirus pandemic. The same applies to Q2 on a standalone basis. Overall, we incurred COVID-19-related losses totalling around €1.4bn in the first half of the year.

From January to June, we posted major loss expenditure totalling €1,980m (680m), of which €799m (202m) was attributable to Q2, in each case after retrocessions to reinsurers and before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 18.0% of net earned premium in the first half of the year and 14.8% in Q2. This major-loss expenditure was above the average volume of major claims to be expected, i.e. 12% of net earned premium, both for the first half of the year and for Q2.

Claims costs from natural catastrophes amounted to €375m (350m) for the first half of the year and €167m (155m) for Q2. The largest losses came from severe thunderstorms that swept across the Midwest and southern USA in March, with anticipated claims expenditure in the region of €75m.

Expenditure for man-made losses came to €1,605m (330m) for the first half of the year and €632m (47m) for Q2. This includes in particular losses from the cancellation or postponement of major events as a consequence of the coronavirus pandemic.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims notifications we receive.

As claims notifications continued to remain appreciably below the expected level, we made reserve releases in the first half-year. After adjustments for commissions, these releases amounted to around €440m, or 4.0% of net earned premium. We continue to aim to set the amount of

provisions for newly emerging claims at the top end of the estimation range.

The combined ratio amounted to 103.0% (92.1%) of net earned premiums for the first six months of the year and 99.9% (86.9%) for Q2. Thus the figure for the first half-year is significantly higher than our target of 97% for the full year 2020.

Owing to the significantly improved net balance of derivatives and gains on the disposal of fixed-interest securities and real estate, the investment result for the first half-year was higher compared with the same period last year – despite the write-downs on equities mainly attributable to COVID-19 in Q1. In Q2, the investment result was slightly up overall year on year owing to higher gains on the disposal of equities and fixed-interest securities.

ERGO Life and Health Germany

Key figures

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Total premium income ¹	€m	4,820	5,345	-9.8	2,356	2,884	-18.3
Gross premiums written	€m	4,464	4,658	-4.1	2,149	2,311	-7.0
Share of gross premiums written by ERGO	%	49.5	50.6		54.1	54.8	
Technical result	€m	25	153	-84.0	-59	75	-
Investment result	€m	1,757	2,000	-12.2	917	1,008	-9.0
Operating result	€m	135	253	-46.7	146	144	1.7
Consolidated result	€m	69	135	-49.1	63	72	-11.9

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

Premium

The segment's gross premiums written were down year on year both for the first six months of 2020 and in Q2. Positive development in the Health Germany division and growth from the new products in the Life Germany division were more than offset by the planned portfolio reduction in Life Germany and lower premium income in travel insurance due to COVID-19. Total premium income was also down year on year for the first six months and in Q2.

In the Life Germany division, gross premiums written in the first half-year amounted to €1,345m (1,282m), an increase of 4.9%. The figure for Q2 was €658m (650m). The increase resulted from the merger of ERGO Direkt Lebensversicherung AG in the Digital Ventures division with ERGO Vorsorge Lebensversicherung AG in the Life Germany division. Without this effect, gross premiums written in the first half-year would have been down on the same period last year. The decrease was attributable in particular to lower regular premium income owing to the ongoing portfolio reduction, which could not be sufficiently offset by premium income from new products. Total premium income amounted to €1,701m (1,933m) in the first six months, and €865m (1,192m) in Q2. The substantial fall in the period from April to June was due to a one-off accounting effect from a rate change in the same period last year. As a result, new business was also significantly affected: Whilst regular-premium new business was down to €82m (92m), single-premium new business fell sharply by 63.8% to €223m (616m). Apart from the one-off effect, the positive impact created by the new products almost compensated for the decrease in new business caused by

COVID-19. In terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume), which is the performance measure customary among investors, our new business volume decreased by 32.1% to €104m (154m).

Gross premiums written in the Health Germany division fell by 3.3% year on year to €2,726m (2,819m) for the first half-year, and to €1,304m (1,387m) in Q2. Premium income grew by 2.1% in supplementary health insurance and by 1.1% in comprehensive health insurance. The increase in comprehensive cover was mainly due to a premium adjustment in private LTC insurance. The growth in supplementary insurance was attributable to business not similar to life insurance, which increased by 10.3%. Premium growth in the Health Germany division was offset by a substantial fall in premium in travel insurance, where gross premiums written dropped by 35.2% compared with the first six months of the previous year. Travel business was hit particularly hard by the coronavirus pandemic due to travel restrictions and mass cancellations of leisure and business travel.

Gross premiums written in the Digital Ventures division fell by 29.2% year on year to €394m (556m) for the first half-year, and by 31.6% to €187m (274m) in Q2. The decline was attributable to the above-mentioned merger. Without this effect, gross premiums written in the first six months would have been up year on year thanks to health insurance business, which saw 5.6% growth driven by our supplementary dental insurance plans. In property-casualty business, gross premiums written declined by 3.4%.

Result

The technical result generated in the first half-year and in Q2 was down compared with the same periods last year. The main reason for this development was the strong dependency between the technical result and the investment result, which led to high volatility of the technical result during the year due to COVID-19; this was especially noticeable in the Health Germany division. Furthermore, travel business was impacted by the coronavirus pandemic.

The investment result for the first half-year and for Q2 was down year on year. The decline was attributable in particular to higher write-downs of equities, above all in the Health Germany division. The negative impact was partly offset by an improved net balance of derivatives and higher gains on disposals. Overall, our hedging strategy proved effective in a volatile capital market environment. To finance the additional interest reserve in the Life Germany division, we realised more valuation reserves – particularly on interest-bearing investments – compared with the first half of the previous year.

ERGO Property-casualty Germany

Key figures

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Gross premiums written	€m	2,135	2,035	4.9	696	686	1.4
Share of gross premiums written by ERGO	%	23.7	22.1		17.5	16.3	
Loss ratio	%	61.5	59.4		62.0	54.6	
Expense ratio	%	31.5	32.5		30.5	31.6	
Combined ratio	%	92.9	91.9		92.5	86.2	
Technical result	€m	145	150	-3.4	85	127	-32.8
Investment result	€m	93	71	30.5	42	27	56.9
Operating result	€m	125	89	40.2	70	80	-13.3
Consolidated result	€m	71	69	3.2	50	55	-8.8

Premium

Gross premiums written increased year on year for the first half-year and Q2. The increase in the first six months of 2020 was mainly driven by growth in fire and property insurance (+8.7%) and other classes of business (+13.9%). Growth in gross premiums written was also posted in third-party liability insurance (+5.5%) and motor insurance (+4.5%). By contrast, gross premiums written remained stable in legal protection insurance and saw a slight 1.5% decrease in personal accident insurance.

19-related losses from business interruption and event insurance were partly compensated for by lower losses in personal lines business, particularly in motor, and lower major losses, both from natural catastrophes and man-made.

Result

The technical result for the first half-year was slightly down year on year, and thus remained at a very good level despite the challenging environment created by the coronavirus pandemic. The technical result in Q2 was significantly lower than last year's figure. Stable performance in the first half-year was mainly driven by organic premium growth and favourable cost development. On the claims side, COVID-

The combined ratio for the first six months was slightly up by 1.0 percentage points year on year, thus remaining at a very good level. The combined ratio for Q2 – impacted by the pandemic – saw an increase of 6.3 percentage points compared with the exceptionally good figure recorded in the same period last year.

The investment result for the first half-year and for Q2 was up year on year. The increased half-year result was above all attributable to a higher net balance of derivatives. In Q2, the negative impact from the measurement of derivatives was offset by higher gains on disposals. Overall, our hedging strategy proved effective in a volatile capital market environment.

ERGO International

Key figures

		Q1-2 2020	Q1-2 2019	Change	Q2 2020	Q2 2019	Change
				%			%
Total premium income ¹	€m	2,525	2,633	-4.1	1,175	1,278	-8.1
Gross premiums written	€m	2,422	2,519	-3.9	1,126	1,219	-7.6
Share of gross premiums written by ERGO	%	26.8	27.3		28.4	28.9	
Loss ratio	%	62.6	64.5		59.8	63.5	
Expense ratio	%	30.1	30.7		30.4	31.5	
Combined ratio	%	92.7	95.2		90.1	95.0	
Technical result	€m	111	95	17.2	75	51	46.5
Investment result	€m	179	160	12.2	79	81	-2.5
Operating result	€m	130	53	147.5	75	33	126.9
Consolidated result	€m	105	16	544.3	59	8	597.2

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

Premium

Compared with the same periods last year, for the first six months and Q2 we posted an overall decrease in gross premiums written, mainly owing to the sale of foreign affiliates following a portfolio optimisation, and negative currency translation effects. Adjusted for the sales and for currency translation effects, gross premiums written in the ERGO International segment would have increased slightly by 0.5% compared to the first half-year of 2019. The segment's total premium income in the first half-year and in Q2 was down compared with the same periods last year.

In international property-casualty business, gross premiums written declined year on year by 7.7% to €1,333m (1,444m) in the first half-year, and by 11.7% to €631m (714m) in Q2. This decrease in premium was mainly due to the sale of companies outside Germany.

As a result of organic growth in our Spanish and Belgian markets, gross premiums written were up in international health business, increasing by 5.8% to €774m (731m) in the first six months, with Q2 accounting for €351m (331m).

In international life insurance, gross premiums written for the first half-year amounted to €315m (345m), an 8.7% decrease compared to the same period last year. The figure for Q2 was €145m (175m). Negative development in Belgium, where we stopped writing new business already in 2017, and a decline in new business in Austria due to COVID-19 contributed to this outcome. Total premium income in the first six months was down by 8.4% year on year to €420m (458m). The figure for Q2 was €195m (233m).

Result

The technical result for the first six months and for Q2 improved compared with the same periods last year. Positive year-on-year development in the first six months was chiefly driven by property-casualty business in Poland and the Baltic states, and by Spanish health business. In Poland and the Baltic states, continued good operational performance and a reduced claims frequency due to COVID-19, particularly in motor business, had a positive impact. In Spain, the increase was chiefly attributable to premium growth and an improved portfolio focusing on personal lines insurance. In international life insurance business, the result for the first six months was almost equal to that of the same period last year.

The improved combined ratio in international property-casualty business in the first half-year was due to continued good operational performance and favourable claims development. The latter was due to lower major losses and a reduced claims frequency owing to COVID-19, particularly in motor business. In Q2, the combined ratio was significantly better than last year's figure.

The investment result for the first half-year was up year on year, mainly because the previous year's results had been adversely affected by losses on the disposal of shareholdings. The slight year-on-year decrease in Q2 was chiefly attributable to a lower net balance of derivatives.

Prospects

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

It is not only the obvious fluctuations in the incidence of major losses that make an accurate forecast of IFRS results impossible. Despite the fact that our assets are geared to the characteristics of our liabilities, forecasts are also made more difficult by the pronounced volatility of the capital markets and exchange rates – as well as the special features of IFRS accounting. Moreover, there is considerable uncertainty regarding the further development of the coronavirus pandemic.

Outlook for Munich Re (Group) 2020

		As at 30.6.2020	From Q1 2020	From Annual Report 2019
Gross premiums written	€bn	54	52	52
Technical result - Life and health reinsurance ¹	€m	withdrawn	550	550
Combined ratio - Property-casualty reinsurance	%	withdrawn	withdrawn	97
Combined ratio - ERGO Property-casualty Germany	%	92	92	92
Combined ratio - ERGO Property-casualty International	%	94	94	94
Return on investment ²	%	3	3	3
Consolidated result	€bn	withdrawn	withdrawn	2.8
Economic earnings	€bn	withdrawn	withdrawn	over 2.8

¹ Including the result from business with non-significant risk transfer.

² Excluding insurance-related investments.

The first half of 2020 was marked by the global spread of COVID-19 and far-reaching restrictions on public, private and economic life. The further development of the coronavirus pandemic and the resulting impact on our business varies greatly from one region to the next and cannot be forecast with any certainty.

We are facing enormous social, economic and business challenges. Protecting the health of our staff, their families and our business partners remains our highest priority. We are using appropriate models such as flexible working hours and home working in order to secure our business operations. As restrictions are eased in the public sphere, we are also gradually returning to the office.

On 31 March 2020 we announced that, given the losses already incurred in connection with the cancellation or postponement of major events and the high level of uncertainty regarding the further economic and financial consequences of COVID-19, we will not achieve our profit target of €2.8bn for the whole of 2020, assuming the claims burden from man-made major losses and natural catastrophes remains within our expectations. Given the ongoing high uncertainties, we reiterated our withdrawal of the original result forecast when we published our Q1 results in May 2020.

When publishing our Q1 results in May, we also retracted our profit target for the reinsurance field of business, the forecast for the combined ratio in property-casualty reinsurance, and the Group economic earnings target. In our outlook at the beginning of the year, we had stated a profit target of around €2.3bn for the reinsurance field of business. In our forecast in the Annual Report 2019, we had assumed a combined ratio of 97%. As regards economic earnings, we had originally posted a target of over €2.8bn for the 2020 financial year.

We continue to anticipate very high levels of uncertainty as regards macroeconomic development and the financial consequences of COVID-19, and do not expect this uncertainty to reduce before the beginning of 2021. In the light of this uncertainty, we are not announcing a new profit target for the full financial year after the first half of 2020. This target remains retracted, as do the sub-targets withdrawn at the beginning of May. Furthermore, we are withdrawing our forecast of around €550m for the technical result including the result from business with non-significant risk transfer in life and health reinsurance.

At 1 July 2020, a volume of around €3.5bn, or around 21% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. About 31% of this was from North America, 21% from Australia and 22% from worldwide business. These renewals comprised a significant percentage of natural catastrophe business – around 20% of premium worldwide. Premium volume rose by approximately 8% to around €3.8bn. Of the increase, 69% pertains to property, 14% to casualty, and 17% to special lines. Prices for reinsurance cover are rising in particular in loss-affected portfolios across all regions, but especially so in US business. Primary insurance prices are also increasing in many markets. COVID-19 and its financial effects have contributed positively to a hardening of the market. When selecting a reinsurer, quality is once again playing a more important role. These effects explain the considerable increase in the price level of around 2.8%.

Owing to profitable growth, we anticipate premium income of around €54bn for the Group. At the beginning of the year we had expected around €52bn. In the reinsurance field of business, we can increase our prognosis from around €34bn to around €36bn.

The losses caused by the coronavirus and the economic downturn caused by the pandemic will have a significant impact on Munich Re. The risk of a second wave of infections is still present. It is difficult to forecast how significant the burden will actually be for Munich Re. While pandemic risk was generally excluded in property-casualty reinsurance, COVID-19 is producing insured losses as a result of the cancellation and postponement of further major events in particular. Losses are also to be expected as a consequence of the economic downswing. Our loss expectations in life and health reinsurance depend heavily on how the fatality figures develop, particularly in North America, which is a very significant market for us. The USA in particular continues to report very high levels of new infections. This uncertainty will remain high until such time as a vaccination or treatment is available, or measures to contain the pandemic take effect. Depending on the extent of the economic downturn, increasing expenditure in disability business is anticipated.

The upcoming hurricane season also contributes to the uncertainty and makes it more difficult to provide a solid prognosis.

Depending on the length and severity of the coronavirus pandemic, we continue to expect uncertainty in terms of claims experience in other lines of business, such as business interruption and credit insurance.

Given the current extremely advantageous conditions for growth in our reinsurance business, we intend to actively use our capital for this purpose and will not implement the 2020/2021 share buy-back programme.

In the light of the very considerable uncertainty concerning the further development of the coronavirus pandemic, particular emphasis is placed on monitoring the risk situation – including compared to year-end 2019. In the context of our risk strategy and downstream accumulation risk control, our exposure to a global pandemic is limited. In addition to the risks on the insurance side, our pandemic scenario also considers capital market risk and a rise in credit risk which can occur as a result of the pandemic's impact on the global economy.

Our claims burden in life and health reinsurance depends heavily on how the fatality figures develop, particularly in North America. It is also possible that we will see an increase in policy benefits arising from disability business. In the property-casualty reinsurance segment, COVID-19-related losses are currently dominated by the insurance of major events. However, there may also be indirect downstream losses, such as in credit reinsurance.

The international financial markets were characterised by significant volatility in the first half of 2020, which also had an impact on available own funds under Solvency II. Despite a considerable recovery in the financial markets in Q2, there is still a high level of uncertainty as regards the length and severity of the recessions in many countries and their impact on the international financial markets. For Munich Re, this entails risks related to a possible widening of credit risk spreads for bonds. Further loss potential for Munich Re may derive from reductions in the market values of shares and property, and from a further decline in interest rates.

Despite the current burden of COVID-19, Munich Re continues to rest on a very solid capital base. Even if we were to receive insurance claims and be impacted by adverse capital market effects in the range of a 200-year event, as calculated by Munich Re's internal pandemic model, our solvency ratio would still be within our communicated optimal range of 175% to 220% (without application of the transitional measures).

All other statements relating to opportunities and risks as presented in the Munich Re (Group) Annual Report 2019 apply unchanged.

Condensed interim consolidated financial statements

Consolidated balance sheet
as at 30 June 2020

Assets

	30.6.2020		31.12.2019	Change		
	€m	€m	€m	€m	%	
A. Intangible assets						
I. Goodwill		2,936	2,941	-4	-0.1	
II. Other intangible assets		1,228	1,240	-11	-0.9	
			4,165	4,180	-16	-0.4
B. Investments						
I. Land and buildings, including buildings on third-party land		6,730	5,989	741	12.4	
II. Investments in affiliated companies, associates and joint ventures		3,094	2,847	247	8.7	
Thereof: Associates and joint ventures accounted for using the equity method		2,848	2,625	223	8.5	
III. Loans		51,857	52,507	-650	-1.2	
IV. Other securities						
1. Available for sale	151,773		151,558	215	0.1	
2. At fair value through profit or loss	3,503		2,781	722	26.0	
		155,276	154,338	937	0.6	
V. Deposits retained on assumed reinsurance		8,089	7,938	151	1.9	
VI. Other investments		5,035	5,144	-109	-2.1	
			230,080	228,764	1,316	0.6
C. Insurance-related investments			10,104	9,163	941	10.3
D. Ceded share of technical provisions			5,338	4,937	401	8.1
E. Receivables						
I. Current tax receivables		766	699	67	9.6	
II. Other receivables		25,212	21,539	3,673	17.1	
			25,978	22,238	3,740	16.8
F. Cash at banks, cheques and cash in hand			5,831	4,994	837	16.8
G. Deferred acquisition costs						
Gross		9,535	9,664	-129	-1.3	
Ceded share		-436	-393	-43	-11.0	
Net			9,099	9,272	-173	-1.9
H. Deferred tax assets			304	316	-12	-3.8
I. Other assets			3,196	3,289	-93	-2.8
J. Assets held for sale			264	400	-136	-34.1
Total assets			294,358	287,553	6,805	2.4

Equity and liabilities

		30.6.2020	31.12.2019	Change	
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,432		7,421	12	0.2
II. Retained earnings	13,494		12,804	690	5.4
III. Other reserves	7,937		7,510	427	5.7
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	802		2,724	-1,923	-70.6
V. Non-controlling interests	101		117	-16	-13.7
		29,766	30,576	-810	-2.6
B. Subordinated liabilities		3,709	3,839	-130	-3.4
C. Gross technical provisions					
I. Unearned premiums	10,925		10,518	407	3.9
II. Provision for future policy benefits	113,111		112,302	809	0.7
III. Provision for outstanding claims	72,116		70,875	1,241	1.8
IV. Other technical provisions	20,818		21,011	-193	-0.9
		216,970	214,706	2,263	1.1
D. Gross technical provisions for unit-linked life insurance		7,472	8,172	-700	-8.6
E. Other provisions		5,482	5,291	191	3.6
F. Liabilities					
I. Bonds and notes issued	297		297	0	0.0
II. Deposits retained on ceded business	1,196		1,028	168	16.3
III. Current tax liabilities	1,866		1,913	-47	-2.5
IV. Other liabilities	25,158		19,643	5,515	28.1
		28,517	22,882	5,635	24.6
G. Deferred tax liabilities		2,325	1,908	417	21.9
H. Liabilities related to assets held for sale		117	179	-63	-34.8
Total equity and liabilities		294,358	287,553	6,805	2.4

Consolidated income statement¹

1 January to 30 June 2020

	Q1-2 2020		Q1-2 2019		Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	27,112			25,175	1,937	7.7
1. Earned premiums						
Gross	26,427			24,721	1,706	6.9
Ceded	-1,266			-1,243	-23	-1.9
Net		25,161		23,478	1,683	7.2
2. Income from technical interest		1,985		3,499	-1,514	-43.3
3. Expenses for claims and benefits						
Gross	-21,201			-19,436	-1,764	-9.1
Ceded	820			535	286	53.5
Net		-20,381		-18,902	-1,479	-7.8
4. Operating expenses						
Gross	-6,528			-6,459	-69	-1.1
Ceded	281			277	4	1.4
Net		-6,247		-6,182	-65	-1.0
5. Technical result (1-4)			519	1,893	-1,374	-72.6
6. Investment result		3,617		3,676	-59	-1.6
Thereof:						
Income from associates and joint ventures accounted for using the equity method		29		79	-50	-63.6
7. Insurance-related investment result		-549		680	-1,229	-
8. Other operating income		476		416	61	14.6
9. Other operating expenses		-925		-976	51	5.2
10. Deduction of income from technical interest		-1,985		-3,499	1,514	43.3
11. Non-technical result (6-10)			634	297	337	113.5
12. Operating result (5+11)			1,153	2,190	-1,037	-47.4
13. Other non-operating result			-17	-73	55	76.4
14. Currency result			167	85	81	95.4
15. Net finance costs			-110	-110	1	0.7
16. Taxes on income			-393	-466	74	15.8
17. Consolidated result (12-16)			800	1,626	-826	-50.8
Thereof:						
Attributable to Munich Reinsurance Company equity holders			802	1,625	-823	-50.7
Attributable to non-controlling interests			-1	1	-3	-
			€	€	€	%
Earnings per share			5.71	11.22	-5.52	-49.2

¹ Previous year's figures adjusted owing to IAS 1 (see "Recognition and measurement") and IAS 8 (see 2019 Annual Report).

Consolidated income statement¹

1 April to 30 June 2020

	Q2 2020		Q2 2019		Change	
	€m	€m	€m	€m	€m	%
Gross premiums written	12,827			11,799	1,028	8.7
1. Earned premiums						
Gross	13,198			12,332	866	7.0
Ceded	-683			-486	-197	-40.6
Net		12,515		11,846	669	5.6
2. Income from technical interest		1,727		1,549	179	11.5
3. Expenses for claims and benefits						
Gross	-11,182			-9,118	-2,063	-22.6
Ceded	433			130	302	232.2
Net		-10,749		-8,988	-1,761	-19.6
4. Operating expenses						
Gross	-3,242			-3,303	60	1.8
Ceded	149			141	7	5.2
Net		-3,094		-3,161	68	2.1
5. Technical result (1-4)			400	1,245	-846	-67.9
6. Investment result		1,697		1,919	-222	-11.6
Thereof:						
Income from associates and joint ventures accounted for using the equity method		17		32	-16	-48.5
7. Insurance-related investment result		596		127	470	371.0
8. Other operating income		249		213	36	16.9
9. Other operating expenses		-459		-537	77	14.4
10. Deduction of income from technical interest		-1,727		-1,549	-179	-11.5
11. Non-technical result (6-10)			356	174	182	104.9
12. Operating result (5+11)			755	1,419	-663	-46.8
13. Other non-operating result			-6	-54	48	88.4
14. Currency result			23	27	-4	-14.6
15. Net finance costs			-55	-55	0	-0.9
16. Taxes on income			-138	-344	206	59.9
17. Consolidated result (12-16)			579	993	-414	-41.7
Thereof:						
Attributable to Munich Reinsurance Company equity holders			580	993	-413	-41.6
Attributable to non-controlling interests			-1	1	-2	-
			€	€	€	%
Earnings per share			4.14	6.88	-2.74	-39.8

¹ Previous year's figures adjusted owing to IAS 1 (see "Recognition and measurement") and IAS 8 (see 2019 Annual Report).

Consolidated income statement¹ (quarterly breakdown)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	€m	€m	€m	€m	€m	€m
Gross premiums written	12,827	14,284	12,540	13,743	11,799	13,375
1. Earned premiums						
Gross	13,198	13,229	13,188	12,964	12,332	12,389
Ceded	-683	-583	-674	-677	-486	-757
Net	12,515	12,646	12,515	12,287	11,846	11,632
2. Income from technical interest	1,727	258	1,477	1,753	1,549	1,950
3. Expenses for claims and benefits						
Gross	-11,182	-10,019	-10,910	-10,711	-9,118	-10,318
Ceded	433	388	448	391	130	404
Net	-10,749	-9,632	-10,462	-10,321	-8,988	-9,914
4. Operating expenses						
Gross	-3,242	-3,285	-3,850	-3,307	-3,303	-3,156
Ceded	149	133	157	126	141	136
Net	-3,094	-3,153	-3,693	-3,182	-3,161	-3,020
5. Technical result (1-4)	400	119	-164	538	1,245	647
6. Investment result	1,697	1,920	1,996	2,150	1,919	1,757
Thereof:						
Income from associates and joint ventures accounted for using the equity method	17	12	93	35	32	47
7. Insurance-related investment result	596	-1,145	294	208	127	554
8. Other operating income	249	227	530	231	213	203
9. Other operating expenses	-459	-466	-784	-530	-537	-439
10. Deduction of income from technical interest	-1,727	-258	-1,477	-1,753	-1,549	-1,950
11. Non-technical result (6-10)	356	278	560	306	174	123
12. Operating result (5+11)	755	397	397	844	1,419	771
13. Other non-operating result	-6	-11	-9	-10	-54	-18
14. Currency result	23	144	-241	228	27	58
15. Net finance costs	-55	-55	-56	-55	-55	-56
16. Taxes on income	-138	-255	127	-143	-344	-122
17. Consolidated result (12-16)	579	221	217	865	993	633
Thereof:						
Attributable to Munich Reinsurance Company equity holders	580	222	216	884	993	632
Attributable to non-controlling interests	-1	-1	1	-19	1	0
	€	€	€	€	€	€
Earnings per share	4.14	1.57	1.52	6.17	6.88	4.35

¹ Previous year's figures adjusted owing to IAS 1 (see "Recognition and measurement") and IAS 8 (see 2019 Annual Report).

Statement of recognised income and expense

1 January to 30 June 2020

€m	Q1-2 2020	Q1-2 2019
Consolidated result	800	1,626
Currency translation		
Gains (losses) recognised in equity	-280	126
Recognised in the consolidated income statement	0	0
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	1,346	3,786
Recognised in the consolidated income statement	-560	-306
Change resulting from equity method measurement		
Gains (losses) recognised in equity	0	-11
Recognised in the consolidated income statement	-71	0
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	-1	1
Recognised in the consolidated income statement	0	0
Other changes	0	3
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	436	3,600
Remeasurements of defined benefit plans	-298	-458
Other changes	0	0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-298	-458
Income and expense recognised directly in equity (I + II)	138	3,141
Total recognised income and expense	938	4,767
Thereof:		
Attributable to Munich Reinsurance Company equity holders	938	4,762
Attributable to non-controlling interests	0	5

Statement of recognised income and expense

1 April to 30 June 2020

€m		Q2 2020	Q2 2019
Consolidated result		579	993
Currency translation			
Gains (losses) recognised in equity	-175		-200
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	2,062		1,660
Recognised in the consolidated income statement	-155		-246
Change resulting from equity method measurement			
Gains (losses) recognised in equity	6		-4
Recognised in the consolidated income statement	-71		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	0		1
Recognised in the consolidated income statement	0		0
Other changes	0		1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,667		1,212
Remeasurements of defined benefit plans	-209		-209
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-209		-209
Income and expense recognised directly in equity (I + II)		1,459	1,003
Total recognised income and expense		2,038	1,996
Thereof:			
Attributable to Munich Reinsurance Company equity holders		2,034	1,995
Attributable to non-controlling interests		4	2

Group statement of changes in equity

	Issued capital	Capital reserve
€m		
Balance at 31.12.2018	573	6,845
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase of own shares	-7	0
Retirement of own shares	21	0
Balance at 30.6.2019	586	6,845
Balance at 31.12.2019	576	6,845
Allocation to retained earnings	0	0
Consolidated result	0	0
Income and expense recognised directly in equity	0	0
Currency translation	0	0
Unrealised gains and losses on investments	0	0
Change resulting from equity measurement method	0	0
Change resulting from cash flow hedges	0	0
Remeasurements of defined benefit plans	0	0
Other changes	0	0
Total recognised income and expense	0	0
Change in shareholdings in subsidiaries	0	0
Change in consolidated group	0	0
Dividend	0	0
Purchase of own shares	-6	0
Retirement of own shares	17	0
Balance at 30.6.2020	588	6,845

Equity attributable to Munich Reinsurance Company equity holders					Non-controlling interests	Total equity	
Retained earnings		Other reserves			Consolidated result		
Retained earnings before deduction of own shares	Treasury shares	Unrealised gains and losses	Currency translation reserve	Remeasurement gains/losses from cash flow hedges			
13,883	-681	2,715	709	16	2,310	131	26,500
975	0	0	0	0	-975	0	0
0	0	0	0	0	1,625	1	1,626
-463	0	3,471	127	2	0	4	3,141
0	0	0	127	0	0	-1	126
0	0	3,475	0	0	0	5	3,480
-8	0	-4	0	0	0	0	-11
0	0	0	0	1	0	0	1
-458	0	0	0	0	0	0	-458
3	0	0	0	0	0	0	3
-463	0	3,471	127	2	1,625	5	4,767
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	-1,335	0	-1,335
0	-382	0	0	0	0	0	-389
-1,000	979	0	0	0	0	0	0
13,395	-84	6,187	836	18	1,625	136	29,543
13,445	-641	6,362	1,131	17	2,724	117	30,576
1,351	0	0	0	0	-1,351	0	0
0	0	0	0	0	802	-1	800
-290	0	713	-280	-6	0	1	138
0	0	0	-280	0	0	0	-280
0	0	786	0	0	0	1	787
8	0	-73	0	-6	0	0	-70
0	0	0	0	-1	0	0	-1
-298	0	0	0	0	0	0	-298
0	0	0	0	0	0	0	0
-290	0	713	-280	-6	802	0	938
0	0	0	0	0	0	0	0
0	0	0	0	0	0	-1	-1
0	0	0	0	0	-1,373	-15	-1,388
0	-354	0	0	0	0	0	-359
-1,012	995	0	0	0	0	0	0
13,494	0	7,076	851	10	802	101	29,766

Condensed consolidated cash flow statement

1 January to 30 June 2020

€m	Q1-2 2020	Q1-2 2019
Consolidated result	800	1,626
Net change in technical provisions	1,186	6,205
Change in deferred acquisition costs	141	124
Change in deposits retained on assumed and ceded business	236	369
Change in other receivables and liabilities	1,090	-2,407
Gains and losses on the disposal of investments and insurance-related investments	-2,016	-572
Change in securities at fair value through profit or loss	47	-522
Change in other balance sheet items	323	1,324
Other non-cash income and expenses	2,567	-344
I. Cash flows from operating activities	4,374	5,802
Change from losing control of consolidated subsidiaries	0	-63
Change from obtaining control of consolidated subsidiaries	-2	0
Change from the acquisition, sale and maturity of investments	-115	-4,583
Change from the acquisition, sale and maturity of insurance-related investments	-1,984	399
Other	-265	-745
II. Cash flows from investing activities	-2,367	-4,992
Inflows from increases in capital and from non-controlling interests	0	0
Outflows to ownership interests and non-controlling interests	-359	-389
Dividend payments	-1,388	-1,335
Change from other financing activities	566	137
III. Cash flows from financing activities	-1,181	-1,587
Cash flows for the financial year (I + II + III)¹	826	-777
Effect of exchange-rate changes on cash and cash equivalents	19	-63
Cash at the beginning of the financial year	4,994	4,986
Cash at 30 June of the financial year	5,838	4,145
Thereof:		
Cash not attributable to disposal group	5,831	4,125
Cash attributable to disposal group	7	20

1 Cash mainly comprises cash at banks.

Selected notes to the consolidated financial statements

Recognition and measurement

This Half-Year Financial Report as at 30 June 2020 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and interpretations from the IFRS Interpretations Committee whose application is mandatory for Munich Re for the first time for periods beginning on 1 January 2020. For existing or unchanged IFRSs, the same principles of recognition, measurement, consolidation and disclosure have been applied as in our consolidated financial statements as at 31 December 2019, with the exception of the changes mentioned below. In accordance with the rules of IFRS 4, underwriting items are recognised and measured on the basis of US GAAP (United States Generally Accepted Accounting Principles) at first-time adoption of IFRS 4 on 1 January 2005.

As of the financial year 2020, application of the following new or amended IFRSs is mandatory for the first time:

- Amendments to the references to the framework in other IFRSs (rev. 03/2018)
- Amendment to IFRS 3 (rev. 10/2018), Definition of a Business
- Amendment to IAS 1 and IAS 8 (rev. 10/2018), Definition of Material
- Amendment to IFRS 9, IAS 39 and IFRS 7 (rev. 09/2019) with regard to the effects of the IBOR reform (Phase 1)

With the exception of the amendment to IFRS 3, these amendments have little or no material effect on Munich Re.

IFRS 16, Leases (rev. 05/2020) was also amended to include COVID-19-Related Rent Concessions. As mandated by the IASB, this amendment is applicable as of 1 June 2020,

however it has not yet been adopted into European law, and has no bearing on Munich Re as there is no instance of application.

The IASB issued amendments to IFRS 17 in June 2020. In addition to a number of substantive changes, there is a provision to delay mandatory first-time application of IFRS 17 until 1 January 2023. At the same time, the exception for insurance companies regarding first-time application of IFRS 9 has been extended until 1 January 2023. These amendments have not yet been adopted into European law.

Postponing the first-time application of IFRS 9 required evidence on the basis of the financial statements as at 31 December 2015 that most of the Group's activity is in insurance. Insurance business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. At Munich Re, liabilities related to insurance business accounted for a share of around 96.5% of total liabilities as at 31 December 2015. In the meantime, there have been no changes to our business activities that would necessitate a reassessment.

The measurement of our investments under IFRS 9 is partly geared to their contractual cash flows. If these only comprise the payment of principal and interest on the amount outstanding, measurement is based either on amortised cost or - without impact on profit or loss - on the fair value, depending on the business model. This does not apply in particular to equities and derivatives, or to complex structured products. These are measured at fair value through profit or loss. The measurement of our investments under IFRS 9 will thus differ from our current measurement. The objective of the following table is therefore to achieve comparability in terms of the measurement of our investments with those undertakings that already apply IFRS 9.

Disclosures relating to fair value

€m	Cash flow requirement met ¹			Cash flow requirement not met ²		
	30.6.2020	31.12.2019	Change	30.6.2020	31.12.2019	Change
Loans						
Mortgage loans	8,271	7,883	387	0	0	0
Other loans	48,598	48,060	538	8,069	8,491	-423
Other securities available for sale						
Fixed-interest securities						
Government bonds						
Germany	7,449	6,609	841	11	11	0
Rest of EU	28,264	29,922	-1,658	88	91	-3
USA	18,955	17,524	1,431	0	0	0
Other	23,388	21,326	2,062	39	40	-1
Corporate debt securities	48,098	46,898	1,200	1,040	1,092	-52
Other	8,530	8,213	317	342	394	-52
Non-fixed-interest securities						
Equities	0	0	0	9,331	13,286	-3,955
Investment funds						
Equity funds	0	0	0	440	453	-13
Bond funds	0	0	0	1,854	1,818	36
Real estate funds	0	0	0	329	328	1
Other	0	0	0	3,615	3,552	63
Other securities at fair value through profit or loss						
Held for trading	16	16	0	3,055	2,220	835
Securities designated as at fair value through profit and loss	18	42	-23	413	504	-91
Other investments						
Deposits with banks	3,698	3,775	-77	0	0	0
Insurance-related investments						
Investments for unit-linked life insurance contracts	0	0	0	6,957	7,726	-769
Other insurance-related investments	448	201	248	2,699	1,237	1,462

1 Excluding investments measured at fair value through profit or loss in accordance with IFRS 9, irrespective of whether they meet the cash-flow requirements.

2 Including investments measured at fair value through profit or loss in accordance with IFRS 9, irrespective of whether they meet the cash-flow requirements.

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

Ratings for investments that meet the cash flow requirement

€m	30.6.2020	31.12.2019
AAA	65,142	65,957
AA	55,248	53,106
A	24,868	24,722
BBB	24,787	23,622
Lower	7,131	5,765
No rating	1,419	1,121
Total	178,595	174,293

From a Group perspective, investments not low in credit risk – i.e. rated BB or lower, and measured at amortised cost under IAS 39 – made up a negligible share of overall investments.

Investments held by subsidiaries already required to use IFRS 9 under local regulations also accounted for a negligible share of overall investments from a Group perspective.

In terms of numbers and size, associates and joint ventures already required to use IFRS 9 under local regulations and accounted for in Munich Re’s consolidated financial statements using the equity method were immaterial. Therefore, these entities have not been remeasured, and no detailed information has been disclosed.

At the beginning of Q1 2020, we made some changes to the way we account for project costs, innovation costs and Finance Division costs in particular, such that ongoing and

one-time expenditure is shown in a more transparent and consistent way. This resulted in reclassifications in the consolidated and segment income statements and an adjustment of the previous year’s figures in line with IAS 1.41 in the first half-year, without impact on profit or loss. The changes lead to a reduction of €84m in net operating expenses and have an impact of €35m on the investment result, €3m on the insurance-related investment result, –€375m on the other operating result and €254m on the other non-operating result for the first half of 2019.

The amendments to IFRS 3 (rev. 10/2018), Definition of a Business, were adopted into European law in April 2020. These amendments are applicable to business combinations and assets acquired on or after 1 January 2020. In addition to changing the definition of a business, these amendments make it possible in particular to assess more easily whether an acquisition is considered a business with the help of a fair value concentration test.

The high-rise office building at 330 Madison Avenue in New York City acquired on 28 February 2020 was recognised in the Half-Year Financial Report as at 30 June 2020 as the acquisition of an asset because the fair value of the gross assets acquired was almost entirely attributable to the property. This has no impact on the balance sheet found in the Annual Report as at 31 December 2019, in which the acquisition was disclosed as an event after the balance sheet date in the Notes to the financial statements.

Material effects on Munich Re as a result of the COVID-19 pandemic are mentioned in the Notes and the management report. We have subjected all relevant items to an appropriate test, including goodwill and bonds. With regard to the effects on the technical reserves, please refer to “Segment reporting”. For information about the effects on our equity portfolio, please see the Notes to the consolidated balance sheet – Investments. The analyses conducted did not identify any further material impact on the balance sheet.

Changes in the consolidated group

In Q2 2020, the transaction to sell the Closed Joint Stock Company Insurance Company, Minsk, was completed, see Other information – Non-current assets and disposal groups held for sale and sold during the reporting period.

In March 2020, the transaction for Munich Re to acquire further shares in Next Insurance Inc., Wilmington, via its subsidiary, ERGO Group AG, Düsseldorf, was completed. The latter now holds 33.5% of the shares.

On 8 June 2020, Munich Re signed a shareholders' agreement and capital increase agreement via its subsidiary, ERGO Versicherung AG, Düsseldorf, in which Munich Re agreed to subscribe to 24.9% of the voting shares in Taishan Property & Casualty Insurance Co., Ltd., Shandong. Through this agreement, Munich Re will acquire joint control of the company. The capital increase is expected to take place in Q3, subject to approval by the competent authorities.

On 18 June 2020, via its subsidiary, MR Gotham LP, Delaware, Munich Re completed the acquisition of around 20% of the voting shares in Astoria Power Partners Holding LLC, Delaware. The latter indirectly holds 100% of the shares of Astoria Energy I and 55% of the shares of Astoria Energy II. The two combined-cycle power stations in the New York City borough of Queens have a combined total power generation capacity of 1.2 gigawatts and are a cornerstone of energy supply security in Greater New York.

On 30 January 2020, Munich Re acquired 100% of the voting shares in the wind park company FW Żary Sp. z o.o., Warsaw, via its subsidiary MR RENT-Investment GmbH, Munich. The company has concluded a general contractor agreement for the turnkey construction of a wind park in Poland, with completion scheduled for 2021.

Foreign currency translation

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

Segment reporting

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

We have identified five segments to be reported:

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

At the beginning of the first quarter of 2020, we reclassified Group-wide costs in the segment income statement in line with the consolidated income statement without impact on profit or loss, see also "Recognition and measurement". The figures from the previous year were adjusted in line with IAS 1.41.

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

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

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

Segment assets

€m	Reinsurance			
	Life and health		Property-casualty	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
A. Intangible assets	299	319	2,288	2,316
B. Investments				
I. Land and buildings, including buildings on third-party land	185	190	3,118	2,369
II. Investments in affiliated companies, associates and joint ventures	55	48	1,812	1,827
Thereof:				
Associates and joint ventures accounted for using the equity method	26	27	1,722	1,761
III. Loans	484	471	606	536
IV. Other securities				
1. Available for sale	23,425	22,661	48,719	50,533
2. At fair value through profit or loss	110	83	1,402	897
	23,536	22,744	50,122	51,431
V. Deposits retained on assumed reinsurance	4,975	4,791	3,055	3,082
VI. Other investments	416	722	2,835	2,858
	29,650	28,967	61,549	62,103
C. Insurance-related investments	2,525	1,070	518	290
D. Ceded share of technical provisions	1,868	1,529	2,742	2,732
E. Assets held for sale	1	10	17	157
F. Other segment assets	17,359	14,826	14,672	13,852
Total segment assets	51,700	46,721	81,785	81,449

Segment equity and liabilities

€m	Reinsurance			
	Life and health		Property-casualty	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
A. Subordinated liabilities	879	956	2,818	2,871
B. Gross technical provisions				
I. Unearned premiums	397	337	7,553	7,583
II. Provision for future policy benefits	12,573	12,607	26	26
III. Provision for outstanding claims	9,885	9,563	51,420	50,696
IV. Other technical provisions	214	340	216	274
	23,069	22,848	59,215	58,579
C. Gross technical provisions for unit-linked life insurance contracts	0	0	0	0
D. Other provisions	187	233	684	805
E. Liabilities related to assets held for sale	0	0	0	0
F. Other segment liabilities	14,575	10,522	9,675	8,049
Total segment liabilities	38,710	34,559	72,392	70,303

							ERGO		Total
Life and Health Germany		Property-casualty Germany		International					
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019		
195	199	1,208	1,170	176	175	4,165	4,180		
3,075	3,101	227	225	124	105	6,730	5,989		
352	378	102	113	772	481	3,094	2,847		
298	322	44	43	758	471	2,848	2,625		
49,040	49,713	1,360	1,433	367	354	51,857	52,507		
57,509	56,676	5,258	5,334	16,862	16,353	151,773	151,558		
1,548	1,336	46	23	396	441	3,503	2,781		
59,057	58,013	5,303	5,357	17,258	16,794	155,276	154,338		
41	43	18	22	0	0	8,089	7,938		
1,421	1,329	217	74	146	161	5,035	5,144		
112,986	112,577	7,228	7,222	18,668	17,895	230,080	228,764		
4,799	5,216	0	0	2,262	2,587	10,104	9,163		
12	14	124	52	592	610	5,338	4,937		
0	0	0	0	246	234	264	400		
7,449	7,034	2,002	1,637	2,926	2,760	44,408	40,109		
125,441	125,039	10,562	10,082	24,869	24,262	294,358	287,553		

							ERGO		Total
Life and Health Germany		Property-casualty Germany		International					
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019		
0	0	0	0	13	13	3,709	3,839		
254	282	880	507	1,840	1,809	10,925	10,518		
90,527	89,698	401	409	9,584	9,562	113,111	112,302		
2,912	2,970	4,926	4,779	2,974	2,868	72,116	70,875		
19,521	19,574	100	99	766	724	20,818	21,011		
113,214	112,525	6,307	5,793	15,164	14,962	216,970	214,706		
5,124	5,572	0	0	2,347	2,600	7,472	8,172		
2,124	1,992	1,207	1,061	1,280	1,200	5,482	5,291		
0	0	0	0	117	179	117	179		
4,639	4,282	612	631	1,341	1,306	30,843	24,790		
125,102	124,370	8,126	7,486	20,263	20,260	264,593	256,978		
						Equity	29,766	30,576	
						Total equity and liabilities	294,358	287,553	

Segment income statement 1.1.-30.6.2020¹

€m	Reinsurance			
	Life and health		Property-casualty	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Gross premiums written	6,411	5,636	11,680	10,327
1. Net earned premiums	5,732	5,068	10,988	9,877
2. Income from technical interest	331	320	552	592
3. Net expenses for claims and benefits	-4,987	-4,199	-7,967	-5,865
4. Net operating expenses	-1,055	-1,061	-3,355	-3,238
5. Technical result (1-4)	21	129	217	1,366
6. Investment result	400	587	1,188	858
7. Insurance-related investment result	10	11	-32	-3
8. Other operating result	18	-11	-176	-228
9. Deduction of income from technical interest	-331	-320	-552	-592
10. Non-technical result (6-9)	96	266	428	35
11. Operating result (5+10)	118	395	645	1,401
12. Other non-operating result	0	-11	-8	-43
13. Currency result	14	42	191	114
14. Net finance costs	-20	-19	-63	-64
15. Taxes on income	-44	-71	-277	-337
16. Consolidated result (11-15)	67	335	488	1,071

1 Previous year's figures adjusted owing to IAS 1; see "Recognition and measurement".

In reinsurance, we incurred COVID-19-related losses owing in particular to the cancellation or postponement of major events, and to higher mortality. The effects of the pandemic on ERGO were immaterial in all segments. In the Property-casualty Germany segment, losses from business

interruption and event cancellation insurance were partly offset by lower losses in personal lines business, particularly in motor. Losses were spread across the different segments as follows: life and health reinsurance around €100m and property-casualty reinsurance approximately €1.4bn.

Segment income statement 1.4.-30.6.2020¹

€m	Reinsurance			
	Life and health		Property-casualty	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Gross premiums written	3,332	2,740	5,524	4,842
1. Net earned premiums	2,955	2,571	5,401	4,947
2. Income from technical interest	160	167	289	301
3. Net expenses for claims and benefits	-2,590	-2,115	-3,725	-2,679
4. Net operating expenses	-518	-579	-1,673	-1,620
5. Technical result (1-4)	7	44	291	948
6. Investment result	174	344	485	460
7. Insurance-related investment result	23	-2	9	-16
8. Other operating result	7	-14	-82	-135
9. Deduction of income from technical interest	-160	-167	-289	-301
10. Non-technical result (6-9)	44	161	122	9
11. Operating result (5+10)	51	205	414	957
12. Other non-operating result	0	-10	-7	-35
13. Currency result	20	22	57	75
14. Net finance costs	-10	-10	-31	-31
15. Taxes on income	-3	-54	-84	-262
16. Consolidated result (11-15)	59	154	348	704

1 Previous year's figures adjusted owing to IAS 1; see "Recognition and measurement".

							ERGO	Total
Life and Health Germany		Property-casualty Germany		International				
Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	
4,464	4,658	2,135	2,035	2,422	2,519	27,112	25,175	
4,489	4,595	1,718	1,642	2,234	2,295	25,161	23,478	
1,106	2,200	34	38	-38	348	1,985	3,499	
-4,897	-5,951	-1,067	-998	-1,462	-1,890	-20,381	-18,902	
-674	-691	-541	-533	-622	-659	-6,247	-6,182	
25	153	145	150	111	95	519	1,893	
1,757	2,000	93	71	179	160	3,617	3,676	
-392	457	0	0	-134	216	-549	680	
-148	-157	-79	-94	-64	-69	-449	-560	
-1,106	-2,200	-34	-38	38	-348	-1,985	-3,499	
110	99	-20	-61	19	-42	634	297	
135	253	125	89	130	53	1,153	2,190	
-3	-7	-5	-6	0	-6	-17	-73	
-26	-39	-11	-12	-1	-19	167	85	
-11	-11	-3	-2	-13	-14	-110	-110	
-25	-60	-35	0	-11	2	-393	-466	
69	135	71	69	105	16	800	1,626	

							ERGO	Total
Life and Health Germany		Property-casualty Germany		International				
Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	
2,149	2,311	696	686	1,126	1,219	12,827	11,799	
2,214	2,320	852	853	1,093	1,155	12,515	11,846	
1,016	944	17	19	245	118	1,727	1,549	
-2,953	-2,832	-524	-476	-957	-886	-10,749	-8,988	
-335	-357	-260	-270	-307	-336	-3,094	-3,161	
-59	75	85	127	75	51	400	1,245	
917	1,008	42	27	79	81	1,697	1,919	
358	92	0	0	206	52	596	127	
-55	-88	-40	-54	-39	-33	-210	-324	
-1,016	-944	-17	-19	-245	-118	-1,727	-1,549	
205	68	-16	-47	0	-18	356	174	
146	144	70	80	75	33	755	1,419	
0	-3	-2	-3	3	-3	-6	-54	
-47	-45	-2	-7	-5	-18	23	27	
-5	-5	-2	-1	-7	-7	-55	-55	
-30	-18	-14	-14	-8	3	-138	-344	
63	72	50	55	59	8	579	993	

Notes on determining the combined ratio¹

€m	Reinsurance				ERGO	
	Property-casualty		Property-casualty Germany		Property-casualty International ²	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Net earned premiums	10,988	9,877	1,718	1,642	1,604	1,647
Net expenses for claims and benefits	-7,967	-5,865	-1,067	-998	-1,013	-1,073
Net operating expenses	-3,355	-3,238	-541	-533	-483	-505
Loss-ratio calculation adjustments	7	7	11	21	9	10
Fire brigade tax and other expenses	10	10	15	13	11	13
Expenses for premium refunds	0	0	14	13	2	1
Other underwriting income	-4	-3	-25	-2	-5	-7
Change in remaining technical provisions and other underwriting expenses	1	0	8	-3	2	3
Adjusted net expenses for claims and benefits	-7,961	-5,858	-1,056	-976	-1,004	-1,062
Loss ratio	% 72.4	59.3	61.5	59.4	62.6	64.5
Combined ratio	% 103.0	92.1	92.9	91.9	92.7	95.2

1 Information on the combined ratio is provided in the 2019 Annual Report under "Important tools of corporate management".

2 Excluding life insurance business and health insurance conducted like life insurance.

Non-current assets by country¹

€m	30.6.2020	31.12.2019
Germany	7,277	7,322
USA	4,229	3,507
UK	538	554
France	426	429
Sweden	363	368
Spain	304	312
Poland	235	242
Malta	174	194
Italy	167	174
Austria	160	142
Belgium	131	131
Switzerland	94	93
Netherlands	92	94
Denmark	78	54
Portugal	72	71
Finland	64	64
Lithuania	53	53
Canada	51	56
Others	105	104
Total	14,613	13,963

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

Investments in non-current assets per segment¹

€m	Q1-2 2020	Q1-2 2019
Reinsurance - Life and health	15	27
Reinsurance - Property-casualty	828	157
ERGO Life and Health Germany	24	112
ERGO Property-casualty Germany	64	107
ERGO International	64	34
Total	995	437

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

Other segment disclosures

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Interest income	442	418	516	554
Interest expenses	-20	-8	-27	-17
Depreciation and amortisation	-25	-27	-52	-56
Other operating income	139	103	153	140
Other operating expenses	-121	-114	-329	-368
Income from associates and joint ventures accounted for using the equity method	1	1	9	64

	ERGO							Total
	Life and Health Germany		Property-casualty Germany		International			
€m	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Interest income	1,382	1,442	43	48	158	174	2,541	2,635
Interest expenses	-16	-25	-4	-8	-5	-11	-72	-69
Depreciation and amortisation	-26	-26	-23	-22	-28	-32	-153	-162
Other operating income	89	75	53	46	42	52	476	416
Other operating expenses	-237	-232	-132	-140	-107	-122	-925	-976
Income from associates and joint ventures accounted for using the equity method	9	8	0	0	11	7	29	79

Gross premiums written

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Europe	14,845	6,699	14,219	6,604
North America	7,366	3,668	6,855	3,374
Asia and Australasia	3,199	1,666	2,634	1,124
Africa, Middle East	972	440	802	391
Latin America	729	355	665	305
Total	27,112	12,827	25,175	11,799

Notes to the consolidated balance sheet

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

Intangible assets

Development of intangible assets

€m	Goodwill		Other intangible assets		Total	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Gross carrying amount at 31 Dec. previous year	4,498	4,460	4,674	4,352	9,172	8,812
Accumulated amortisation and impairment losses at 31 Dec. previous year	-1,557	-1,556	-3,434	-3,191	-4,991	-4,747
Carrying amount at 31 Dec. previous year	2,941	2,904	1,240	1,161	4,180	4,065
Currency translation differences	-4	7	-20	12	-24	19
Additions	2	1	90	142	92	143
Disposals	0	0	0	-6	0	-6
Reclassifications	0	0	0	-6	0	-6
Impairment losses reversed	0	0	0	0	0	0
Impairment losses	-2	-1	-80	-91	-82	-92
Carrying amount at 30 June financial year	2,936	2,911	1,228	1,213	4,165	4,124
Accumulated amortisation and impairment losses at 30 June financial year	-1,559	-1,557	-3,484	-3,354	-5,043	-4,911
Gross carrying amount at 30 June financial year	4,495	4,468	4,712	4,567	9,207	9,035

Investments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments and other items measured at fair value are allocated to one of the fair-value hierarchy levels of IFRS 13, which provides for three levels. 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.

Regularly, at each reporting date, we assess whether the allocation of our assets to the levels of the valuation hierarchy is still appropriate.

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

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

Valuation techniques for assets

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

Bonds with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters	Theoretical price	Money-market/swap interest-rate curve Issuer-specific spreads Volatility matrix	Hull-White model
CMS floaters with variable cap	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew	Replication model (Hagan)
Inverse CMS floaters	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew	Replication model (Hagan)
CMS steepeners	Theoretical price	OIS/swap interest-rate curve Issuer-specific spreads Volatility skew Correlation matrix	Replication model (Hagan) Stochastic volatility model
Convergence bonds	Theoretical price	Money-market/swap interest-rate curves Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan) Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
FIS loans against borrower's note	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield rate curve	Bachelier/ Normal Black, Present-value method
Funds	Pricing method	Parameters	Pricing model
Real estate funds	-	-	Net asset value
Alternative investment funds (e.g. private equity, infrastructure forestry)	-	-	Net asset value
Other	Pricing method	Parameters	Pricing model
Real estate	Theoretical market price	Interest-rate curve Market rents	Present-value method or valuation
Alternative direct investments (e.g. infrastructure, forestry)	Theoretical market price	Interest-rate curve (among others) Electricity price forecast and inflation forecast	Present-value method or valuation
Bank borrowing	Theoretical market price	Interest-rate curve	Present-value method

Insurance-linked derivatives (excluding variable annuities) are allocated to Level 3 of the fair value hierarchy. The derivative components of catastrophe bonds are measured based on the values supplied by brokers for the underlying bonds, which is why it is not possible to quantify the inputs used that were not based on observable market data. If no observable inputs are available for customised insurance-linked derivatives, the present-value method on the basis of current interest-rate curves and historical event data is used. Due to the low volume involved, the effects of alternative inputs and assumptions are immaterial.

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 and usually range between 0.5% and 50%, depending on the specific insurance product and current situation of the capital markets. Compared with the relevant market risk inputs for the determination of fair values, the impact on the fair value of an increase or decrease in lapse rates would be immaterial. The assumptions with regard to mortality are based on published mortality tables, which are adjusted with a view to the target markets and the actuaries'

expectations. The impact of these and other non-observable assumptions is not material. The dependency between different capital market inputs is modelled by correlation matrices. Where the valuation of these products is not based on observable inputs, which is usually the case, we allocate these products to Level 3 of the fair value hierarchy.

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

At 30 June 2020, we allocated around 9% (12%) of the investments measured at fair value to Level 1 of the fair value hierarchy, 87% (84%) to Level 2 and 4% (4%) to Level 3.

We reviewed the level allocation of our investments as part of the review process in the second quarter. No changes to level allocation were required as a result.

Allocation of investments measured at fair value to levels of the fair value hierarchy

	30.6.2020			
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	208	208
Investments in associates and joint ventures measured at fair value	0	0	38	38
Other securities available for sale				
Fixed-interest	78	134,699	1,427	136,205
Non-fixed-interest	9,572	1,836	4,160	15,568
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	507	2,584	5	3,096
Designated as at fair value through profit or loss	178	252	0	431
Other investments	0	10	298	308
Insurance-related investments	4,814	4,114	728	9,656
Total	15,149	143,496	6,865	165,509

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→	31.12.2019			
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	194	194
Investments in associates and joint ventures measured at fair value	0	0	29	29
Other securities available for sale				
Fixed-interest	60	130,617	1,443	132,120
Non-fixed-interest	13,577	1,747	4,114	19,438
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives ¹	324	1,939	0	2,263
Designated as at fair value through profit or loss	182	363	0	545
Other investments	0	10	302	313
Insurance-related investments	5,250	3,257	455	8,962
Total	19,393	137,933	6,537	163,863

1 Including hedging derivatives of €25m (27m) accounted for under "Other assets".

Gains (losses) recognised in the consolidated income statement are shown in the investment result or insurance-related investment result, while gains (losses) recognised in equity are shown in the statement of recognised income and expense for the first half of 2020 under "Unrealised gains and losses on investments" as "Gains (losses) recognised in equity". Gains (losses) recognised in the consolidated income statement that are attributable to investments

recognised at the end of the financial year are shown in the statement of recognised income and expense for the first half of 2020 under the line item "Unrealised gains and losses on investments" as "Recognised in the consolidated income statement".

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

Reconciliation for investments allocated to Level 3

€m	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Carrying amount at 31 Dec. previous year	194	177	29	36
Gains and losses	2	-2	2	2
Gains (losses) recognised in the income statement	-5	0	0	0
Gains (losses) recognised in equity	7	-1	2	2
Acquisitions	13	23	7	2
Disposals	0	-2	0	0
Transfer to Level 3	0	0	0	0
Transfer out of Level 3	0	-4	0	0
Changes in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	208	192	38	40
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	-5	0	0	0

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€m	Other securities available for sale			
	Fixed-interest		Non-fixed-interest	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
Carrying amount at 31 Dec. previous year	1,443	3,137	4,114	3,410
Gains and losses	-24	147	-175	20
Gains (losses) recognised in the income statement	-3	34	-30	-7
Gains (losses) recognised in equity	-21	113	-145	27
Acquisitions	23	524	440	548
Disposals	-15	-223	-219	-244
Transfer to Level 3	0	0	1	0
Transfer out of Level 3	0	-25	0	0
Changes in the fair value of derivatives	0	0	-1	0
Carrying amount at 30 June financial year	1,427	3,560	4,160	3,735
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	-3	34	-59	-35

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€m	Designated as at fair value through profit or loss		Held for trading, and hedging derivatives		Other investments	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
	Carrying amount at 31 Dec. previous year	0	0	0	1	302
Gains and losses	0	0	0	0	2	10
Gains (losses) recognised in the income statement	0	0	0	0	3	9
Gains (losses) recognised in equity	0	0	0	0	0	1
Acquisitions	1	0	5	5	1	22
Disposals	0	0	0	0	-8	-20
Transfer to Level 3	0	0	0	0	0	0
Transfer out of Level 3	0	0	0	0	0	0
Changes in the fair value of derivatives	0	0	0	0	0	0
Carrying amount at 30 June financial year	0	0	5	5	298	267
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	0	0	0	3	9

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€m	Insurance-related investments		Total	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
	Carrying amount at 31 Dec. previous year	455	233	6,537
Gains and losses	-2	47	-195	225
Gains (losses) recognised in the income statement	-6	44	-41	80
Gains (losses) recognised in equity	4	3	-154	145
Acquisitions	359	180	848	1,303
Disposals	-70	-60	-313	-550
Transfer to Level 3	0	0	1	0
Transfer out of Level 3	0	0	0	-29
Changes in the fair value of derivatives	-13	8	-13	8
Carrying amount at 30 June financial year	728	408	6,865	8,206
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	12	26	-52	35

Due to the effects of COVID-19 on the capital markets, we posted considerably higher write-downs of €1,464m (162m) on our equity portfolio in the first half of the year. Gains on equity derivatives of €182m were achieved (Q1-2 2019: losses of €545m).

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

Equity

Number of shares in circulation and number of treasury shares

€m	30.6.2020	31.12.2019
Number of shares in circulation	140,098,931	141,460,598
Number of treasury shares	0	2,857,263
Total	140,098,931	144,317,861

Subordinated liabilities

Breakdown of subordinated liabilities

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2020	31.12.2019
Munich Reinsurance Company, Munich, 3.25% until 2029, thereafter floating, €1,250m, Bonds 2018/2049	-	A	A2 (hyb)	-	1,241	1,261
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	a+	A	-	A	904	932
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	a+	A	-	A	498	552
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	a+	A	-	A	1,005	1,034
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €6m, Registered bonds 2001/perpetual	-	-	-	-	6	6
ERGO Versicherung Aktiengesellschaft, Vienna, secondary market yield on federal government bonds (Austria) +70 BP, €7m, Registered bonds 1998/perpetual	-	-	-	-	7	7
HSB Group Inc., Delaware, LIBOR +91 BP, US\$ 76m, Bonds 1997/2027	-	-	-	-	49	48
Total					3,709	3,839

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,082m (4,348m). For the Munich Reinsurance Company bonds, we take the stock market prices as fair values. For the other subordinated liabilities, we determine the fair values using present-value methods with observable market inputs.

Liabilities

Breakdown of bonds and notes issued

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2020	31.12.2019
Munich Re America Corporation, Wilmington, 7.45%, US\$ 334m, Senior Notes 1996/2026	a	A+	A2	A-	297	297
Total					297	297

We use the prices provided by price quoters to determine the fair value of the bonds and notes issued. The fair value at the reporting date amounts to €412m (384m).

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

Allocation of other liabilities measured at fair value to levels of the fair value hierarchy

€m				30.6.2020				31.12.2019
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	49	1,860	1,706	3,615	55	939	731	1,726

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

Gains (losses) recognised in the consolidated income statement are shown in the insurance-related investment result, while gains (losses) recognised in equity are shown in the statement of recognised income and expense for the first half of 2020 under the line item "Unrealised gains and

losses on investments" as "Gains (losses) recognised in equity". Gains (losses) recognised in the consolidated income statement that are attributable to liabilities recognised at the end of the financial year are shown in the statement of recognised income and expense for the first half of 2020 under "Unrealised gains and losses on investments" as "Recognised in the consolidated income statement".

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

Reconciliation for liabilities allocated to Level 3

€m	Other liabilities at fair value through profit or loss	
	Q1-2 2020	Q1-2 2019
Carrying amount at 31 Dec. previous year	731	652
Gains and losses	-559	8
Gains (losses) recognised in the income statement	-547	16
Gains (losses) recognised in equity	-12	-8
Acquisitions	579	128
Disposals	-150	-63
Transfer to Level 3	0	0
Transfer out of Level 3	0	0
Change in the fair value of derivatives	-13	8
Carrying amount at 30 June financial year	1,706	716
Gains (losses) recognised in the income statement that are attributable to liabilities shown at 30 June financial year	-512	8

Notes to the consolidated income statement

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

Premiums

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Gross premiums written	27,112	12,827	25,175	11,799
Change in gross unearned premiums	-685	371	-454	532
Gross earned premiums	26,427	13,198	24,721	12,332
Ceded premiums written	-1,286	-634	-1,307	-467
Change in unearned premiums - Ceded share	20	-49	64	-19
Earned premiums ceded	-1,266	-683	-1,243	-486
Net earned premiums	25,161	12,515	23,478	11,846

Expenses for claims and benefits

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Gross				
Claims and benefits paid	-18,193	-9,342	-16,319	-8,994
Change in technical provisions				
Provision for future policy benefits	369	-586	-589	-471
Provision for outstanding claims	-2,522	-831	-1,517	796
Provision for premium refunds	-822	-424	-962	-432
Other technical result	-32	1	-50	-17
Gross expenses for claims and benefits	-21,201	-11,182	-19,436	-9,118
Ceded share				
Claims and benefits paid	466	227	497	297
Change in technical provisions				
Provision for future policy benefits	247	141	205	-62
Provision for outstanding claims	130	99	-154	-102
Provision for premium refunds	0	0	0	0
Other technical result	-23	-35	-12	-2
Expenses for claims and benefits - Ceded share	820	433	535	130
Net				
Claims and benefits paid	-17,727	-9,115	-15,822	-8,698
Change in technical provisions				
Provision for future policy benefits	616	-445	-384	-533
Provision for outstanding claims	-2,392	-732	-1,670	694
Provision for premium refunds	-822	-424	-963	-432
Other technical result	-55	-33	-63	-19
Net expenses for claims and benefits	-20,381	-10,749	-18,902	-8,988

Operating expenses

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Acquisition costs, profit commission and reinsurance commission paid	-5,187	-2,414	-4,866	-2,341
Administrative expenses	-1,509	-761	-1,504	-758
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses on acquired insurance portfolios	168	-68	-89	-203
Gross operating expenses	-6,528	-3,242	-6,459	-3,303
Acquisition costs, profit commission and reinsurance commission paid	317	166	334	172
Change in deferred acquisition costs and contingent commissions	-36	-18	-57	-31
Operating expenses - Ceded share	281	149	277	141
Net operating expenses	-6,247	-3,094	-6,182	-3,161

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

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Land and buildings, including buildings on third-party land	498	115	315	185
Investments in affiliated companies	-10	-6	-23	-24
Investments in associates and joint ventures	29	17	79	32
Loans	1,239	806	1,003	466
Other securities available for sale				
Fixed-interest	2,061	964	2,057	1,040
Non-fixed-interest	-806	726	554	316
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	-4	17	7	1
Derivatives	737	-886	-266	-68
Designated at fair value through profit or loss				
Fixed-interest	1	14	9	4
Non-fixed-interest	-7	30	34	10
Deposits retained on assumed reinsurance, and other investments	166	70	181	106
Expenses for the management of investments, other expenses	-288	-169	-275	-150
Total	3,617	1,697	3,676	1,919

Result from insurance-related investments

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Result from investments for unit-linked life insurance contracts	-529	560	669	133
Result from other insurance-related investments	-20	36	11	-7
Total	-549	596	680	127

Other operating result

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Other operating income	476	249	416	213
Thereof:				
Interest and similar income	99	48	82	49
Write-ups of other operating assets	8	5	6	3
Other operating expenses	-925	-459	-976	-537
Thereof:				
Interest and similar charges	-65	-34	-68	-41
Write-downs of other operating assets	-21	-10	-48	-40

Other operating income in the first six months of the year mainly comprises income of €298m (254m) from services rendered, interest income of €27m (27m), income of €45m (24m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €13m (11m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €290m (242m) for services rendered, other operating expenses chiefly include interest

expenses of €58m (66m), thereof €4m (3m) from leases, and other tax of €69m (67m). They also contain expenses of €7m (7m) for owner-occupied property, some of which is also leased out.

The other operating result also includes a large share of the result from reinsurance treaties with non-significant risk transfer totalling €65m (52m). A total of €65m (50m) derives from the life and health reinsurance segment.

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

€m	Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Other non-operating result	-17	-6	-73	-54
Currency result	167	23	85	27
Net finance costs	-110	-55	-110	-55

The other non-operating result is unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. In the first six months, this item essentially comprised restructuring expenses of €3m (47m).

Other information

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

One of the investment properties held by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, München, was classified as held for sale as at the reporting date. No value adjustments were required in the process. The planned disposal date for the property is 1 January 2021.

The subsidiary Closed Joint Stock Company ERGO Insurance Company, Minsk was sold and deconsolidated in Q2 2020. This is one of several ERGO insurance companies operating in Eastern Europe that was first classified as held for sale in Q4 2018.

As at 30 June 2020, the subsidiary ERGO ASIGURARI DE VIATA S.A., Bucharest, was no longer classified as held for sale. The subsidiary was reclassified as soon as the requisite conditions were no longer met, which did not result in any material value adjustments in the reporting period.

The Cannock Chase Group, a group of seven Dutch subsidiaries belonging to DAS Legal Finance B.V., Amsterdam, is still classified as held for sale as at the reporting date. The sale of the group is expected to occur in the course of 2020.

The at-equity shareholding in Apollo Munich Health Insurance Co. Ltd., Hyderabad, that was classified as held for sale was renamed HDFC ERGO Health Insurance Limited, Hyderabad, in the first half of 2020.

The two insurance companies in eastern Europe, ERGO pojist'ovna, a.s., Prague, and ERGO ASIGURARI S.A., Bucharest, are also still classified as held for sale. First-time classification took place in Q4 2018. The transactions are subject to the approval of the local supervisory authorities. The sales are expected to close in the second half of 2020.

The other reserves of Group equity include an amount of €4.0m for disposal groups mainly attributable to unrealised gains on fixed-interest securities, and €1.3m in unrealised gains on the currency translation reserve.

The assets and liabilities of the disposal group and assets held for sale are shown in the following table:

Non-current assets and disposal groups held for sale

€m	30.6.2020	31.12.2019
Assets		
Land and buildings, including buildings on third-party land	18	77
Other securities available for sale	83	108
Other investments	1	8
Other assets of the disposal group	162	207
Total assets	264	400
Liabilities		
Gross technical provisions	99	159
Other liabilities of the disposal group	18	20
Total liabilities	117	179

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

Related parties

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

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

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

Number of staff

The number of staff employed by the Group as at 30 June 2020 totalled 18,714 (18,790) in Germany and 20,979 (20,872) in other countries.

Breakdown of number of staff

	30.6.2020	31.12.2019
Reinsurance	12,596	12,362
ERGO	27,097	27,300
Total	39,693	39,662

Contingent liabilities, other financial commitments

Contingent liabilities and other financial commitments that are important for assessing the Group's financial position show no material changes since 31 December 2019.

Earnings per share

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

Earnings per share

		Q1-2 2020	Q2 2020	Q1-2 2019	Q2 2019
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	802	580	1,625	993
Weighted average number of outstanding shares		140,473,567	140,098,931	144,745,006	144,228,570
Earnings per share	€	5.71	4.14	11.22	6.88

Events after the balance sheet date

No events of material significance have occurred since the balance sheet date.

Drawn up and released for publication,
 Munich, 5 August 2020.

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München, Munich

We have reviewed the interim condensed consolidated financial statements of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich – which comprise the consolidated balance sheet, consolidated income statement, statement of recognised income and expense, group statement of changes in equity, condensed consolidated cash flow statement and selected notes to the consolidated financial statements – and the interim management report for the period from 1 January to 30 June 2020, which are part of the half-year financial report pursuant to Sec. 115 WpHG (“Wertpapierhandels-gesetz”: German Securities Trading Act). The Company’s management is responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with the German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those

standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in material aspects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company’s employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit, we cannot issue an auditor’s report.

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

Munich, 5 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Kagermeier
Wirtschaftsprüfer
(German Public Auditor)

Dr. Ott
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

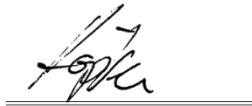
“To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the consolidated half-year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management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

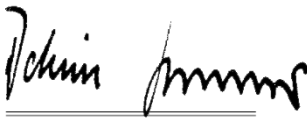
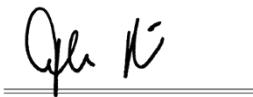
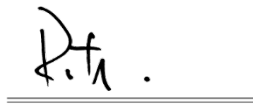
Munich, 5 August 2020



Bleumich

Gutle



Supervisory Board

Dr. Nikolaus von Bomhard
(Chairman)

Board of Management

Dr. Joachim Wenning
(Chairman)
Dr. Thomas Blunck
Nicholas Gartside
Dr. Doris Höpke
Dr. Torsten Jeworrek
Dr. Christoph Jurecka
Dr. Achim Kassow
Dr. Markus Rieß
Dr. Peter Röder

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

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

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Important dates 2020

5 November 2020

Quarterly Statement as at 30 September 2020

Important dates 2021

25 February 2021

Balance sheet media conference for 2020 financial statements (preliminary figures)

17 March 2021

Publication of Group Annual Report 2020

28 April 2021

Annual General Meeting

6 May 2021

Quarterly Statement as at 31 March 2021

10 August 2021

Half-Year Financial Report as at 30 June 2021

9 November 2021

Quarterly Statement as at 30 September 2021