

# Risk report

## Risk governance and risk management system

### Risk management organisation

#### Organisational structure

Munich Re set up a governance system that meets Solvency II requirements. The main elements of this system are the risk-management, compliance, actuarial and audit functions. At Group level, risk management is part of the Integrated Risk Management division (IRM) and reports to the Group Chief Risk Officer (Group CRO). In addition to the Group functions, there are risk management units ("mirror functions") in the fields of business.

#### Risk governance

Our risk governance ensures that an appropriate risk and control culture is in place by clearly assigning roles and responsibilities for all material risks. The Board of Management must consult the risk management function on major decisions to be taken. The appropriateness of our risk governance is reviewed by the Board of Management on a regular basis.

#### Defining the risk strategy

The risk strategy, which is aligned with Munich Re's business strategy, defines where, how and to what extent we are prepared to incur risks. The further development of our risk strategy is embedded in the annual planning cycle, and hence in our business planning. The risk strategy is approved by the Board of Management, and discussed with both the Audit Committee of the Supervisory Board and the full Supervisory Board as a material element of the own risk and solvency assessment (ORSA) process.

We determine the risk strategy by defining risk tolerances and limits for a number of risk criteria that are based on the capital and liquidity available, and on our business strategy, and provide a frame of reference for the Group's operating divisions.

#### Implementation of strategy and the risk management cycle

The risk appetite defined by the Board of Management is reflected in our business planning and integrated into the

management of our operations. If capacity shortages or conflicts with the limit system or regulations arise, defined escalation and decision-making processes are followed. These have been designed to ensure that the interests of the business and risk management considerations are weighed and reconciled with each other as far as possible.

Our implementation of risk management at the operational level covers the identification, analysis and assessment of all material risks. This provides a basis for risk reporting, the control of limits and monitoring.

Risk identification is performed by means of appropriate processes and indicators, which are complemented by expert opinions. At Munich Re, the early identification of risks is primarily operationalised using the emerging risk process. In this process, new or changing risks are discussed with internal and external experts, especially regarding their relevance, the probability of their occurrence, expected loss amount, and potential impact on Munich Re.

As part of the risk analysis, a quantitative and qualitative assessment of all risks at consolidated Group level is made in order to take into account possible interactions between risks across all fields of business.

Internal risk reporting provides the Board of Management with regular information on the risk situation, as regards the individual risk categories and the entire Group alike. This ensures that negative trends are identified in sufficient time for countermeasures to be taken. The purpose of our external risk reporting is to provide clients, shareholders and the supervisory authorities with a clear overview of the Group's risk situation.

Actual risk limits are derived from the risk strategy: taking the defined risk appetite as a basis, limits, rules and any risk-reducing measures required are approved and implemented. We also have a comprehensive early-warning system that draws our attention to any potential risks.

The risk management system is regularly audited by Group Audit.

#### Internal control system<sup>1</sup>

Our internal control system is a Group-wide integrated system for managing operational risks. Comprising two key components – the Operational Risk Control System (ORCS) and the Compliance Management System (CMS) – our internal control system addresses both Group management requirements and local regulations.

<sup>1</sup> The section on the internal control system is part of the combined management report and was not audited.

### Operational Risk Control System

The Operational Risk Control System (ORCS) represents a core element of the internal control system. At Group level, the ORCS is overseen by the IRM division, which reports to the Group Chief Risk Officer (Group CRO). As part of the ORCS, risk and control self-assessments are carried out at least once a year in all fields of business, and the material operational risks, including compliance-related risks, are identified and assessed in the process. Key controls and management measures to mitigate the material operational risks are analysed and assessed. In addition, the risk management function carries out independent analyses and company-wide cross-comparisons regarding operational risks and controls (monitoring). Significant control deficiencies are addressed by means of improvement measures and/or close monitoring. The main findings derived from the risk and control self-assessments and from monitoring are reported to the Board of Management and the Audit Committee of the Supervisory Board.

The identification, management and control of risks arising out of the accounting process is indispensable for the production of reliable annual financial statements at both consolidated and solo-undertaking level. Risks that are material for financial reporting from the Group's perspective are integrated into the internal control system in accordance with uniform criteria. The risks are checked annually by the process owners to ascertain whether they are up to date, and the controls are amended as necessary.

The standardised methodology has been implemented on the basis of a Group-wide ORCS policy. The decision about whether to include a Group undertaking in the standardised ORCS is taken on the basis of the principle of proportionality – with due consideration being given to the nature, scale and complexity of the risks inherent in the undertaking's operations, and to compliance with regulatory and legal requirements. The Group undertakings that have not been integrated into the ORCS Group standard control their risks in compliance with the principles of good corporate governance, Group-wide principles of risk management and relevant national laws.

No material changes were made to the ORCS in the reporting period.

### Compliance Management System

The second key component of the internal control system is the Compliance Management System (CMS). At Group level, the Group Compliance and Legal (GCL) division is responsible for the CMS, which is managed by the Group Chief Compliance Officer (Group CCO); a separate Tax CMS, which the Group Taxation (GTax) division and the Chief Tax Compliance Officer are responsible for, is used

for tax compliance. In addition to the Group function, there are further local compliance functions within the fields of business, as well as decentralised compliance functions for selected compliance programmes. The CMS is the methodical framework for the structured implementation of early-warning, risk-control, consulting and monitoring functions for compliance risks.

The CMS is based on an integral compliance culture, an established compliance organisation with clearly defined roles and responsibilities, and independent, suitable and qualified human resources that enable the compliance function to work effectively and efficiently.

In the scope of the CMS, compliance risks are systematically identified, analysed and appropriately handled so as to minimise the risks. Process results are reported to the Board of Management and the Supervisory Board's Audit Committee.

No material changes were made to the CMS in the reporting period – apart from the continual improvement of the CMS by means of enhancing harmonisation and prioritisation of core compliance issues so as to improve Group management.

You will find a detailed description of the main features of the CMS in the > Combined non-financial statement > Governance information > Corporate governance and compliance > Compliance.

### Statement on the adequacy and effectiveness of the risk management system and the internal control system<sup>1</sup>

In reviewing the adequacy and effectiveness of our risk management systems and internal control systems, we take into consideration many pieces of information in order to, among other things, identify any material internal control deficiencies. The primary pieces of information are as follows:

- the auditor's report on the results of the accounting-related control system,
- the annual report on the results of the ORCS,
- regular risk reporting, in particular by the Group CRO,
- regular compliance reporting, in particular by the Group CCO, on topics including key compliance metrics and the essential contents of the Compliance Management System, and

<sup>1</sup> The statement on the adequacy and effectiveness is part of the combined management report and was not audited.

– regular reporting by Group Audit, especially on insights gained from audit activities about our risk management and internal control systems.

In addition, the Audit Committee of the Supervisory Board regularly requests reports on the adequacy and effectiveness of the internal control system and on changes to the risk and control landscape compared with the previous year. The audit reports from Group Audit confirm the general effectiveness of the accounting-related internal control system.

In light of the information and reports above – and considering the assessments made by experts in the divisions IRM, GCL, GTax and Group Audit – we consider our risk management systems and internal control systems to be generally adequate. Based on the fact that no material violations or systematic deficiencies were identified in the reporting period, we therefore consider our risk management and internal control systems to also be generally effective.

## Significant risks

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

internal model are divided into the following risk categories: underwriting risk in property-casualty business, underwriting risk in life and health business, market risk, credit risk and operational risk. Sustainability risks can affect all of these risk categories and are therefore an integral part of the management of these risks.

## Risks depicted in the internal model

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

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

The table shows the solvency capital requirement<sup>1</sup> for Munich Re and its risk categories as at 31 December 2025.

<sup>1</sup> Solvency capital requirement excluding the application of transitional measures for technical provisions.

## Solvency capital requirement (SCR)

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

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

<sup>1</sup> Capital requirements for other financial sectors, e.g. institutions for occupational retirement provision.

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

### Property-casualty underwriting risk

The property-casualty risk category encompasses the underwriting risks in the property, motor, third-party liability, personal accident, marine, aviation and space, and credit classes of insurance, together with special lines also allocated to property-casualty. Further risk-relevant information on property-casualty business can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (53) Disclosures on further risks from insurance contracts.

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

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

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

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

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

changes of dependency assumptions on the results. We regularly adapt our models on the basis of the findings from our validation.

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

In addition to traditional retrocession, we use alternative risk transfer for natural catastrophe risks in particular. Under this process, underwriting risks are transferred to the capital markets via special purpose vehicles.

#### Solvency capital requirement – Property-casualty

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

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

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

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

#### Life and health underwriting risk

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

Further information on the risks in life and health business can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (53) Disclosures on further risks from insurance contracts.

Life insurance products in particular, and a large part of our health primary insurance business, are long-term in nature, and the results they produce are spread over the entire duration of the policies. This can mean that negative developments in risk drivers with long-term effects sustainably reduce the value of the insurance portfolio (trend risks). The risk drivers mortality and disability are dominated by the life and health reinsurance segment, particularly by exposure in North America and the Asia-Pacific region. We also underwrite longevity risk in the life

and health reinsurance segment, especially in the United Kingdom. The longevity risk driver can additionally be found in the products marketed by ERGO in Germany, together with typical risks related to policyholder behaviour, such as the lapse risk. To a lesser extent, we write risks connected with the increase in treatment costs.

Risk modelling attributes probabilities to potential modified assumptions. We use primarily historical data extracted from our underlying portfolios to calibrate these probabilities, and additionally apply general mortality rates for the population to model the mortality trend risk. To enable us to define appropriate parameters for the modelling of the range of areas in which we operate, portfolios with a homogeneous risk structure are grouped together and individual comprehensive profit and loss distributions determined. We then aggregate these distributions, taking account of the dependency structure, to obtain an overall distribution.

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

In reinsurance, we control the assumption of biometric risks by means of a risk-commensurate underwriting policy. Interest-rate and other market risks are frequently

ruled out by depositing the provisions with the cedant, with a guaranteed rate of interest from the deposit. In individual cases, these risks are also hedged by means of suitable capital market instruments. We also limit our exposure to individuals and groups of persons in life insurance.

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

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

#### Solvency capital requirement – Life and health

The solvency capital requirement decreased by around 2% at Group level, which was mainly due to the depreciation of the most important currencies (US dollar, Canadian dollar and pound sterling) against the euro. By contrast, business growth in reinsurance had an offsetting effect.

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

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

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

## Market risk

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

Market risks are modelled by means of Monte Carlo simulation of possible future market scenarios. We revalue

our assets and liabilities for each simulated market scenario, thus showing the probability distribution for changes to basic own funds.

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

Further information on derivative financial instruments can be found in the > Notes to the consolidated financial statements > Explanatory information > Notes to the consolidated balance sheet – Assets > (16) Financial investments and also > (18) Insurance-related financial instruments, as well as under > Notes to the financial instruments and fair value disclosures on assets and liabilities > (47) Hedge accounting.

## Solvency capital requirement (SCR) – Market

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

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

### Solvency capital requirement – Market

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

#### Equity risk

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

#### Interest-rate risk

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

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

In the reinsurance field of business, the market value of interest-sensitive investments as at 31 December 2025 was €79.6bn (85.5bn). Measured in terms of modified duration, the interest-rate sensitivity of those investments was 3.4 (3.5), while that of the liabilities was 3.1 (3.4). A decrease in interest rates of one basis point led to a change in available own funds amounting to around €10.8m (10.1m).

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

#### Property risk

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

#### Currency risk

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

#### Credit risk

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

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

The calculation of the credit risk from other receivables is based on internal expert assessments. We also quantify the credit risk for highly rated government bonds. Information on ratings can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (51) Disclosures on risks from financial instruments.

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

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

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

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

We manage credit default risk in retrocession and external reinsurance with the assistance of limits determined by the Retro Security Committee. Information on our default risks from insurance business and from reinsurance contracts held that are assets can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (53) Disclosures on further risks from insurance contracts.

### **Solvency capital requirement – Credit**

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

### **Operational risk**

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

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

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

### **Solvency capital requirement – Operational risk**

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

### **Security risk**

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

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

IT Security) and the control functions (e.g. Risk Management, Information Security and Compliance).

Further information can be found under > Combined non-financial statement > Governance information > Corporate governance and compliance > Information security and > Data protection.

## Other risk categories

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

### Reputational risk

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

### Strategic risk

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

### Liquidity risk

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

The liquidity risk is managed within the framework of our holistic risk strategy, with the Board of Management defining limits on which minimum liquidity requirements for our operations are based. Compliance with minimum requirements is continually monitored and regularly reported to the Board of Management. Using quantitative risk criteria, we ensure that Munich Re has sufficient liquidity available to meet all its payment obligations even under adverse scenarios, with the liquidity position being assessed both for extreme insurance scenarios and for adverse situations in the capital markets.

Further information on liquidity risks in life and health insurance business and in property-casualty insurance business can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (53) Disclosures on further risks from insurance contracts.

## Other risks

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

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

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

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

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

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

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

Geopolitical risks remain high and will continue to be very relevant in 2026. The war in Ukraine continues with undiminished intensity and an escalation cannot be ruled out. There is also a continuing risk of escalation in the Middle East, particularly between Israel/the US and Iran, which could have a massive impact on the global economy and the capital market through rapidly rising energy prices.

In addition, there are still uncertainties in the known risk regions in Asia (Taiwan/China, Korea). The trend towards the fragmentation of global technological and economic spheres continues and increases the corresponding risks of disruption.

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

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

## Climate change

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

## Legal risks

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

## Solvency ratio under Solvency II

The solvency ratio under Solvency II is the ratio of the eligible own funds to the solvency capital requirement.

### Solvency II ratio<sup>1</sup>

		31.12.2025	Prev. year	Change
Eligible own funds <sup>2</sup>	€m	54,413	54,254	159
Solvency capital requirement	€m	18,230	18,915	-685
Solvency ratio under Solvency II	%	298	287	

1 Eligible own funds and solvency capital requirement excluding the application of transitional measures for technical provisions; including the application of transitional measures for technical provisions, the own funds amounted to €54.7bn (54.5bn); solvency capital requirement: €18.2bn (18.9bn); Solvency II ratio: 300% (289%).

2 Driven by economic earnings of €6.2bn and the issue of a subordinated bond with a volume of €1.25bn, the eligible own funds increased as at the reporting date. The following factors had a reducing effect on eligible own funds: the dividend of €3.1bn agreed by the Board of Management and proposed to the Annual General Meeting for the 2025 financial year; the share buy-back programme with a volume of €2.0bn; the adjustment to the opening balance amounting to -€1.9bn; and other measures totalling -€0.3bn.

The eligible own funds as at the reporting date take into account a deduction for the dividend of €3.1bn agreed by the Board of Management and proposed to the Annual General Meeting for the 2025 financial year.

## Assessment of the risk situation

In accordance with the prescribed processes, our Board committees explicitly defined the risk appetite for significant risk categories in the year under review, and

quantified it with key figures. We determined and documented the risk appetite across the Group hierarchy and communicated it throughout the Group. In 2025 risk exposures were regularly quantified and compared with the risk appetite. They were reported on and discussed in the relevant committees.

At 298%, the Solvency II ratio is very comfortably above the target corridor for the period leading up to 2025 of 175–220% (without application of transitional measures). Munich Re thus continues to have a very solid capital base. Based on up-to-date findings and on our internal model, Munich Re's Solvency II ratio (without application of transitional measures) would also be above the target range of at least 200% valid from 2026 even allowing for major loss events and negative capital market effects. We therefore consider Munich Re's risk situation to be manageable and under control.

## Further risk figures<sup>1</sup>

### Premium risks and reserve risk in property-casualty insurance

The degree of exposure to premium risks and claims risks differs according to class of business and also between primary insurance and reinsurance. On the basis of the loss ratios and combined ratios shown in the following table, conclusions can be drawn about the volatilities in the different classes of business and about possible interdependencies.<sup>2</sup> The differences are due to fluctuations in claims expenditure and fluctuations in the respective market-price level for the covers granted.

1 In accordance with German Accounting Standard No. 20 (GAS 20).

2 Further information on the combined ratio can be found under > Tools of corporate management and strategic financial objectives, and in the > Notes to the consolidated financial statements > Explanatory information > Segment disclosures > (7) Alternative performance measures.

### Loss ratios and combined ratios by class of business

%	2025	2024	2023
<b>Loss ratio</b>			
Reinsurance – Property-casualty and Global Specialty Insurance			
Liability	122.3	102.5	89.8
Accident	72.9	92.8	75.9
Motor	77.6	74.4	94.2
Marine, aviation, space	58.0	69.0	60.5
Fire and other property insurance	36.6	51.9	58.4
Engineering	38.4	54.4	51.6
Credit and surety	45.2	55.3	57.9
Other classes of business	41.7	64.3	66.1
ERGO Property-casualty Germany	61.2	59.8	59.1
ERGO International <sup>1</sup>	60.5	62.9	59.3
<b>Combined ratio</b>			
Reinsurance – Property-casualty and Global Specialty Insurance			
Liability	138.0	116.6	102.7
Accident	93.6	112.8	89.6
Motor	93.8	88.6	109.4
Marine, aviation, space	77.6	85.6	79.3
Fire and other property insurance	54.2	68.4	74.0
Engineering	61.9	75.2	72.7
Credit and surety	56.3	65.8	67.8
Other classes of business	62.5	80.7	79.6
ERGO Property-casualty Germany	88.9	88.6	88.9
ERGO International <sup>1</sup>	90.0	91.9	90.1

<sup>1</sup> Property-casualty business, travel insurance business and short-term health insurance business (excluding health insurance conducted like life insurance).

In the motor, fire and other property insurance, and marine lines of business – and also in sections of engineering reinsurance and ERGO – there is a high degree of sensitivity regarding the underlying assumptions about natural

catastrophes. The following table therefore shows the combined ratios for property-casualty reinsurance, including and excluding natural catastrophe losses.

### Combined ratio in property-casualty reinsurance for the last ten years<sup>1</sup>

%	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Including natural catastrophes	73.5	77.3	83.2	83.2	99.6	105.6	100.2	99.4	114.1	95.7
Excluding natural catastrophes	68.4	67.1	74.5	74.5	87.6	101.6	90.2	92.6	92.1	90.2

<sup>1</sup> Due to the application of IFRS 4 for financial years preceding 2022, and to the increased limit for major losses from 1 January 2023 (€30m, previously €10m), the values shown in the table are only comparable to a limited extent. The figures for 2023 and earlier include Global Specialty Insurance.

Major losses, by which we mean individual losses exceeding €30m, are particularly relevant in property-casualty reinsurance.

### Major losses in property-casualty reinsurance (net)

€m	2025	Prev. year
Major losses from natural catastrophes	887	1,915
Man-made major losses	740	893
<b>Total</b>	<b>1,627</b>	<b>2,807</b>

The liability for incurred claims is subject to a reserve risk, i.e. the risk that actual claims settlement may be less than or exceed the amount reserved. Information on the development of claims and claims payments over time can be found in

the > Notes to the consolidated financial statements > Explanatory information > Notes to the consolidated balance sheet – Equity and liabilities > (28) Liability for incurred claims. A particular sensitivity to reserve risks exists in the case of contracts with long run-off periods. This characteristic applies especially to third-party liability insurance, where liabilities may manifest after a considerable latency period.

### Risks from defaults on receivables from insurance business

As at 31 December 2025, the accounts receivable for reinsurance contracts held were split between the following ratings (based on those of Standard & Poor's):

**Rating of accounts receivable**

€m	31.12.2025	Prev. year
AAA	0	3
AA	92	101
A	171	185
BBB and lower	5	5
No external rating	50	134

Of all our receivables from insurance contracts issued and held at the reporting date, €811m (622m) were outstanding for more than 90 days. The receivables on underwriting business are included in the carrying amounts of insurance contracts issued and reinsurance contracts held. The average default rate for the last three years was 1.3% (1.0%).

Further information on underwriting risks (including biometric risks, lapse risk and interest-rate risk), market risks, and default risks in life insurance can be found in the > Notes to the consolidated financial statements > Explanatory information > Disclosures on risks from financial instruments and insurance contracts > (53) Disclosures on further risks from insurance contracts. In addition, this section includes information on liquidity risk in connection with maturity date analyses of contractual net cash flows and amounts payable on demand.