Half-Year Financial Report
Munich Re

2/2019

WE DRIVE BUSINESS AS ONE

Munich RE

Key figures (IFRS)

Munich Re at a glance

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Consolidated result	€m	1,626	1,555	4.6	993	728	36.4
Thereof attributable to non-controlling interests	€m	1	5	–79.2	1	5	–84.5
Earnings per share	€	11.22	10.34	8.6	6.88	4.84	42.2
Return on equity (RoE)	%	11.5	11.3		13.6	10.8	
Return on investment (RoI)	%	3.0	3.1		3.1	3.1	
					30.6.2019	31.12.2018	
Share price	€				220.70	190.55	15.8
Munich Reinsurance Company's market capitalisation	€bn				31.9	28.5	11.8
Carrying amount per share	€				204.32	180.86	13.0
Investments	€m				226,619	216,852	4.5
Insurance-related investments	€m				8,651	8,424	2.7
Equity	€m				29,543	26,500	11.5
Off-balance-sheet unrealised gains and losses[1]	€m				19,575	16,067	21.8
Net technical provisions	€m				214,231	208,270	2.9
Balance sheet total	€m				282,603	270,168	4.6
Number of staff					39,869	41,410	–3.7

1 Including those apportionable to minority interests and policyholders.

Reinsurance

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	15,963	15,115	5.6	7,583	6,932	9.4
Combined ratio property-casualty	%	92.8	95.5		87.7	102.0	
Investment result	€m	1,410	1,410	0.0	785	798	–1.7
Consolidated result	€m	1,406	1,370	2.6	858	620	38.4
Thereof: Reinsurance – Life and Health	€m	335	444	–24.7	154	285	–45.9
Thereof: Reinsurance – Property-casualty	€m	1,071	925	15.7	704	335	110.2

ERGO

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	9,212	9,199	0.1	4,217	4,256	–0.9
Combined ratio Property-casualty Germany	%	91.9	95.6		86.2	90.3	
Combined ratio International	%	95.2	95.4		95.0	95.6	
Investment result	€m	2,231	2,144	4.1	1,116	960	16.2
Consolidated result	€m	220	185	18.9	135	108	25.3
Thereof: Life and Health Germany	€m	135	21	534.7	72	–15	–
Thereof: Property-casualty Germany	€m	69	57	20.5	55	57	–3.6
Thereof: International	€m	16	107	–84.7	8	66	–87.2

Contents

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Interim management report

Business environment

In the USA, indications of a shift in monetary policy became apparent at the beginning of the year. After increasing its key interest rate in December of last year, the Federal Reserve discontinued its rate-hiking cycle and left the target corridor for the key interest rate unchanged at 2.25–2.5% in the first half of 2019. The incremental reduction of the central bank balance sheet was continued. At the end of July, the Fed made a change to its monetary policy and lowered its interest rate corridor by 25 basis points to 2.0–2.25%. In the eurozone, the ECB made no changes to the key interest rate of 0%. The programme to purchase additional bonds was terminated at the end of 2018, so that in the first half of 2019 only proceeds from maturing securities were reinvested. However, there have recently been increasing signs that the European Central Bank might also ease its monetary policy once again.

Yields on ten-year US government bonds remained largely static in the first two months of the year, but then gradually declined. This was due not only to the expected downturn in the US economy but also to increased global economic risks and the Fed's rhetoric, which the capital markets interpreted as an indication of a return to a more expansionary monetary policy. In the glare of global trade disputes and ongoing Brexit discussions, yields on government bonds also withered in many countries in Europe. In Germany, the yields on ten-year government bonds were down significantly in the first half of the year, and hit a new record low of –0.3% at the end of the first half-year 2019. As yields on government bonds of other European countries fell even more strongly, the yield differential compared with German government bonds also declined in many places. One exception was Italy where, against the background of the dispute over debt developments between the government and the European Commission, the yield differential remained broadly the same.

Yields on ten-year government bonds

%	30.6.2019	31.12.2018
USA	2.0	2.7
Germany	-0.3	0.2

Volatility in international stock markets diminished in the first six months of the year after climbing to a new high at the end of the previous year. Important equity indices, such as the US Dow Jones, the DJ EuroStoxx 50, the German DAX and the Japanese Nikkei moved higher in the first four months before dropping sharply in some cases at the beginning of May. This was mainly due to a resurgence of trade disputes between the USA and China. Most indices had largely recovered from these falls at the end of the half-year.

Equity markets

	30.6.2019	31.12.2018
DJ EuroStoxx 50	3,474	3,001
Dow Jones Index	26,600	23,327

In the first five months of 2019, the US dollar gradually appreciated in value against the euro. But at the end of June, at €0.88, it was only slightly higher than at the beginning of the year. Compared with the end of 2018, the euro had also depreciated against the Japanese yen, British pound, Australian dollar and Canadian dollar at the end of the first half of the year. On average, the value of the euro in the second quarter of 2019 was lower than in the second quarter of 2018 for most major currencies. The euro only gained in value on average against the Australian dollar.

Currency translation rates

One foreign currency unit is equivalent to €	30.6.2019	31.12.2018	Q2 2019	Q2 2018
Australian dollar	0.61622	0.61584	0.62302	0.63492
Canadian dollar	0.67200	0.64049	0.66518	0.64990
Pound sterling	1.11757	1.11414	1.14397	1.14163
US dollar	0.87812	0.87478	0.88992	0.83888
Yen	0.00815	0.00797	0.00809	0.00769

Business performance of the Group and investment performance

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	25,175	24,313	3.5	11,799	11,188	5.5
Technical result	€m	1,853	1,589	16.6	1,212	569	112.9
Investment result	€m	3,641	3,554	2.4	1,900	1,759	8.0
Insurance-related investment result	€m	678	–152	–	125	85	47.1
Operating result	€m	2,444	2,281	7.2	1,569	997	57.3
Currency result	€m	85	–28	–	27	41	–33.7
Taxes on income	€m	–466	–280	–66.7	–344	–68	–406.6
Return on risk-adjusted capital (RORAC)[1]	%	12.7	12.4		15.5	11.6	
Return on equity (RoE)[2]	%	11.5	11.3		13.6	10.8	
Consolidated result	€m	1,626	1,555	4.6	993	728	36.4
					30.6.2019	31.12.2018	Change
					€bn	€bn	%
Equity					29.5	26.5	11.5

1 RORAC is a mixture of accounting ratios and economic indicators. A conversion to IFRS figures is therefore not possible. The calculation is made on an annualised basis. Further information on RORAC is provided on page 49 of our Annual Report 2018.
2 The annualised RoE is calculated on the basis of the consolidated result, including the result attributable to non-controlling interests. To calculate average equity capital for the first six months of 2019, we take the values as at 31 December 2018 (€26.5bn), 31 March 2019 (€29.0bn) and 30 June 2019 (€29.5bn).

Munich Re posted a gratifying consolidated result for the first half-year of 2019, chiefly due to a very good underwriting result in property-casualty reinsurance in the second quarter, supported by below-average major-loss expenditure and high reserve releases for basic losses. Moreover, the remeasurement of balance-sheet items in foreign currencies at period-end exchange rates led to a positive currency result of €85m (–28m) for the first half-year. In addition, the tax burden in the first half of the year was somewhat below the expected rate due to various one-off effects, with an effective tax rate of 22.3% (15.2%).

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

Despite the dividend payout in April, Group equity was well up on the start of the year. This was mainly due to the increase in valuation reserves on fixed-interest securities and equities and to the high consolidated result. Our debt-to-equity ratio was 12.0% (13.2%), which is low by industry comparison.

The €1bn share buy-back programme announced in March 2018 was concluded as planned on 9 April 2019. In March 2019, the Board of Management launched another share buy-back programme. On the basis of the authorisation granted by the Annual General Meeting on 25 April 2018, we will again buy back own shares for a maximum purchase price of €1bn in the period between 2 May 2019 and, at the latest, the Annual General Meeting on 29 April 2020. As part of our share buy-back programmes, we repurchased a total of 1.9 million Munich Re shares with a volume of €0.4bn in the first half of 2019.

Investment mix

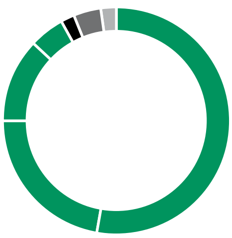
	Carrying amounts		Unrealised gains/losses[1]		Fair values	
€m	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Land and buildings, including buildings on third-party land	5,925	5,851	4,822	4,769	10,748	10,620
Investments in affiliated companies, associates and joint ventures	2,490	2,509	894	983	3,209	3,312
Loans	54,191	54,845	12,965	9,453	67,155	64,298
Other securities available for sale	149,298	139,272	14,121	6,771	149,298	139,272
Thereof: Fixed-interest	130,759	124,095	10,927	4,953	130,759	124,095
Thereof: Non-fixed-interest	18,539	15,177	3,194	1,817	18,539	15,177
Other securities at fair value through profit or loss	2,797	2,616	0	0	2,797	2,616
Thereof: Derivatives	2,211	2,078	0	0	2,211	2,078
Deposits retained on assumed reinsurance	7,336	7,241	0	0	7,336	7,241
Other investments	4,581	4,518	0	0	4,581	4,518
Total	**226,619**	**216,852**	**32,801**	**21,975**	**245,124**	**231,876**

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

The fair value of our investment portfolio increased in the first half of 2019 owing to falling interest rates. It continues to be dominated by fixed-interest securities and loans.

Fixed-interest portfolio by economic category[1]

Total: €207bn (198bn)



Government bonds[2]	53% (53%)
Thereof: Inflation-linked bonds	7% (7%)
Pfandbriefs/Covered bonds	22% (23%)
Corporate bonds	12% (12%)
Cash positions/Other	5% (5%)
Bank bonds	2% (2%)
Policy and mortgage loans	4% (4%)
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.

A total of 53% 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 Israeli and Australian government bonds. Reductions focused on our holdings of bonds from German, French and Italian issuers. The vast majority of our government bonds continue to come from countries with a high credit rating.

Our investment in bank bonds is limited and at the reporting date amounted to 2% (2%) of our portfolio of fixed-interest securities. Corporate bonds from other sectors totalled 12% (12%).

The carrying amount of our equity portfolio rose, and the equity-backing ratio climbed to 6.9% (6.2%). Further, we increased our hedging derivatives. Including derivatives, our equity-backing ratio was 5.5% (5.2%). To hedge against accelerating inflation, we held inflation-linked bonds in the amount of €8.2bn (7.6bn) (at fair values). Real assets such as shares, property, commodities, and investments in infrastructure and renewable energies also serve as hedges against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Investment result[1]

	Q1–2 2019	Return[2]	Q1–2 2018	Return[2]	Q2 2019	Q2 2018
	€m	%	€m	%	€m	€m
Regular income	3,459	2.9	3,329	2.9	1,848	1,836
Write-ups/write-downs of non-derivative investments	–181	–0.2	–256	–0.2	–98	–140
Gains/losses on the disposal of non-derivative investments	1,038	0.9	866	0.7	436	282
Net balance of derivatives	–329	–0.3	–70	–0.1	–97	–53
Other income/expenses	–346	–0.3	–314	–0.3	–189	–165
Total	**3,641**	**3.0**	**3,554**	**3.1**	**1,900**	**1,759**

1 The investment result by type of investment can be found on page 41 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 (3.0%) for the first six months is calculated as the mean value of the investment portfolios (carrying amounts) as at 31 December 2018 (€216,852m), 31 March 2019 (€223,927m) and 30 June 2019 (€226,619m), and the off-balance-sheet unrealised gains and losses (excluding owner-occupied property and insurance-based loans) as at 31 December 2018 (€15,024m), 31 March 2019 (€16,556m) and 30 June 2019 (€18,506m).

Regular income in the first half of the year was up slightly year on year due to higher interest income from fixed-interest securities and higher dividend income. The main factors influencing performance were the higher equity portfolio in the ERGO Life and Health Germany segment and the stronger US dollar. In Q2, regular income was around the same level as the previous year.

For the period from April to June, the return on reinvestment for our fixed-interest investments averaged 2.2% (2.3%).

Munich Re posted a lower net balance of impairments and reversals of impairments on non-derivative investments in the first half-year and in Q2 compared with the same periods last year. This was mainly due to our holdings of physical gold, where we reversed impairment losses in the first half-year, whereas the asset was impaired in the previous year.

From January to June and in Q2, the result from the disposal of non-derivative investments was higher than in the same periods last year. This was mainly due to the significant increase in the ERGO Life and Health Germany segment, where we generated higher gains on the disposal of equities and real estate. In reinsurance, we generated higher gains on the disposal of fixed-interest securities, particularly from our branch in Canada. The result for gains on disposals in reinsurance fell overall due to the reduction in gains on disposals of equities. In Q2, our net gains on the disposal of non-derivative investments were also higher than in the same period last year, increasing by €155m. This was mainly attributable to disposals of fixed-interest securities and real estate.

The net balance of derivatives for the first six months and in Q2 decreased year on year. This was attributable mainly to losses from equity derivatives that could not be offset by the positive result from interest-rate derivatives, particularly from ERGO's interest-rate hedging programme.

Business performance of the segments

Reinsurance – Life and health

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	5,636	5,174	8.9	2,740	2,309	18.7
Share of gross premiums written in reinsurance	%	35.3	34.2		36.1	33.3	
Technical result, including the result from reinsurance treaties without significant risk transfer	€m	169	331	–49.0	64	176	–63.6
Investment result	€m	580	510	13.8	340	302	12.4
Operating result	€m	395	545	–27.5	205	323	–36.5
Consolidated result	€m	335	444	–24.7	154	285	–45.9

Premium

We write the majority of our business in foreign currencies (around 88%). Exchange-rate fluctuations therefore have a significant impact on premium development. If exchange rates had remained unchanged, gross premiums written would have increased year on year by 5.7% in the first half of the year and 15.9% in Q2. This partly reflects the persistently high demand for financially motivated reinsurance and the restructuring of an especially large-volume treaty in Q2 2018, leading to a disproportionate year-on-year increase in our premium income. Geographically speaking, growth in the first half of 2019 was mostly in Asia and Europe. In North America, the growth in life reinsurance offset the fall in premium volume due to the exit from health reinsurance in the USA.

Result

At €114m (296m), the technical result in the first half of the year was significantly below the level of the previous year and thus below our expectations. This is primarily related to Q2, and to a lesser extent to Q1.

The prime factors were various encumbrances from our Australian business. We had already written down parts of the deferred acquisition costs in the past year to account for the effects on our business of a foreseeable change in the law. When the law entered into force, more of the business was affected than was expected, which required more write-downs in Q2. Furthermore, our provision for outstanding claims was adjusted in Q1 to be in line with the lower interest rate. In addition, claims expenditure in Australian disability business exceeded our expectations in the first half of the year, despite intensive remediation efforts.

The restructuring of investments in Canada also had a negative impact on the technical result, but this was more than offset by positive effects on the investment result. The measures provide advantages with regard to equity tied up in Canada.

The negative effects were partially counterbalanced thanks to overall positive claims experience in all markets and for all products (with the exception of Australia) that are of importance to Munich Re. Releasing reserves for our health reinsurance business also had a positive effect on the result.

The result from the part of the business that is not posted in the technical result as a consequence of non-significant risk transfer continued to develop in a very satisfying manner and, at €55m (36m) in the first half of the year, is significantly higher than the previous year's level on account of business growth.

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

Reinsurance – Property-casualty

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	10,327	9,940	3.9	4,842	4,623	4.7
Share of gross premiums written in reinsurance	%	64.7	65.8		63.9	66.7	
Loss ratio	%	59.3	62.0		54.2	69.0	
Thereof: Major losses	Percentage points	6.9	7.5		4.1	13.3	
Expense ratio	%	33.5	33.5		33.5	33.0	
Combined ratio	%	92.8	95.5		87.7	102.0	
Technical result	€m	1,297	933	39.0	910	184	394.5
Investment result	€m	830	900	–7.8	445	496	–10.4
Operating result	€m	1,401	1,215	15.3	957	378	153.3
Consolidated result	€m	1,071	925	15.7	704	335	110.2

Premium

Gross premiums written were primarily influenced by positive currency translation effects. If exchange rates had remained unchanged, premium income would have seen a year-on-year increase of 0.1% for the first six months and 1.2% for the second quarter.

As at 1 January 2019, around half of property-casualty reinsurance business was up for renewal, representing a premium volume of around €9.4bn. The reinsurance renewals again took place in highly competitive markets. Prices for the Munich Re portfolio remained stable overall (+0.0%). Premium volume increased by 6.3% to around €10bn thanks to new business written and additional business.

The renewals at 1 April 2019 involved a relatively small volume of business totalling around €1.7bn, or some 10% of the overall portfolio in the property-casualty reinsurance segment. Natural catastrophe business accounted for a significant share – around a quarter – of the business up for renewal. Prices in the markets affected by natural catastrophes and risks increased. The price level was seen to stabilise, with a slightly positive trend, in the third-party liability markets. Overall, prices increased by 1.4% in the April renewals. Premium volume rose by 10.3% to around €1.8bn. Select growth opportunities were taken advantage of in some markets, especially India and Japan.

Result

The technical result increased in the first half of the year. The significant year-on-year improvement in the second quarter was primarily attributable to lower major-loss expenditure and high reserve releases for basic losses from previous years.

These were attributable in part to the successful conclusion of portfolio transactions and the release of reserves recognised for this purpose. A further contributing factor was the very favourable claims development in a number of classes, thanks to which a share of the conservative reserving could be released without diminishing the overall strength of reserves.

From January to June, we posted overall major-loss expenditure of €680m (667m), of which €202m (605m) was attributable to the second quarter, in each case after retrocessions and before tax. This amount includes run-off profits and losses for major claims from previous years, and is equivalent to 6.9% of net earned premium in the first half of the year and 4.1% in the second quarter. This expenditure was below 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 the second quarter.

Claims costs from natural catastrophes amounted to €350m (55m) for the first half of the year and €155m (104m) for the second quarter. These were mainly attributable to additional loss expenditure from Typhoon Jebi in the period April to June of around €80m.

Expenditure for man-made losses came to €330m (613m) in the first half of the year, €47m (501m) of which is attributable to Q2.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed analyses of the claims notifications we receive every quarter. As claims notifications continued to remain appreciably below the expected level, we made reserve releases (after adjustments for commissions) of around €560m in the first half of the year, which is equivalent to 5.7 percentage points of net earned premiums. We still aim to set the amount of provisions for newly emerging claims at the top end of the estimation range, so that profits from the release of a portion of these reserves are possible at a later stage.

The combined ratio amounted to 92.8% (95.5%) of net earned premiums for the first six months of the year and 87.7% (102.0%) for the second quarter. Thus the figure for the first half-year is at a good level, and well on track to meet our target of 98% for the full year 2019. ↗

The investment result decreased in the first half of the year due to lower gains on the disposal of equities and equity derivative losses, and is also below the previous-year level in the second quarter. This is due in particular to the negative result from equity derivatives.

ERGO Life and Health Germany

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Total premium income[1]	€m	5,345	4,985	7.2	2,884	2,523	14.3
Gross premiums written	€m	4,658	4,633	0.5	2,311	2,312	0.0
Share of gross premiums written by ERGO	%	50.6	50.4		54.8	54.3	
Technical result	€m	198	158	25.3	88	67	30.2
Investment result	€m	2,000	1,857	7.7	1,008	807	24.8
Operating result	€m	378	218	73.5	215	67	223.2
Consolidated result	€m	135	21	534.7	72	–15	–

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

All fields of business contributed to the year-on-year increase in overall premium income in the first half-year and Q2. Gross premiums written remained stable compared with the previous year, both in Q2 and the first six months.

In the Life Germany field of business, total premium income for the first six months amounted to €1,933m (1,700m), an increase of 13.7%. Of this, €1,192m (891m) related to Q2 (+33.8%). The significant increase in the period from April to June results from a one-off balance-sheet effect from a rate change. As a result, new business was also significantly affected: whilst regular-premium new business fell slightly (−4.2%) to €79m (82m), single-premium new business rose by 148.5% to €581m (234m). Measured in terms of annual premium equivalent (APE, i.e. regular premium income plus one-tenth of single-premium volume, this resulted in an increase of 29.6% to €137m (106m). Gross premiums written were down by 5.8% to €1,282m (1,362m) for the first six months, and amounted to €650m (686m) in Q2. The decrease in the first half-year was attributable in particular to lower regular premium income owing to the ongoing portfolio reduction, which could not be completely compensated for by the new products.

Gross premiums written in the Health Germany segment totalled €2,819m (2,736m) in the first half of 2019 (+3.0%) and €1,387m (1,361m) in Q2. Premium income grew by 1.3% in supplementary health insurance and by 1.0% 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, particularly due to new business resulting from our rates for supplementary dental insurance.

Total premium income in Digital Ventures (formerly Direct Germany) rose by 8.1% year on year to €593m (549m) for the period from January to June, with €305m (271m) earned in Q2 (+12.6%). Gross premiums written increased by 3.9% to €556m (535m) in the first half-year and by 3.6% to €274m (265m) in Q2. We achieved this growth particularly in health insurance (+6.8%) through our rates in supplementary dental insurance. The main driver behind the higher premium income in property-casualty business (+10.9%) was our digital insurer “nexible”. In our Digital Ventures segment, the one-off balance-sheet effect from the rate change also led to a distinct increase in total premium in life insurance (+8.5%) in the first half-year of 2019. On the other hand, gross premiums written in life insurance were lower (−3.9%) year on year for the period from January to June, due to a reduction in the lump-sum life insurance portfolio. Measured using APE, at €17m (14m) new business was 20.0% higher than in the first half-year of 2018.

Result

The technical result generated in the first half-year and in Q2 was up compared with the same periods last year. All fields of business contributed to this improvement, especially Life Germany. The improvement in the result was supported in part by changes in assumptions regarding policyholder participation.

The investment result improved year on year for the first half-year and in Q2; the increase was mainly due to higher gains on the disposal of interest carriers and real estate, as well as an improved net balance of interest-rate derivatives. The lower result from equity derivatives was thus more than compensated for. To finance the additional interest reserve, we realised more valuation reserves compared with the first half-year of the previous year.

ERGO Property-casualty Germany

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Gross premiums written	€m	2,035	1,947	4.5	686	681	0.7
Share of gross premiums written by ERGO	%	22.1	21.2		16.3	16.0	
Loss ratio	%	59.4	62.3		54.6	59.3	
Expense ratio	%	32.5	33.3		31.6	31.0	
Combined ratio	%	91.9	95.6		86.2	90.3	
Technical result	€m	150	92	63.1	127	98	29.3
Investment result	€m	71	77	–7.3	27	40	–33.6
Operating result	€m	183	139	31.7	134	125	7.1
Consolidated result	€m	69	57	20.5	55	57	–3.6

Premium
Gross premiums written increased year on year for the first half-year and Q2. The increase in the first six months of 2019 benefited in particular from growth in fire and property insurance (+10.0%) and other lines of insurance (+15.2%), particularly marine insurance and engineering insurance. The growth in marine insurance is in part due to the early payment of premiums from large contracts. Growth in gross premiums written was also posted in liability insurance (+6.4%) and in legal protection insurance (+0.1%). By contrast, we recorded lower premiums written in motor insurance (–0.5%) and personal accident insurance (–1.7%) compared with the same period last year.

Result
The technical result generated in the first half-year and in Q2 was higher year on year. This was due to lower expenditure for major natural catastrophe losses, despite storms Eberhard and Jörn in the first half-year of 2019, and good claims experience in core business.

In Q2, the combined ratio was unusually good, being 4.1 percentage points below the previous year's figure. The half-year figures also improved compared with the previous year, despite the storm losses. Lower natural catastrophe costs, early payments from certain major contracts, as well as good claims experience in our core business contributed in particular.

The investment result for the first half-year and in Q2 was down year on year; this was mainly caused by a lower net balance of derivatives, which was only partially compensated for by higher gains on disposals and higher regular income.

ERGO International

Key figures

		Q1–2 2019	Q1–2 2018	Change	Q2 2019	Q2 2018	Change
				%			%
Total premium income[1]	€m	2,633	2,759	–4.6	1,278	1,330	–3.9
Gross premiums written	€m	2,519	2,619	–3.8	1,219	1,262	–3.4
Share of gross premiums written by ERGO	%	27.3	28.5		28.9	29.7	
Loss ratio	%	64.5	64.5		63.5	63.9	
Expense ratio	%	30.7	30.9		31.5	31.7	
Combined ratio	%	95.2	95.4		95.0	95.6	
Technical result	€m	95	111	–14.2	51	63	–19.6
Investment result	€m	160	211	–24.1	81	113	–28.1
Operating result	€m	88	164	–46.5	58	105	–44.8
Consolidated result	€m	16	107	–84.7	8	66	–87.2

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

We posted an overall year-on-year decrease in total premium income and gross premiums written both for the first six months and for Q2. This decline was mainly attributable to the sale of companies outside Germany following a portfolio optimisation last year, and negative currency translation effects. Adjusted for the sales and for currency effects, gross premiums written in the ERGO International segment would have decreased by 0.6% year on year.

In terms of gross premiums written, property-casualty insurance makes up around 57%, health business approximately 29% and life insurance around 14%. Our biggest markets are Poland, with 31% of the premium volume, and Belgium and Spain, with 18% each.

In international life insurance, overall premium income of €458m (574m) for the first half-year and €233m (289m) for Q2 were both down year on year. This is due not just to the portfolio optimisation, but also to performance in Belgium, where we already stopped taking on new business two years ago.

Premium income was positive in the health segment, increasing by 3.4% to €731m (707m) from January to June, with Q2 accounting for €331m (320m).

In international property-casualty insurance, gross premiums written declined slightly year on year by 2.3% to €1,444m (1,478m) in the first half-year. The figure for Q2 was €714m (721m). This decrease in premium was mainly due, in addition to negative currency translation effects, to the sale of companies outside Germany in the second half of 2018. We were able in particular to post growth of 5.0% in Poland, 9.5% in Austria and 6.3% in the Baltic states.

Result

The technical result was lower year on year both for the first half of 2019 and for the second quarter. Lower results in life insurance, due in part to the discontinuance of our banking cooperation in eastern Europe, and in health insurance could not be offset by the positive performance of property-casualty business.

The slightly improved combined ratio in international property-casualty business for the first half-year was chiefly due to claims development in Greece. Lower costs in international legal protection insurance also made a positive contribution. In international health insurance, the combined ratio was almost equal (+0.1 percentage points) to that of the previous year. In Q2, the combined ratio was also better than last year's figure.

The investment result both for the first six months of 2019 and for Q2 was down on the same period last year. This was mainly due to anticipated losses on the sale of certain holdings, particularly the disposal of the Turkish company ERGO Sigorta. The positive figures from the previous year were partly due to the sale of D.A.S. Switzerland.

Prospects

Our predictions for the further development of our Group are based on planning figures, forecasts and expectations. Consequently, this outlook merely reflects our imperfect assumptions and subjective views. It follows that 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. The pronounced volatility of the capital markets and exchange rates, as well as the special features of IFRS accounting, also make this difficult. Thus, there may be significant fluctuations in the investment result, currency result and consolidated result, despite the fact that our assets are geared to the characteristics of our liabilities.

Outlook Munich Re (Group) 2019

		As at 30.6.2019	From Q1 2019	From Annual Report 2018
Gross premiums written	€bn	49	49	49
Technical result – Life and health reinsurance[1]	€m	500	500	500
Combined ratio – Property-casualty reinsurance	%	98	98	98
Combined ratio – ERGO Property-casualty Germany	%	93	93	93
Combined ratio – ERGO Property-casualty International	%	95	95	95
Return on investment[2]	%	3	3	3
Economic earnings	€bn	more than 2.5	more than 2.5	more than 2.5
Consolidated result	€bn	2.5	2.5	2.5

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

Compared with our forecasts made in the 2018 Annual Report and in the Quarterly Statement for Q1 2019, we have not made any adjustments to these key figures relevant for Munich Re after the first half of 2019.

Munich Re is still aiming for a consolidated profit of around €2.5bn for the 2019 financial year. We continue to expect an ROI of 3%, although this figure is more likely to be rounded up than rounded down given the further fall in interest rates and current expectations regarding realisation of valuation reserves and the net balance of derivatives. In the life and health reinsurance segment, there is a substantial risk that Munich Re will not achieve its full-year target result of around €500m. This depends on claims experience for the rest of the year and the outcome of the annual review of reserves.

At 1 July 2019, a volume of around €3.2bn, or around 21% of the overall portfolio, was up for renewal in the property-casualty reinsurance segment. About 29% of this volume was from North America, 23% from Australia, and 22% was attributable to worldwide business. These renewals comprised a significant percentage of natural catastrophe business – around 17% of premium worldwide. Premium volume rose by 9% to around €3.5bn. Of the increase, 57% pertains to property, 36% to casualty, and 7% to special lines. Prices for reinsurance cover were up for loss-affected portfolios, especially in US business involving cover for wildfires and cyclones. Despite the ongoing competition outside these portfolios and because of noticeable loss trends that partially offset the increases in rates, prices were up by around 0.5% overall.

The statements relating to opportunities and risks as presented in the Munich Re (Group) Annual Report 2018 apply unchanged.

Our good capitalisation enables us to continue taking selective advantage of opportunities for profitable growth in individual regions and classes of business. We will carry on returning excess capital to equity holders in future as well. We therefore intend to buy back own shares for a maximum purchase price of €1bn by the Annual General Meeting in April 2020.

Condensed interim consolidated financial statements

Consolidated balance sheet
as at 30 June 2019

Assets

			30.6.2019	31.12.2018		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		2,911		2,904	7	0.3
II. Other intangible assets		1,213		1,161	52	4.5
			4,124	**4,064**	**59**	**1.5**
B. Investments						
I. Land and buildings, including buildings on third-party land		5,925		5,851	74	1.3
II. Investments in affiliated companies, associates and joint ventures		2,490		2,509	–19	–0.7
Thereof: Associates and joint ventures accounted for using the equity method		2,258		2,296	–38	–1.6
III. Loans		54,191		54,845	–654	–1.2
IV. Other securities						
1. Available for sale	149,298			139,272	10,025	7.2
2. At fair value through profit or loss	2,797			2,616	182	7.0
		152,095		141,888	10,207	7.2
V. Deposits retained on assumed reinsurance		7,336		7,241	95	1.3
VI. Other investments		4,581		4,518	63	1.4
			226,619	**216,852**	**9,767**	**4.5**
C. Insurance-related investments			**8,651**	**8,424**	**227**	**2.7**
D. Ceded share of technical provisions			**4,604**	**4,263**	**341**	**8.0**
E. Receivables						
I. Current tax receivables		339		604	–265	–43.9
II. Other receivables		20,655		17,239	3,417	19.8
			20,994	**17,842**	**3,152**	**17.7**
F. Cash at banks, cheques and cash in hand			**4,125**	**4,986**	**-861**	**-17.3**
G. Deferred acquisition costs						
Gross		9,423		9,466	–44	–0.5
Ceded share		–314		–254	–60	–23.7
Net			9,109	9,212	–104	–1.1
H. Deferred tax assets			**361**	**545**	**-183**	**-33.7**
I. Other assets			**3,250**	**2,950**	**300**	**10.2**
J. Assets held for sale			**767**	**1,029**	**-262**	**-25.4**
Total assets			**282,603**	**270,168**	**12,435**	**4.6**

Equity and liabilities

		30.6.2019	31.12.2018		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,431		7,418	13	0.2
II. Retained earnings	13,311		13,201	110	0.8
III. Other reserves	7,040		3,440	3,600	104.7
IV. Consolidated result attributable to Munich Reinsurance Company equity holders	1,625		2,310	–685	–29.7
V. Non-controlling interests	136		131	5	3.5
		29,543	**26,500**	**3,043**	**11.5**
B. Subordinated liabilities		**3,712**	**3,689**	**23**	**0.6**
C. Gross technical provisions					
I. Unearned premiums	10,243		9,790	453	4.6
II. Provision for future policy benefits	112,115		111,147	968	0.9
III. Provision for outstanding claims	68,133		66,356	1,777	2.7
IV. Other technical provisions	20,397		17,314	3,083	17.8
		210,888	**204,607**	**6,281**	**3.1**
D. Gross technical provisions for unit-linked life insurance		**7,947**	**7,925**	**22**	**0.3**
E. Other provisions		**5,231**	**4,383**	**848**	**19.3**
F. Liabilities					
I. Bonds and notes issued	293		292	1	0.4
II. Deposits retained on ceded business	893		506	388	76.7
III. Current tax liabilities	1,836		1,929	–93	–4.8
IV. Other liabilities	19,576		18,147	1,430	7.9
		22,598	**20,872**	**1,726**	**8.3**
G. Deferred tax liabilities		**2,076**	**1,368**	**707**	**51.7**
H. Liabilities related to assets held for sale		**608**	**823**	**–215**	**–26.1**
Total equity and liabilities		**282,603**	**270,168**	**12,435**	**4.6**

Consolidated income statement[1]

1 January to 30 June 2019

Items

			Q1–2 2019	Q1–2 2018		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**25,175**			**24,313**	**861**	**3.5**
1. Earned premiums						
Gross	24,721			23,182	1,539	6.6
Ceded	–1,243			–972	–271	–27.9
Net		23,478		22,210	1,268	5.7
2. Income from technical interest		**3,543**		**2,652**	**891**	**33.6**
3. Expenses for claims and benefits						
Gross	–19,436			–17,735	–1,701	–9.6
Ceded	535			429	106	24.6
Net		–18,902		–17,306	–1,596	–9.2
4. Operating expenses						
Gross	–6,543			–6,217	–326	–5.2
Ceded	277			250	27	10.8
Net		–6,266		–5,967	–299	–5.0
5. Technical result (1–4)			**1,853**	**1,589**	**264**	**16.6**
6. Investment result		**3,641**		**3,554**	**87**	**2.4**
Thereof: Income from associates and joint ventures accounted for using the equity method		79		95	–16	–16.8
7. Insurance-related investment result		**678**		**–152**	**830**	**–**
8. Other operating income		**392**		**350**	**42**	**12.1**
9. Other operating expenses		**–577**		**–408**	**–169**	**–41.3**
10. Deduction of income from technical interest		**–3,543**		**–2,652**	**–891**	**–33.6**
11. Non-technical result (6–10)			**591**	**692**	**–101**	**–14.6**
12. Operating result (5+11)			**2,444**	**2,281**	**163**	**7.2**
13. Other non-operating result			**–326**	**–317**	**–9**	**–3.0**
14. Currency result			**85**	**–28**	**113**	**–**
15. Net finance costs			**–110**	**–101**	**–9**	**–9.1**
16. Taxes on income			**–466**	**–280**	**–187**	**–66.7**
17. Consolidated result (12–16)			**1,626**	**1,555**	**71**	**4.6**
Thereof: Attributable to Munich Reinsurance Company equity holders			1,625	1,549	75	4.9
Attributable to non-controlling interests			1	5	–4	–79.2
			€	€	€	%
Earnings per share			**11.22**	**10.34**	**0.89**	**8.6**

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

Consolidated income statement[1]

1 April to 30 June 2019

Items

			Q2 2019	Q2 2018		Change
	€m	€m	€m	€m	€m	%
Gross premiums written	**11,799**			**11,188**	**612**	**5.5**
1. Earned premiums						
Gross	12,332			11,497	835	7.3
Ceded	-486			-541	55	10.2
Net		11,846		10,956	890	8.1
2. Income from technical interest		**1,561**		**1,410**	**151**	**10.7**
3. Expenses for claims and benefits						
Gross	-9,118			-9,217	98	1.1
Ceded	130			342	-212	-61.9
Net		-8,988		-8,875	-113	-1.3
4. Operating expenses						
Gross	-3,349			-3,068	-280	-9.1
Ceded	141			146	-5	-3.3
Net		-3,208		-2,922	-285	-9.8
5. Technical result (1–4)			**1,212**	**569**	**642**	**112.9**
6. Investment result		**1,900**		**1,759**	**141**	**8.0**
Thereof: Income from associates and joint ventures accounted for using the equity method		32		78	-45	-58.2
7. Insurance-related investment result		**125**		**85**	**40**	**47.1**
8. Other operating income		**205**		**187**	**18**	**9.5**
9. Other operating expenses		**-312**		**-193**	**-119**	**-61.9**
10. Deduction of income from technical interest		**-1,561**		**-1,410**	**-151**	**-10.7**
11. Non-technical result (6–10)			**357**	**428**	**-71**	**-16.5**
12. Operating result (5+11)			**1,569**	**997**	**572**	**57.3**
13. Other non-operating result			**-204**	**-192**	**-13**	**-6.6**
14. Currency result			**27**	**41**	**-14**	**-33.7**
15. Net finance costs			**-55**	**-50**	**-4**	**-8.0**
16. Taxes on income			**-344**	**-68**	**-276**	**-406.6**
17. Consolidated result (12–16)			**993**	**728**	**265**	**36.4**
Thereof: Attributable to Munich Reinsurance Company equity holders			993	724	269	37.2
Attributable to non-controlling interests			1	5	-4	-84.5
			€	€	€	%
Earnings per share			**6.88**	**4.84**	**2.04**	**42.2**

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

Consolidated income statement[1]
(quarterly breakdown)

Items

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	€m	€m	€m	€m	€m	€m
Gross premiums written	**11,799**	**13,375**	**11,960**	**12,790**	**11,188**	**13,126**
1. Earned premiums						
Gross	12,332	12,389	12,634	12,203	11,497	11,685
Ceded	-486	-757	-657	-655	-541	-431
Net	11,846	11,632	11,976	11,548	10,956	11,254
2. Income from technical interest	**1,561**	**1,982**	**839**	**1,255**	**1,410**	**1,242**
3. Expenses for claims and benefits						
Gross	-9,118	-10,318	-9,422	-9,208	-9,217	-8,519
Ceded	130	404	470	351	342	87
Net	-8,988	-9,914	-8,953	-8,857	-8,875	-8,431
4. Operating expenses						
Gross	-3,349	-3,195	-3,643	-3,245	-3,068	-3,149
Ceded	141	136	123	146	146	104
Net	-3,208	-3,059	-3,520	-3,099	-2,922	-3,045
5. Technical result (1–4)	**1,212**	**642**	**343**	**847**	**569**	**1,020**
6. Investment result	**1,900**	**1,741**	**1,661**	**1,311**	**1,759**	**1,796**
Thereof: Income from associates and joint ventures accounted for using the equity method	32	47	91	0	78	18
7. Insurance-related investment result	**125**	**553**	**-653**	**120**	**85**	**-237**
8. Other operating income	**205**	**187**	**233**	**245**	**187**	**163**
9. Other operating expenses	**-312**	**-265**	**-340**	**-227**	**-193**	**-216**
10. Deduction of income from technical interest	**-1,561**	**-1,982**	**-839**	**-1,255**	**-1,410**	**-1,242**
11. Non-technical result (6–10)	**357**	**233**	**61**	**193**	**428**	**263**
12. Operating result (5+11)	**1,569**	**875**	**404**	**1,040**	**997**	**1,283**
13. Other non-operating result	**-204**	**-122**	**-171**	**-151**	**-192**	**-125**
14. Currency result	**27**	**58**	**115**	**-127**	**41**	**-68**
15. Net finance costs	**-55**	**-56**	**-49**	**-45**	**-50**	**-51**
16. Taxes on income	**-344**	**-122**	**-61**	**-235**	**-68**	**-212**
17. Consolidated result (12–16)	**993**	**633**	**238**	**483**	**728**	**827**
Thereof: Attributable to Munich Reinsurance Company equity holders	993	632	255	505	724	826
Attributable to non-controlling interests	1	0	-18	-22	5	1
	€	€	€	€	€	€
Earnings per share	**6.88**	**4.35**	**1.74**	**3.41**	**4.84**	**5.49**

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

Statement of recognised income and expense

1 January to 30 June 2019

€m		Q1-2 2019	Q1-2 2018
Consolidated result		**1,626**	**1,555**
Currency translation			
Gains (losses) recognised in equity	126		197
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	3,786		-916
Recognised in the consolidated income statement	-306		-450
Change resulting from equity method measurement			
Gains (losses) recognised in equity	-11		12
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	1		0
Recognised in the consolidated income statement	0		0
Other changes	3		-1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	3,600		-1,159
Remeasurements of defined benefit plans	-458		9
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-458		9
Income and expense recognised directly in equity (I + II)		**3,141**	**-1,150**
Total recognised income and expense		**4,767**	**405**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		4,762	402
Attributable to non-controlling interests		5	3

Statement of recognised income and expense
1 April to 30 June 2019

€m		Q2 2019	Q2 2018
Consolidated result		**993**	**728**
Currency translation			
Gains (losses) recognised in equity	-200		510
Recognised in the consolidated income statement	0		0
Unrealised gains and losses on investments			
Gains (losses) recognised in equity	1,660		-28
Recognised in the consolidated income statement	-246		-167
Change resulting from equity method measurement			
Gains (losses) recognised in equity	-4		-2
Recognised in the consolidated income statement	0		0
Change resulting from cash flow hedges			
Gains (losses) recognised in equity	1		0
Recognised in the consolidated income statement	0		0
Other changes	1		-1
I. Items where income and expenses recognised directly in equity are reallocated to the consolidated income statement	1,212		311
Remeasurements of defined benefit plans	-209		60
Other changes	0		0
II. Items where income and expenses recognised directly in equity are not reallocated to the consolidated income statement	-209		60
Income and expense recognised directly in equity (I + II)		**1,003**	**372**
Total recognised income and expense		**1,996**	**1,100**
Thereof:			
Attributable to Munich Reinsurance Company equity holders		1,995	1,096
Attributable to non-controlling interests		2	3

Group statement of changes in equity

€m	Issued capital	Capital reserve
Balance at 31.12.2017	**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	–9	0
Retirement of own shares	21	0
Balance at 30.6.2018	**586**	**6,845**
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**

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			
15,703	**-668**	**4,811**	**365**	**7**	**375**	**186**	**28,198**
-911	0	0	0	0	911	0	0
0	0	0	0	0	1,549	5	1,555
10	0	-1,360	197	6	0	-3	-1,150
0	0	0	197	0	0	-1	197
0	0	-1,363	0	0	0	-3	-1,366
3	0	3	0	6	0	0	12
0	0	0	0	0	0	0	0
8	0	0	0	0	0	1	9
-1	0	0	0	0	0	0	-1
10	0	-1,360	197	6	1,549	3	405
0	0	0	0	0	0	0	-1
0	0	0	0	0	0	0	0
0	0	0	0	0	-1,286	-1	-1,287
0	-408	0	0	0	0	0	-417
-1,000	979	0	0	0	0	0	0
13,803	**-97**	**3,450**	**562**	**13**	**1,549**	**188**	**26,899**
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**

Condensed consolidated cash flow statement[1]

1 January to 30 June 2019

€m	Q1–2 2019	Q1–2 2018
Consolidated result	**1,626**	**1,555**
Net change in technical provisions	6,205	2,739
Change in deferred acquisition costs	124	–60
Change in deposits retained on assumed and ceded business	369	–636
Change in other receivables and liabilities	–2,407	–605
Gains and losses on the disposal of investments	–572	–845
Change in securities at fair value through profit or loss	–522	–429
Change in other balance sheet items	1,324	57
Other non-cash income and expenses	–344	454
I. Cash flows from operating activities	5,802	2,230
Change from losing control of consolidated subsidiaries	–63	16
Change from obtaining control of consolidated subsidiaries	0	–4
Change from the acquisition, sale and maturity of investments	–4,583	–207
Change from the acquisition, sale and maturity of investments and insurance-related investments	399	112
Other	–745	32
II. Cash flows from investing activities	–4,992	–51
Inflows from increases in capital and from non-controlling interests	0	0
Outflows to ownership interests and non-controlling interests	–389	–418
Dividend payments	–1,335	–1,287
Change from other financing activities	137	–335
III. Cash flows from financing activities	–1,587	–2,040
Cash flows for the financial year (I + II + III)[2]	**–777**	**139**
Effect of exchange-rate changes on cash and cash equivalents	–63	39
Cash at the beginning of the financial year	4,986	3,628
Cash at 30 June of the financial year	4,145	3,807
Thereof:		
Cash not attributable to disposal group	4,125	3,788
Cash attributable to disposal group	20	19

1 Previous year's figures adjusted owing to alignment of the allocation within cash inflows with the balance sheet disclosure.
2 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 2019 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 IFRIC interpretations whose application is compulsory for Munich Re for the first time for periods beginning on 1 January 2019. 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 2018 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 2019 financial year, the following new or amended IFRSs have to be applied for the first time:

- Amendments to IAS 28 (rev. 10/2017), Long-term Interests in Associates and Joint Ventures
- Amendments published as part of the "Annual Improvements to IFRS 2015–2017 Cycle" (12/2017): Amendments to IAS 12, Income Taxes; IAS 23, Borrowing Costs; IFRS 3, Business Combinations; and IFRS 11, Joint Arrangements
- Amendments to IAS 19 (rev. 2/2018), Plan Amendment, Curtailment or Settlement
- IFRIC 23 (6/2017), Uncertainty over Income Tax Treatments

These amendments have little or no material effects on Munich Re.

IFRS 16 (01/2016), Leases is to be applied for the first time for financial years beginning on or after 1 January 2019. Munich Re has applied the standard using the modified retrospective approach. The first-time application affects leasing agreements hitherto classified as operating leases. Short-term leases with terms of less than 12 months (and which do not contain an option to purchase), and leasing agreements for underlying assets of low value were not recognised. Furthermore, Munich Re is exercising its option to report leasing and non-leasing components uniformly according to IFRS 16.

Munich Re continues to apply the transitional provisions under which contracts not recognised as leases under IAS 17 Leases in conjunction with IFRIC 4 Determining whether an Arrangement Contains a Lease did not need to be reviewed according to the definition of a lease in IFRS 16.

Upon first-time application of IFRS 16 to leases classified as operating leases, we measure the right of use for the asset at the amount of the lease liability. The discount rate applied here is the market interest rate at the date of first-time application of IFRS 16.

We do not recognise leases with terms expiring within 12 months of the first-time application of IFRS 16. Equally, the initial direct costs are not included in measurement of the right-of-use asset.

The comparative information for the 2018 financial year will not be adjusted in the 2019 financial year.

As at 30 June 2019, rights of use in the amount of €367m and lease liabilities in the amount of €364m were recognised in the consolidated balance sheet.

Due to the close interlinking of underwriting liabilities and investments of insurance companies, it is essential to have an aligned measurement of these line items in the balance sheet in order to prevent balance sheet distortions. The IASB therefore published an amendment standard to IFRS 4, Insurance Contracts, in September 2016. This provides the possibility of postponing the first-time application of IFRS 9 until 2021.

In November 2018, the IASB tentatively decided to defer the mandatory effective date of IFRS 17, Insurance Contracts, by one year to 1 January 2022. At the same time, insurance companies qualifying for deferral of IFRS 9 would be allowed an additional year of deferral to 2022 for the first-time application of IFRS 9. The draft amendment standard required for these decisions was published at the end of June 2019.

Postponement of 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

	Cash flow requirement met[1]			Cash flow requirement not met[2]		
€m	30.6.2019	31.12.2018	Change	30.6.2019	31.12.2018	Change
Loans						
Mortgage loans	7,691	7,037	654	0	0	0
Other loans	50,263	48,815	1,448	8,971	8,206	764
Other securities available for sale						
Fixed-interest securities						
Government bonds						
Germany	6,149	6,513	–364	11	11	0
Rest of EU	26,103	28,471	–2,369	99	92	7
USA	16,109	14,975	1,134	0	0	0
Other	14,417	17,780	–3,363	63	55	8
Corporate debt securities	**46,886**	**43,345**	**3,541**	**1,422**	**1,520**	**–98**
Other	**19,047**	**10,975**	**8,072**	**454**	**358**	**97**
Non-fixed-interest securities						
Equities	**0**	**0**	**0**	**12,953**	**10,180**	**2,773**
Investment funds						
Equity funds	0	0	0	478	530	–52
Bond funds	0	0	0	1,724	1,463	261
Real estate funds	0	0	0	323	321	2
Other	**0**	**0**	**0**	**3,060**	**2,683**	**377**
Other securities at fair value through profit or loss						
Held for trading	**15**	**15**	**0**	**2,284**	**2,191**	**94**
Securities designated at fair value through profit or loss	**82**	**50**	**33**	**415**	**360**	**55**
Other investments						
Deposits with banks	**3,257**	**3,219**	**37**	**0**	**0**	**0**
Insurance-related investments						
Investments for unit-linked life insurance contracts	**0**	**0**	**0**	**7,536**	**7,533**	**2**
Other insurance-related investments	**0**	**7**	**–7**	**1,116**	**833**	**283**

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.

Ratings for investments that meet the cash flow requirement

€m	30.6.2019	31.12.2018
AAA	64,684	64,792
AA	53,528	51,811
A	25,884	23,149
BBB	22,336	21,231
Lower	5,792	5,572
No rating	1,116	1,070
Total	**173,339**	**167,625**

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 an immaterial share of overall investments.

Investments held by subsidiaries already required to use IFRS 9 under local regulations also accounted for an immaterial 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.

With effect from the first quarter of 2019, we have adjusted the breakdown of the consolidated and segment income statements, as well as the previous year's figures in line with IAS 1.41. Because the currency result is of particular significance owing to our international business model, we have shown it separately since Q1 2019. For the first half-year, the currency result was €85m (–28m). We are also no longer posting impairment losses of goodwill separately, and instead including these under the other operating result. For the first six months of 2019, these totalled €1m (0m).

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 reportable segments:

- 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)
- ERGO Property-casualty Germany (German property-casualty insurance business, excluding Digital Ventures)
- ERGO International (ERGO's primary insurance business outside Germany)

As at 1 January 2019, ERGO's direct business in Germany was renamed Digital Ventures.

For transparency reasons, we post the currency result separately in the segment income statement; see also Recognition and measurement.

With effect from the first quarter of 2019, the investment management method in reinsurance and with it allocations to the life and health and property-casualty segments in the reinsurance group were refined in order to give more detailed consideration to material issues. The previous year's figures have not been adjusted because the changes have little material effect.

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

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

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

Segment assets

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2019	31.12.2018	30.6.2019	31.12.2018
A. Intangible assets	**325**	**330**	**2,297**	**2,304**
B. Investments				
I. Land and buildings, including buildings on third-party land	192	433	2,394	2,150
II. Investments in affiliated companies, associates and joint ventures	48	44	1,475	1,433
Thereof: Associates and joint ventures accounted for using the equity method	29	28	1,406	1,371
III. Loans	414	178	508	701
IV. Other securities				
1. Available for sale	22,053	19,689	49,997	49,116
2. At fair value through profit or loss	57	122	839	634
	22,110	19,812	50,836	49,750
V. Deposits retained on assumed reinsurance	4,763	4,890	2,506	2,286
VI. Other investments	372	688	2,291	2,400
	27,899	**26,044**	**60,010**	**58,718**
C. Insurance-related investments	**1,014**	**745**	**34**	**97**
D. Ceded share of technical provisions	**1,308**	**858**	**2,666**	**2,709**
E. Assets held for sale	**3**	**0**	**57**	**414**
F. Other segment assets	**12,894**	**13,006**	**13,266**	**11,126**
Total segment assets	**43,443**	**40,984**	**78,331**	**75,369**

Segment equity and liabilities

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2019	31.12.2018	30.6.2019	31.12.2018
A. Subordinated liabilities	**924**	**977**	**2,775**	**2,700**
B. Gross technical provisions				
I. Unearned premiums	294	309	6,978	6,985
II. Provision for future policy benefits	12,179	12,107	26	26
III. Provision for outstanding claims	9,211	9,034	48,666	46,919
IV. Other technical provisions	338	301	238	293
	22,023	**21,751**	**55,907**	**54,222**
C. Gross technical provisions for unit-linked life insurance contracts	**2**	**0**	**0**	**0**
D. Other provisions	**183**	**226**	**674**	**604**
E. Liabilities related to assets held for sale	**0**	**0**	**0**	**392**
F. Other segment liabilities	**9,556**	**8,938**	**8,749**	**7,189**
Total segment liabilities	**32,687**	**31,891**	**68,106**	**65,108**

					ERGO		Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	197	**204**	**1,129**	**1,044**	**175**	**182**	**4,124**	**4,064**
	3,010	2,937	220	221	109	111	5,925	5,851
	368	441	114	75	486	517	2,490	2,509
	309	387	43	9	473	502	2,258	2,296
	51,322	52,089	1,606	1,606	341	271	54,191	54,845
	55,825	50,603	5,155	4,625	16,268	15,240	149,298	139,272
	1,418	1,362	31	53	453	444	2,797	2,616
	57,243	51,965	5,186	4,678	16,721	15,684	152,095	141,888
	45	44	22	21	0	0	7,336	7,241
	1,549	1,012	245	270	123	149	4,581	4,518
	113,537	**108,487**	**7,393**	**6,871**	**17,779**	**16,731**	**226,619**	**216,852**
	4,881	**4,673**	**0**	**0**	**2,723**	**2,909**	**8,651**	**8,424**
	18	**19**	**81**	**74**	**531**	**603**	**4,604**	**4,263**
	71	**269**	**1**	**1**	**634**	**344**	**767**	**1,029**
	7,122	**7,047**	**1,728**	**1,581**	**2,829**	**2,775**	**37,838**	**35,535**
	125,826	**120,701**	**10,331**	**9,572**	**24,671**	**23,542**	**282,603**	**270,168**

					ERGO		Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	0	**0**	**0**	**0**	**13**	**13**	**3,712**	**3,689**
	304	250	828	484	1,838	1,762	10,243	9,790
	89,921	88,950	417	422	9,572	9,641	112,115	111,147
	2,863	2,886	4,693	4,670	2,699	2,848	68,133	66,356
	18,985	16,139	97	96	739	485	20,397	17,314
	112,073	**108,225**	**6,035**	**5,672**	**14,849**	**14,736**	**210,888**	**204,607**
	5,231	**5,098**	**0**	**0**	**2,714**	**2,827**	**7,947**	**7,925**
	1,995	**1,662**	**1,152**	**918**	**1,226**	**972**	**5,231**	**4,383**
	0	**168**	**0**	**0**	**608**	**263**	**608**	**823**
	4,402	**4,156**	**583**	**741**	**1,385**	**1,218**	**24,674**	**22,241**
	123,702	**119,309**	**7,771**	**7,331**	**20,794**	**20,028**	**253,060**	**243,668**
					Equity		**29,543**	**26,500**
					Total equity and liabilities		**282,603**	**270,168**

Segment income statement 1.1.–30.6.2019[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
Gross premiums written	**5,636**	**5,174**	**10,327**	**9,940**
1. Net earned premiums	5,068	4,816	9,877	8,860
2. Income from technical interest	320	285	592	539
3. Net expenses for claims and benefits	–4,199	–3,786	–5,865	–5,502
4. Net operating expenses	–1,076	–1,019	–3,307	–2,965
5. Technical result (1–4)	**114**	**296**	**1,297**	**933**
6. Investment result	580	510	830	900
7. Insurance-related investment result	8	8	–3	–36
8. Other operating result	13	15	–131	–42
9. Deduction of income from technical interest	–320	–285	–592	–539
10. Non-technical result (6–9)	**281**	**249**	**104**	**283**
11. Operating result (5+10)	**395**	**545**	**1,401**	**1,215**
12. Other non-operating result	–11	–14	–43	–53
13. Currency result	42	5	114	1
14. Net finance costs	–19	–19	–64	–46
15. Taxes on income	–71	–73	–337	–192
16. Consolidated result (11–15)	**335**	**444**	**1,071**	**925**

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

Segment income statement 1.4.–30.6.2019[1]

	Reinsurance			
	Life and health		Property-casualty	
€m	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Gross premiums written	**2,740**	**2,309**	**4,842**	**4,623**
1. Net earned premiums	2,571	2,058	4,947	4,544
2. Income from technical interest	167	146	301	278
3. Net expenses for claims and benefits	–2,115	–1,631	–2,679	–3,139
4. Net operating expenses	–587	–416	–1,658	–1,499
5. Technical result (1–4)	**36**	**156**	**910**	**184**
6. Investment result	340	302	445	496
7. Insurance-related investment result	–3	–2	–16	–18
8. Other operating result	0	13	–81	–6
9. Deduction of income from technical interest	–167	–146	–301	–278
10. Non-technical result (6–9)	**170**	**167**	**47**	**194**
11. Operating result (5+10)	**205**	**323**	**957**	**378**
12. Other non-operating result	–10	–13	–35	–45
13. Currency result	22	11	75	29
14. Net finance costs	–10	–9	–31	–23
15. Taxes on income	–54	–27	–262	–4
16. Consolidated result (11–15)	**154**	**285**	**704**	**335**

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 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
4,658	**4,633**	**2,035**	**1,947**	**2,519**	**2,619**	**25,175**	**24,313**
4,595	4,583	1,642	1,597	2,295	2,353	23,478	22,210
2,245	1,682	38	38	348	108	3,543	2,652
–5,951	–5,346	–998	–1,012	–1,890	–1,660	–18,902	–17,306
–691	–761	–533	–532	–659	–691	–6,266	–5,967
198	**158**	**150**	**92**	**95**	**111**	**1,853**	**1,589**
2,000	1,857	71	77	160	211	3,641	3,554
457	–88	0	0	216	–36	678	–152
–33	–27	0	9	–34	–14	–185	–59
–2,245	–1,682	–38	–38	–348	–108	–3,543	–2,652
179	**59**	**33**	**47**	**–7**	**54**	**591**	**692**
378	**218**	**183**	**139**	**88**	**164**	**2,444**	**2,281**
–132	–125	–100	–87	–41	–39	–326	–317
–39	–44	–12	–3	–19	13	85	–28
–11	–15	–2	–5	–14	–17	–110	–101
–60	–14	0	12	2	–13	–466	–280
135	**21**	**69**	**57**	**16**	**107**	**1,626**	**1,555**

ERGO						Total	
Life and Health Germany		Property-casualty Germany		International			
Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
2,311	**2,312**	**686**	**681**	**1,219**	**1,262**	**11,799**	**11,188**
2,320	2,318	853	854	1,155	1,182	11,846	10,956
956	884	19	19	118	82	1,561	1,410
–2,832	–2,745	–476	–511	–886	–849	–8,988	–8,875
–357	–390	–270	–265	–336	–352	–3,208	–2,922
88	**67**	**127**	**98**	**51**	**63**	**1,212**	**569**
1,008	807	27	40	81	113	1,900	1,759
92	90	0	0	52	14	125	85
–16	–14	0	6	–9	–4	–107	–5
–956	–884	–19	–19	–118	–82	–1,561	–1,410
128	**–1**	**7**	**27**	**7**	**41**	**357**	**428**
215	**67**	**134**	**125**	**58**	**105**	**1,569**	**997**
–75	–65	–57	–47	–28	–22	–204	–192
–45	–10	–7	0	–18	11	27	41
–5	–7	–1	–2	–7	–9	–55	–50
–18	1	–14	–19	3	–19	–344	–68
72	**–15**	**55**	**57**	**8**	**66**	**993**	**728**

Notes on determining the combined ratio[1]

		Reinsurance		ERGO		
		Property-casualty		Property-casualty Germany		Property-casualty International[2]
€m	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
Net earned premiums	9,877	8,860	1,642	1,597	1,647	1,642
Net expenses for claims and benefits	–5,865	–5,502	–998	–1,012	–1,073	–1,066
Net operating expenses	–3,307	–2,965	–533	–532	–505	–508
Loss-ratio calculation adjustments	6	5	21	16	10	8
Fire brigade tax and other expenses	10	8	13	8	13	13
Expenses for premium refunds[3]	0	0	13	10	1	0
Other underwriting income	–3	–3	–2	–2	–7	–10
Change in remaining technical provisions and other underwriting expenses[3]	0	0	–3	–1	3	4
Adjusted net expenses for claims and benefits	**–5,859**	**–5,497**	**–976**	**–995**	**–1,062**	**–1,059**
Loss ratio %	59.3	62.0	59.4	62.3	64.5	64.5
Combined ratio %	92.8	95.5	91.9	95.6	95.2	95.4

1 Information on the combined ratio is provided in the 2018 Annual Report under "Important tools of corporate management".
2 Excluding life insurance business and health insurance conducted like life insurance.
3 Adjustment only for ERGO Property-casualty Germany and Property-casualty International.

Non-current assets by country[1]

€m	30.6.2019	31.12.2018
Germany	7,316	7,166
USA	3,394	3,364
UK	564	573
France	374	377
Sweden	371	387
Spain	298	302
Poland	237	233
Malta	200	202
Italy	180	186
Austria	152	161
Belgium	132	132
Netherlands	113	115
Switzerland	92	91
Portugal	71	69
Finland	64	65
Lithuania	54	54
Canada	50	46
Others	138	132
Total	**13,799**	**13,655**

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

Investments in non-current assets per segment[1]

€m	Q1–2 2019	Q1–2 2018
Reinsurance – Life and health	27	49
Reinsurance – Property-casualty	157	416
ERGO Life and Health Germany	112	21
ERGO Property-casualty Germany	107	42
ERGO International	34	27
Total	**437**	**555**

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

Other segment disclosures

				Reinsurance
	Life and health		Property-casualty	
€m	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
Interest income	418	341	554	520
Interest expenses	–9	–6	–19	–12
Depreciation and amortisation	–27	–31	–56	–54
Other operating income	103	59	140	140
Other operating expenses	–90	–43	–271	–182
Income from associates and joint ventures accounted for using the equity method	1	0	64	60

Gross premiums written

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Europe	14,219	6,604	13,909	6,504
North America	6,855	3,374	6,366	2,817
Asia and Australasia	2,634	1,124	2,565	1,165
Africa, Middle East	802	391	880	434
Latin America	665	305	593	267
Total	**25,175**	**11,799**	**24,313**	**11,188**

						ERGO		Total
		Life and Health Germany		Property-casualty Germany		International		
	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
	1,442	1,454	48	44	174	173	2,635	2,532
	–26	–18	–8	–5	–11	–9	–72	–49
	–26	–25	–22	–20	–32	–34	–162	–164
	58	43	43	40	48	68	392	350
	–91	–70	–43	–32	–82	–81	–577	–408
	8	32	0	1	7	3	79	95

Notes to the consolidated balance sheet

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

Intangible assets

Development of intangible assets

		Goodwill		Other intangible assets		Total
€m	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
Gross carrying amount at 31 Dec. previous year	4,460	4,134	4,352	4,243	8,812	8,377
Accumulated amortisation and impairment losses at 31 Dec. previous year	–1,556	–1,550	–3,191	–3,137	–4,747	–4,687
Carrying amount at 31 Dec. previous year	2,904	2,584	1,161	1,105	4,065	3,689
Currency translation differences	7	44	12	–2	19	42
Additions	1	0	142	79	143	79
Disposals	0	0	–6	–4	–6	–4
Reclassifications	0	0	–6	–4	–6	–4
Impairment losses reversed	0	0	0	0	0	0
Impairment losses	–1	0	–91	–88	–92	–88
Carrying amount at 30 June financial year	**2,911**	**2,628**	**1,213**	**1,087**	**4,124**	**3,715**
Accumulated amortisation and impairment losses at 30 June financial year	–1,557	–1,550	–3,354	–3,227	–4,911	–4,777
Gross carrying amount at 30 June financial year	4,468	4,178	4,567	4,313	9,035	8,491

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.

We assess at every reporting date whether the allocation of our investments to the levels of the measurement 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 a different 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	Pricing method	Parameters	Pricing model
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) Monte Carlo simulation
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	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 curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan) Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve 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 of an increase or decrease in lapse rates on the fair value 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 influence of these and other non-observable assumptions is not material. The dependency between different capital market inputs is modelled by correlation matrices. 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) as well as relatively illiquid credit structures (especially commercial mortgage-backed securities and collateralised loan obligations). In the case of external fund units, market quotes are not available on a regular basis; rather, net asset values (NAVs) are provided by the asset managers. With regard to the NAVs, the quality of the market quotes available from market data providers is insufficient, so we use broker valuations. With these investments, we thus do not perform our own measurements using inputs that are not based on observable market data. We regularly subject supplied valuations to plausibility tests on the basis of comparable investments.

As at 30 June 2019, we allocated around 12% (11%) of the fair-value investments to Level 1 of the fair value hierarchy, 83% (85%) to Level 2 and 5% (5%) to Level 3.

We examined the level allocation of our investments as part of the review process in the second quarter. The minor transfer amounts relating to Level 3 of the fair value hierarchy are adjustments to our Group requirements.

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

				30.6.2019
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	192	192
Investments in associates and joint ventures measured at fair value	0	0	40	40
Other securities available for sale				
Fixed-interest	55	127,143	3,560	130,759
Non-fixed-interest	13,250	1,554	3,735	18,539
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	267	2,061	5	2,334
Designated as at fair value through profit or loss	182	316	0	498
Other investments	0	10	267	277
Insurance-related investments	4,878	3,366	408	8,651
Total	**18,633**	**134,450**	**8,206**	**161,289**

→				31.12.2018
€m	Level 1	Level 2	Level 3	Total
Investments in affiliated companies measured at fair value	0	0	177	177
Investments in associates and joint ventures measured at fair value	0	0	36	36
Other securities available for sale				
Fixed-interest	48	120,910	3,137	124,095
Non-fixed-interest	10,451	1,316	3,410	15,177
Other securities at fair value through profit or loss				
Held for trading, and hedging derivatives[1]	545	1,680	1	2,226
Designated as at fair value through profit or loss	167	242	0	410
Other investments	0	10	255	265
Insurance-related investments	4,914	3,270	233	8,417
Total	**16,125**	**127,429**	**7,249**	**150,803**

1 Including hedging derivatives of €34m (20m) 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 2019 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 investments recognised at the end of the financial year are shown in the statement of recognised income and expense for the first half of 2019 under the line item "Unrealised gains and losses on investments" as "Recognised in the consolidated income statement".

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

Reconciliation for investments allocated to Level 3

	Investments in affiliated companies measured at fair value		Investments in associates and joint ventures measured at fair value	
€m	Q1–2 2019	Q1–2 2018	Q1–2 2019	Q1–2 2018
Carrying amount at 31 Dec. previous year	177	171	36	34
Gains and losses	-2	-2	2	8
Gains (losses) recognised in the income statement	0	4	0	0
Gains (losses) recognised in equity	-1	-6	2	8
Acquisitions	23	7	2	10
Disposals	-2	-9	0	0
Transfer to Level 3	0	0	0	0
Transfer out of Level 3	-4	0	0	0
Change in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**192**	**167**	**40**	**52**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	0	0	0

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€m	Fixed-interest Q1–2 2019	Fixed-interest Q1–2 2018	Other securities available for sale Non-fixed-interest Q1–2 2019	Other securities available for sale Non-fixed-interest Q1–2 2018
Carrying amount at 31 Dec. previous year	3,137	2,675	3,410	2,860
Gains and losses	147	–12	20	41
Gains (losses) recognised in the income statement	34	–8	–7	–18
Gains (losses) recognised in equity	113	–3	27	59
Acquisitions	524	715	548	330
Disposals	–223	–380	–244	–171
Transfer to Level 3	0	0	0	1
Transfer out of Level 3	–25	0	0	0
Change in the fair value of derivatives	0	0	0	0
Carrying amount at 30 June financial year	**3,560**	**2,998**	**3,735**	**3,060**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	34	–8	–35	–8

→

€m	Designated as at fair value through profit or loss Q1–2 2019	Designated as at fair value through profit or loss Q1–2 2018	Held for trading, and hedging derivatives Q1–2 2019	Held for trading, and hedging derivatives Q1–2 2018	Other investments Q1–2 2019	Other investments Q1–2 2018
Carrying amount at 31 Dec. previous year	0	0	1	2	255	36
Gains and losses	0	0	0	0	10	0
Gains (losses) recognised in the income statement	0	0	0	0	9	0
Gains (losses) recognised in equity	0	0	0	0	1	0
Acquisitions	0	2	5	6	22	0
Disposals	0	0	0	0	–20	0
Transfer to Level 3	0	0	0	0	0	0
Transfer out of Level 3	0	0	0	0	0	0
Change in the fair value of derivatives	0	0	0	0	0	0
Carrying amount at 30 June financial year	**0**	**2**	**5**	**8**	267	36
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	0	0	0	0	9	0

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€m	Insurance-related investments Q1–2 2019	Insurance-related investments Q1–2 2018	Total Q1–2 2019	Total Q1–2 2018
Carrying amount at 31 Dec. previous year	233	304	7,249	6,082
Gains and losses	47	45	225	79
Gains (losses) recognised in the income statement	44	43	80	20
Gains (losses) recognised in equity	3	2	145	60
Acquisitions	180	21	1,303	1,091
Disposals	–60	–59	–550	–619
Transfer to Level 3	0	0	0	1
Transfer out of Level 3	0	0	–29	0
Change in the fair value of derivatives	8	–2	8	–2
Carrying amount at 30 June financial year	**408**	**308**	**8,206**	**6,631**
Gains (losses) recognised in the income statement that are attributable to investments shown at 30 June financial year	26	43	35	26

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

Equity

Number of shares in circulation and number of treasury shares

	30.6.2019	31.12.2018
Number of shares in circulation	143,929,371	145,797,378
Number of treasury shares	388,490	3,741,099
Total	**144,317,861**	**149,538,477**

Subordinated liabilities

Breakdown of subordinated liabilities

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2019	31.12.2018
Munich Reinsurance Company, Munich, 3.25% until 2029, thereafter floating, €1,250m, Bonds 2018/2049	–	A	A2 (hyb)	–	1,240	1,236
Munich Reinsurance Company, Munich, 6.25% until 2022, thereafter floating, €900m, Bonds 2012/2042	a+	A	–	A	903	897
Munich Reinsurance Company, Munich, 6.625% until 2022, thereafter floating, £450m, Bonds 2012/2042	a+	A	–	A	506	501
Munich Reinsurance Company, Munich, 6.00% until 2021, thereafter floating, €1,000m, Bonds 2011/2041	a+	A	–	A	1,003	997
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	–	–	–	–	47	46
Total					**3,712**	**3,689**

The fair value of the subordinated liabilities at the balance sheet date amounted to €4,270m (4,059m). 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	30.6.2019	31.12.2018
Munich Re America Corporation, Wilmington, 7.45%, US$ 334m, Senior Notes 1996/2026	a	A+	A2	A–	293	292
Total					**293**	**292**

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 amounted to €376m (354m). ↗

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

				30.6.2019				31.12.2018
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Other liabilities								
Derivatives	81	1,305	716	2,103	139	788	652	1,579

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 2019 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 2019 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 other liabilities allocated to Level 3.

Reconciliation for liabilities allocated to Level 3

	Other liabilities at fair value through profit or loss	
€m	Q1–2 2019	Q1–2 2018
Carrying amount at 31 Dec. previous year	652	471
Gains and losses	8	–13
Gains (losses) recognised in the consolidated income statement	16	–7
Gains (losses) recognised in equity	–8	–6
Acquisitions	128	124
Disposals	–63	–70
Transfer to Level 3	0	0
Transfer out of Level 3	0	0
Change in the fair value of derivatives	8	–2
Carrying amount at 30 June financial year	**716**	**538**
Gains (losses) recognised in the consolidated income statement that are attributable to liabilities shown at 30 June financial year	8	6

Notes to the consolidated income statement

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

Premiums

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Gross premiums written	25,175	11,799	24,313	11,188
Change in gross unearned premiums	–454	532	–1,131	309
Gross earned premiums	**24,721**	**12,332**	**23,182**	**11,497**
Ceded premiums written	–1,307	–467	–1,092	–556
Change in unearned premiums – Ceded share	64	–19	120	16
Earned premiums ceded	**–1,243**	**–486**	**–972**	**–541**
Net earned premiums	**23,478**	**11,846**	**22,210**	**10,956**

Expenses for claims and benefits

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Gross				
Claims and benefits paid	–16,319	–8,994	–16,205	–7,932
Changes in technical provisions				
Provision for future policy benefits	–589	–471	–247	–440
Provision for outstanding claims	–1,517	796	–496	–608
Provision for premium refunds	–962	–432	–731	–203
Other technical result	–50	–17	–55	–33
Gross expenses for claims and benefits	**–19,436**	**–9,118**	**–17,735**	**–9,217**
Ceded share				
Claims and benefits paid	497	297	211	103
Changes in technical provisions				
Provision for future policy benefits	205	–62	158	146
Provision for outstanding claims	–154	–102	52	81
Provision for premium refunds	0	0	1	0
Other technical result	–12	–2	7	11
Expenses for claims and benefits – Ceded share	**535**	**130**	**429**	**342**
Net				
Claims and benefits paid	–15,822	–8,698	–15,994	–7,829
Changes in technical provisions				
Provision for future policy benefits	–384	–533	–89	–294
Provision for outstanding claims	–1,670	694	–445	–527
Provision for premium refunds	–963	–432	–730	–203
Other technical result	–63	–19	–48	–22
Net expenses for claims and benefits	**–18,902**	**–8,988**	**–17,306**	**–8,875**

Operating expenses

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Acquisition costs, profit commission and reinsurance commission paid	–4,865	–2,340	–4,972	–2,296
Administrative expenses	–1,589	–804	–1,509	–750
Change in deferred acquisition costs and contingent commissions, amortisation and impairment losses on acquired insurance portfolios	–89	–203	264	–23
Gross operating expenses	**–6,543**	**–3,349**	**–6,217**	**–3,068**
Ceded share of acquisition costs, profit commission and reinsurance commission paid	334	172	310	184
Ceded share of change in deferred acquisition costs and contingent commissions	–57	–31	–60	–38
Operating expenses – Ceded share	**277**	**141**	**250**	**146**
Net operating expenses	**–6,266**	**–3,208**	**–5,967**	**–2,922**

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

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Land and buildings, including buildings on third-party land	**315**	**185**	**240**	**101**
Investments in affiliated companies	**–23**	**–24**	**23**	**22**
Investments in associates and joint ventures	**79**	**32**	**95**	**78**
Loans	**1,003**	**466**	**1,133**	**461**
Other securities available for sale				
Fixed-interest	2,057	1,040	1,655	831
Non-fixed-interest	554	316	599	379
Other securities at fair value through profit or loss				
Held for trading				
Fixed-interest	0	0	0	0
Non-fixed-interest	7	1	–4	–5
Derivatives	–266	–68	–5	–13
Designated as at fair value through profit or loss				
Fixed-interest	9	4	2	1
Non-fixed-interest	34	10	–1	9
Deposits retained on assumed reinsurance, and other investments	**181**	**106**	**100**	**43**
Expenses for the management of investments, other expenses	**–309**	**–169**	**–284**	**–148**
Total	**3,641**	**1,900**	**3,554**	**1,759**

Result from insurance-related investments

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Investments for unit-linked life insurance contracts	669	133	–120	106
Other insurance-related investments	9	–8	–32	–21
Total	**678**	**125**	**–152**	**85**

Other operating result

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Other operating income	392	205	350	187
Thereof:				
Interest and similar income	87	49	51	24
Write-ups of other operating assets	6	3	14	11
Other operating expenses	–577	–312	–408	–193
Thereof:				
Interest and similar charges	–68	–41	–45	–23
Write-downs of other operating assets	–48	–40	–13	–7

In the first six months, other operating income mainly contains income of €254m (227m) from services rendered, interest income of €27m (12m), income of €24m (41m) from the release/reduction of miscellaneous provisions and provisions for bad and doubtful debts, and income of €11m (12m) from owner-occupied property, some of which is also leased out.

In addition to expenses of €242m (197m) for services rendered, other operating expenses chiefly include interest charges of €66m (42m), and other tax of €67m (57m). They also contain expenses of €7m (6m) for owner-occupied property, some of which is also leased out.

The other operating result includes the result from reinsurance treaties with non-significant risk transfer totalling €58m (35m), of which €55m (36m) derives from the life and health reinsurance segment.

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

€m	Q1–2 2019	Q2 2019	Q1–2 2018	Q2 2018
Other non-operating result	–326	–204	–317	–192
Currency result	85	27	–28	41
Net finance costs	–110	–55	–101	–50

The other non-operating result is unrelated to the conclusion, administration or settlement of insurance contracts or the administration of investments. In the first half-year, this item includes restructuring expenses of €47m (56m).

Other information

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

In the second quarter of 2019, ERGO International AG decided to sell its subsidiary, ERGO Sigorta A.S., Istanbul, to Talanx as part of the ERGO Strategy Programme. The agreed sale will result in an expected loss in the double-digit million euro range, for which we have established a provision. Subject to approval by the competent authorities, the disposal is expected to take place in the third quarter of 2019.

We plan to terminate the joint venture Apollo Munich Health Insurance Co. Ltd. (AMHI), Hyderabad, India, between Munich Health Holding AG (MHH), Munich, a wholly owned subsidiary of Munich Reinsurance Company, Munich, Apollo Hospitals Enterprise Ltd., Chennai, India, and Apollo Energy Company Ltd., Hyderabad, India, by the end of the year. We expect to transfer shares in AMHI to HDFC ERGO General Insurance Company Ltd. (HEGI), Mumbai, India, in 2020. This is an existing joint venture between Housing Development Finance Corporation Ltd. (HDFC), Mumbai, India, and ERGO International AG, Düsseldorf, Germany.

The 48.5% of shares held by MHH in AMHI will be cancelled on account of the planned transaction. Accordingly, the shares in AMHI accounted for using the equity method were classified as assets held for sale in the second quarter of 2019. We expect the transaction to have a positive impact on the result in the double-digit million euro range. The transaction is subject to the approval of the supervisory authorities.

The Gänsemarkt-Passage shopping mall in Hamburg, which is an investment property of ERGO Lebensversicherung AG and was recorded under the item "Assets held for sale" as of the fourth quarter of 2018, was sold as planned in the second quarter of 2019.

The subsidiary, ERGO Insurance Company, Moscow, was sold and deconsolidated in the second quarter of 2019. This is one of several ERGO insurance companies mainly operating in Eastern Europe that had been classified as held for sale in 2018.

In February 2019, MSP Underwriting Ltd., London, was sold and deconsolidated along with its Beaufort subsidiaries.

The other reserves of Group equity include an amount of €4.7m for disposal groups mainly attributable to unrealised losses on fixed-interest securities, and €45m in unrealised losses 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	30.6.2019	31.12.2018
Assets		
Land and buildings, including buildings on third-party land	73	102
Other securities available for sale	216	288
Other investments	53	16
Other assets of the disposal group	426	622
Total assets	**767**	**1,029**
Liabilities		
Gross technical provisions	581	749
Other liabilities of the disposal group	28	74
Total liabilities	**608**	**823**

Related parties

Transactions between Munich Reinsurance Company and subsidiaries that are deemed to be 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.

There were no significant transactions between Board members and Munich Re.

Number of staff

As at 30 June 2019, the Group employed 18,802 (19,191) staff in Germany and 21,067 (22,219) in other countries.

Breakdown of number of staff

	30.6.2019	31.12.2018
Reinsurance	12,186	12,324
ERGO	27,683	29,086
Total	**39,869**	**41,410**

Contingent liabilities, other financial commitments

Contingent liabilities and other financial commitments that are important for assessing the Group's financial position have not changed significantly since 31 December 2018. ↗

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 2019	Q2 2019	Q1–2 2018	Q2 2018
Consolidated result attributable to Munich Reinsurance Company equity holders	€m	1,625	993	1,549	724
Weighted average number of outstanding shares		144,745,006	144,228,570	149,883,539	149,465,620
Earnings per share	€	11.22	6.88	10.34	4.84

Events after the balance sheet date

On 31 July 2019, Munich Re acquired 100% of the voting shares in Arsenal Insurance Corporation (Arsenal), Carmel, Indiana, USA, via its subsidiary, Munich Re Digital Partners US Holding Corporation, Wilmington, Delaware, USA. Arsenal is licensed as a title insurer in the state of Indiana. The acquisition offers Munich Re the opportunity to conduct title insurance business in the USA.

Drawn up and released for publication,
Munich, 5 August 2019

The Board of Management

Review report

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated income statement, the statement of recognised income and expense, the Group statement of changes in equity, the condensed consolidated cash flow statement and the selected notes – together with the interim Group management report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, for the period from 1 January 2019 to 30 June 2019, that are part of the semi-annual financial report according to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34, Interim financial reporting, as adopted by the EU, and as the Standard was issued by the International Accounting Standards Board (IASB), and of the interim Group management report in accordance with the requirements of the Securities Trading Act applicable to interim group management reports, is the responsibility of the parent company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, Interim financial reporting, as adopted by the EU, and that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments, and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, Interim financial reporting, as adopted by the EU, or that the interim Group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 5 August 2019

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Ellenbürger
Wirtschaftsprüfer
(German Public Auditor)

Voß
Wirtschaftsprüferin
(German Public Auditor)

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial report of the consolidated half-year financial statements gives 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 2019

Supervisory Board

Board of Management

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Münchener Rückversicherungs-Gesellschaft (Munich Reinsurance Company) is a reinsurance company organised under the laws of Germany. In some countries, including in 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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Responsible for content
Financial and Regulatory Reporting

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Important dates 2019

7 November 2019
Quarterly Statement as at 30 September 2019

Important dates 2020

28 February 2020
Balance sheet press conference for 2019 financial statements (preliminary figures)

18 March 2020
Publication of Group Annual Report 2019

29 April 2020
Annual General Meeting

7 May 2020
Quarterly Statement as at 31 March 2020

6 August 2020
Half-Year Financial Report as at 30 June 2020

5 November 2020
Quarterly Statement as at 30 September 2020

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