Half-Year Financial Report 2023
Munich Re

Munich RE

Key figures (IFRS)[1]

Munich Re at a glance

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Net result	€m	2,425	3,066	–20.9	1,154	1,585	–27.2
Thereof attributable to non-controlling interests	€m	–3	6	–	1	0	–
Earnings per share	€	17.75	21.84	–18.7	8.45	11.32	–25.4
Return on equity (RoE)	%	16.9	24.3		15.5	24.2	
Return on investment (RoI)	%	2.0	0.5		1.1	0.6	
					30.6.2023	31.12.2022	
Share price	€				343.60	304.00	13.0
Munich Reinsurance Company's market capitalisation	€bn				46.9	42.6	10.1
Carrying amount per share	€				200.55	196.83	1.9
Investments	€m				209,699	207,965	0.8
Investments for unit-linked life insurance	€m				7,963	7,470	6.6
Equity	€m				27,436	27,245	0.7
Insurance contracts issued and reinsurance contracts held (net)	€m				197,213	195,454	0.9
Balance sheet total	€m				263,780	269,391	–2.1
Number of staff					42,061	41,389	1.6

Reinsurance

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	18,532	17,676	4.8	9,300	9,019	3.1
Total technical result – Life and health	€m	644	540	19.4	325	302	7.6
Combined ratio – Property-casualty	%	83.5	74.5		80.5	72.3	
Investment result	€m	1,109	–4	–	262	–169	–
Net result	€m	1,955	2,763	–29.2	904	1,439	–37.2
Thereof: Reinsurance – Life and health	€m	617	927	–33.5	326	561	–41.9
Thereof: Reinsurance – Property-casualty	€m	1,338	1,836	–27.1	578	878	–34.1
Return on equity (RoE)	%	16.8	26.8		14.9	26.7	

ERGO

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	9,916	9,357	6.0	4,875	4,752	2.6
Combined ratio – Property-casualty Germany	%	84.7	90.5		88.1	77.5	
Combined ratio – International	%	91.6	91.0		88.1	93.3	
Investment result	€m	1,099	579	90.0	334	486	–31.2
Net result	€m	470	303	55.2	250	147	70.7
Thereof: Life and Health Germany	€m	113	107	5.5	72	–30	–
Thereof: Property-casualty Germany	€m	229	84	172.1	62	149	–58.0
Thereof: International	€m	128	111	14.7	116	27	320.2
Return on equity (RoE)	%	17.3	12.9		17.8	12.7	

1 You can download this information as an Excel file; please refer to the Financial Supplement under www.munichre.com/results-reports.

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Due to rounding, there may be minor deviations in summations and in the calculation of percentages in this report.

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

Interim management report of the Group

Business environment

In the first half of 2023, the growth of the global economy was above all supported by the robust labour market in the USA and the upswing in China following the discontinuation of its pandemic-related restrictions. Although the eurozone's economy stagnated, there was less uncertainty concerning the future energy supply. While inflation rates sank around the globe due to lower energy prices and fewer bottlenecks in global supply chains, higher prices, particularly for services and food, kept core inflation high. In response, key central banks continued to tighten their monetary policy, albeit in somewhat smaller steps than in the previous year. The Federal Reserve in the United States raised the target range for the federal funds rate from 4.25–4.5% to 5.0–5.25%. In addition, it further reduced its securities holdings. The European Central Bank (ECB) lifted its interest rate on the main refinancing operations from 2.5% to 4.0% and also began reducing its securities holdings, a product of the asset purchasing programme it began in 2014. Fluctuations in bond yields were less pronounced in the reporting period than in the previous year; they were shaped in part by fears of recession and changed expectations regarding future monetary policy. At the end of June, yields on ten-year government bonds in the USA and Germany were slightly lower than at the end of 2022; however, they were still at a high level compared to the previous several years.

Yields on ten-year government bonds

%	30.6.2023	31.12.2022
USA	3.8	3.9
Germany	2.4	2.6

At the beginning of March, problems in the US banking sector produced a brief phase of increased volatility on the international financial markets. Important equity indices collapsed, but rapidly recovered. At the end of June, the US Dow Jones Industrial Average was up 4%, and the EURO STOXX 50 up 16%, on their respective levels at the end of 2022.

Equity markets

	30.6.2023	31.12.2022
EURO STOXX 50	4,399	3,794
Dow Jones Industrial Average	34,408	33,147

With the exception of the faltering Japanese yen, which lost more than 10% in value against the euro in the first half of 2023, fluctuations on the currency markets were within normal parameters. At the end of June, the US dollar was somewhat lower against the euro compared with the end of 2022, while the pound sterling was higher. The value of the Canadian dollar remained largely unchanged. At €0.93, the average value of the US dollar in the first half of 2023 was only slightly higher than in the first half of 2022 (€0.92). In contrast, the exchange rates for the Japanese yen, Canadian dollar and pound sterling alike were significantly lower on average against the euro compared with the first half of 2022.

Exchange rates

One foreign currency unit is equivalent to €:	30.6.2023	31.12.2022	Q2 2023	Q2 2022
Australian dollar	0.6101	0.6354	0.6137	0.6706
Canadian dollar	0.6927	0.6915	0.6839	0.7358
Pound sterling	1.1653	1.1271	1.1498	1.1792
Polish zloty	0.2256	0.2136	0.2201	0.2151
Swiss franc	1.0245	1.0127	1.0218	0.9737
US dollar	0.9166	0.9370	0.9187	0.9392
Yen	0.0063	0.0071	0.0067	0.0072
Yuan renminbi	0.1262	0.1348	0.1310	0.1421

Business performance of the Group and overview of investment performance

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued		28,448	27,033	5.2	14,175	13,772	2.9
Total technical result	€m	3,969	4,437	−10.6	2,159	2,574	−16.1
Investment result	€m	2,208	574	284.4	596	317	88.2
Currency result	€m	−101	855	–	44	634	−93.1
Investment result for unit-linked life insurance	€m	490	−1,169	–	163	−696	–
Operating result	€m	3,341	4,114	−18.8	1,573	2,250	−30.1
Taxes on income	€m	−832	−956	12.9	−377	−618	39.1
Return on equity (RoE)[1]							
Group	%	16.9	24.3		15.5	24.2	
Reinsurance	%	16.8	26.8		14.9	26.7	
ERGO	%	17.3	12.9		17.8	12.7	
Net result	€m	2,425	3,066	−20.9	1,154	1,585	−27.2
					30.6.2023	31.12.2022	Change
							%
Solvency II ratio	%				273	260	
Equity	€bn				27.4	27.2	0.7

1 Further information on the RoE can be found in the Group Annual Report 2022 in the section entitled “Tools of corporate management and strategic financial objectives”, and in the condensed interim consolidated financial statements in the section entitled “Segment reporting – Alternative key performance indicators”.

Munich Re is presenting its results for the first half of 2023 in accordance with the new accounting standards IFRS 9 and IFRS 17 for the first time. Comparative figures from the previous year for the insurance business are already presented on the basis of the new standard (IFRS 17). The previous year’s figures for financial instruments are predominantly still based on IAS 39, the standard applicable up to 31 December 2022. For that reason, they are only comparable to a limited extent with the figures for the first half of 2023 disclosed in accordance with IFRS 9. However, transitional effects have already been anticipated in some cases[1].

Insurance revenue from insurance contracts issued (insurance revenue) generated by the Group in the first half of the year rose substantially year on year. While this development was driven by strong organic growth in property-casualty reinsurance and at ERGO, currency translation effects had a slightly negative impact.

Major-loss expenditure in property-casualty reinsurance amounted to 12.8% (9.3%)[2] of net insurance revenue, and was thus below the expected value of 14%. We posted nominal losses related to the earthquake in Turkey of €0.6bn. In life and health reinsurance, the total technical result for the first six months was slightly higher than expected overall. ERGO was able to increase its total technical result by a significant margin compared with the same period last year thanks to good performance in the Life and Health Germany and Property-casualty Germany segments.

The investment result developed very favourably year on year. Regular income from investments was up, attributable in particular to the further increase in interest rates. Moreover, in the same period in the previous year, we had posted losses as a result of decreased share prices, as well as impairment losses related to the Russian war of aggression in Ukraine. Changes in exchange rates during the first half of the year led to a negative currency result, in contrast to the unusually high currency result we had posted in the previous year. The effective tax rate rose slightly to 25.5% (23.8%) in the first six months of 2023.

Despite the dividend payout in May, Group equity was slightly higher at the end of the reporting period than at the beginning of the year, driven mainly by the net result.

The Group’s debt leverage as at 30 June 2023 was 9.7% (10.0%), which is low by industry comparison.

1 Notably, the classification overlay approach applied to business with direct participation features in ERGO life and health insurance.

2 The figure is only comparable to a limited extent with the same period last year, as we raised the major-loss threshold to €30m on 1 January 2023 (previous years: €10m).

Investment mix

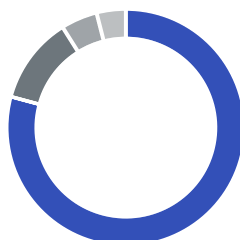
€m	Carrying amounts 30.6.2023	Carrying amounts 31.12.2022	Unrealised gains/losses[1] 30.6.2023	Unrealised gains/losses[1] 31.12.2022	Fair values 30.6.2023	Fair values 31.12.2022
Non-financial investments						
Investment property	9,596	9,618	3,645	3,473	13,241	13,092
Property, plant and equipment	530	547	130	116	659	663
Intangible assets	133	0	0	0	133	0
Biological assets	814	735	0	0	814	735
Inventories	0	0	0	0	0	0
Investments in affiliated companies, associates and joint ventures	6,547	5,945	2,732	2,840	9,256	8,785
	17,620	16,845	6,507	6,429	24,104	23,275
Financial investments						
Instruments subject to equity risk	11,361	10,022	0	256	11,361	10,022
Instruments subject to interest-rate and credit risk	167,948	168,582	–17,053	–18,747	167,948	168,166
Alternative investments	12,771	12,516	–1,036	362	12,771	12,313
	192,079	191,120	–18,089	–18,129	192,079	190,501
Total	**209,699**	**207,965**	**–11,582**	**–11,700**	**216,183**	**213,776**

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

The fair value of our investment portfolio increased in the first half of the year, largely due to rising stock market prices. Our investment portfolio continues to be dominated by fixed-interest securities and is composed as follows:

Investment portfolio by economic category[1]

Total: €226bn (225bn)



Portfolio of interest-bearing securities	80%	(80%)
Non-fixed-income alternative investments	12%	(12%)
Equities	5%	(4%)
Business-related participations	4%	(4%)

1 Measured at fair value.

Of our portfolio of interest-bearing securities, 80% falls into the following economic categories:

Government bonds[1]	34%	(34%)
Pfandbriefs/Covered bonds	15%	(15%)
Corporate bonds	14%	(14%)
Emerging-market government bonds	4%	(4%)
ABS/MBS[2]	3%	(3%)
Fixed-income alternative investments	3%	(3%)
Cash	7%	(8%)

1 Includes exclusively government bonds of industrialised countries and comprises other public-sector issuers and government-guaranteed bank bonds.
2 Asset-backed securities/mortgage-backed securities.

At the balance sheet date, 34% (34%) of our investment portfolio was invested in government bonds from developed markets. In the first six months, our new investments were mainly made in US and German government bonds. Reductions focused on our holdings of bonds from Australian issuers. The vast majority of our government bonds continue to come from countries with a high credit rating. The purchase of government bonds from emerging markets is part of our balanced investment strategy. They constituted 4% of our investment portfolio. The fair value of our portfolios of Russian and Ukrainian government bonds amounted to €0.1bn.

Our investment in corporate bonds at the reporting date amounted to 14% (14%) of our investment portfolio. Broken down and expressed as a share of the overall portfolio, the investments in corporate bonds comprised 5% (4%) in financial undertakings, 7% (7%) in corporate bonds from other sectors, and 2% (2%) in high-yield bonds.

Alternative investments accounted for 15% (15%) of our investment portfolio at the reporting date, of which 45% was in property, 34% in equity instruments and 21% in fixed-interest securities.

The fair value of our equity portfolio increased, owing in particular to the positive market development, and the equity-backing ratio climbed to 4.5% (4.0%). Including derivatives, the equity-backing ratio was 3.4% (2.0%).

To hedge against inflation, we held inflation-linked bonds totalling €5.9bn (4.7bn) (at fair values). Real and financial assets such as shares, property, commodities, and investments in infrastructure, renewable energies and new technologies also serve to guard against inflation. Additionally, our investments in real assets have a positive diversification effect on the overall portfolio.

Our investment portfolio is highly diversified. No material impact on profit or loss resulted from our bank exposure (concerning in particular the USA and Credit Suisse).

Investment result[1]

	Q1–2 2023	Return[2]	Q1–2 2022	Return[2]	Q2 2023	Q2 2022
	€m	%	€m	%	€m	€m
Regular income	3,364	3.1	3,167	2.7	1,763	1,752
Write-ups/write-downs	–39	0.0	–1,805	–1.5	–11	–775
Change in expected credit losses	–27	0.0	0	0.0	11	0
Gains/losses on disposal	–229	–0.2	1,661	1.4	–396	725
Fair value changes	–535	–0.5	–2,157	–1.8	–610	–1,230
Other income/expenses	–326	–0.3	–292	–0.2	–162	–156
Total	**2,208**	**2.0**	**574**	**0.5**	**596**	**317**

1 Details of the result by type of investment can be found in the condensed interim consolidated financial statements in the section “Notes to the consolidated income statement”.
2 Annualised return in % p.a. on the average fair value of the investment portfolio at the quarterly reporting dates. The investment portfolio used to determine the annualised return (2.0%) for the first six months is calculated as the mean of the fair values as at 31 December 2022 (€213,784m), 31 March 2023 (€217,080m) and 30 June 2023 (€216,183m).

Regular income for the first six months and for Q2 increased year on year, mainly on account of increased interest rates.

The reinvestment yield for our fixed-interest investments averaged 4.4% (2.4%) for the period from January to June and 4.3% (2.8%).for the period from April to June. The higher interest-rate levels had an unmistakable effect here.

The result from write-ups and write-downs was substantially less negative than in the same period last year, due mainly to the more stable stock markets. Moreover, no further write-downs of Russian or Ukrainian bonds were made in the first half of 2023. Depreciation of property and of investments in renewable energy was the main reason for the slightly negative result.

The result from the change in the expected credit losses for the first half-year amounted to −€27m.

The result from the disposal of investments that are not posted under fair value changes amounted to −€229m for the period from January to June, mainly attributable to losses from the disposal of fixed-interest securities.

The result from fair value changes totalled −€535m, primarily driven by the negative net balance of derivatives that amounted to −€947m. Furthermore, fixed-interest bonds measured at fair value through profit or loss registered a fall in value of –€149m. This was partially offset by the €800m result from equities owing to stock market rises.

Business performance of the segments

Reinsurance – Life and health

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	5,340	5,579	–4.3	2,606	2,666	–2.3
Share of insurance revenue in reinsurance	%	28.8	31.6	–8.7	28	30	–5.2
Total technical result	€m	644	540	19.4	325	302	7.6
Net financial result	€m	239	812	–70.6	122	513	–76.2
Thereof: Investment result	€m	272	191	42.6	101	101	0.9
Operating result	€m	805	1,236	–34.9	414	762	–45.6
Net result	€m	617	927	–33.5	326	561	–41.9

Insurance revenue

In the first half of the year, the development of insurance revenue from insurance contracts issued (insurance revenue) was shaped by negative currency translation effects. We write the majority of our business in non-euro currencies (around 94%). Exchange-rate fluctuations therefore have a significant impact on revenue development.

If exchange rates had remained unchanged, our insurance revenue in the first half of the year would have decreased slightly by 2.5% compared with the first half of 2022. The decrease in the first half of the year is mainly attributable to our business in continental Europe in connection with high-volume contracts. We also experienced a decline in Asia and Australia, which was largely compensated for by growth in the United Kingdom and North America.

The pleasing growth in our financially motivated reinsurance is not reflected in the insurance revenue, as the majority of new contracts are recognised in the result from insurance-related financial instruments.

Result

In the first half of the year the total technical result improved compared with the first half of 2022 and was thus higher than expected.

The total technical result is comprised of the insurance service result and the result from insurance-related financial instruments.

The insurance service result is substantially driven by the release of the contractual service margin and the risk adjustment for non-financial risk. Overall, claims expenditure in the portfolio was somewhat higher than expected, driven by mortality business in the USA. Other than that, underwriting performance was positive. Higher costs than had been predicted had a negative impact on the result. New business continued to develop very favourably and made a positive contribution to the result.

The greatest contributor to the result from insurance-related financial instruments is that part of our financially motivated reinsurance that does not transfer significant insurance risk. The regular result from our portfolio developed very favourably, since contracts performed consistently as expected. The result presented here was influenced by changing economic parameters, in particular exchange rates. During the reporting period, they produced a negative effect.

The investment result for the first half-year was slightly higher overall than in the first half of 2022; the figure for Q2 was virtually unchanged year on year. The increase in the first six months was mainly attributable to rising equity markets. In the same period last year, losses on interest-rate derivatives and impairment losses on equities and fixed-interest bonds had had a negative impact.

Reinsurance – Property-casualty

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	13,192	12,096	9.1	6,695	6,353	5.4
Share of insurance revenue in reinsurance	%	71.2	68.4		72.0	70.4	
Loss ratio	%	69.1	60.5		66.1	58.2	
Thereof: Major losses[1]	Percentage points	12.8	9.3		9.3	7.6	
Expense ratio	%	14.4	14.1		14.4	14.2	
Combined ratio	%	83.5	74.5		80.5	72.3	
Total technical result	€m	2,164	3,062	–29.3	1,236	1,712	–27.8
Net financial result	€m	111	–322	–	–215	–279	22.9
Thereof: Investment result	€m	837	–195	–	160	–270	–
Operating result	€m	1,884	2,368	–20.5	808	1,244	–35.1
Net result	€m	1,338	1,836	–27.1	578	878	–34.1

1 The figure is only comparable to a limited extent with the same period last year, as the major-loss threshold was raised to €30m with effect from 1 January 2023 (previous years: €10m).

Insurance revenue

The increase in insurance revenue from insurance contracts issued (insurance revenue) was mainly attributable to new business and the expansion of non-proportional natural catastrophe covers. By contrast, changes in the value of the euro against other currencies had a slightly negative effect on insurance revenue. If exchange rates had remained unchanged, insurance revenue would have seen a year-on-year increase of 10.0% for the first six months and 8.8% for Q2.

In the reinsurance renewals as at 1 January 2023, we were able to increase written business volume to €15.3bn (+1.3%). We reduced the share of proportional business and, owing to the attractive price level, grew in the area of non-proportional natural catastrophe covers in particular. Due to improved contractual terms and conditions, the quality of the portfolio improved further. In times of high uncertainty and inflation, as well as a reduction in the capacities offered by reinsurers and capital market players in certain markets, we continued to position ourselves as a high-quality and reliable partner for the long term.

Around two thirds of non-life reinsurance treaty business was renewed, with a focus on Europe, the USA and global business. Prices developed positively overall and more than offset the significantly higher loss estimates in some areas, which were caused primarily by inflation or other loss trends. To varying degrees, price increases were evident around the world. All in all, prices for the our portfolio increased by 2.3% on a risk-adjusted basis.

In the reinsurance renewals as at 1 April 2023, we were able to increase the volume of business written to €2.9bn (+11.1%). It was possible to leverage growth opportunities, above all in Asia – especially in Japan and India – and in Latin America. The volume of non-proportional natural catastrophe business was expanded, particularly in view of the attractive price level. By contrast, we once again selectively discontinued business that no longer met risk/return expectations. Here, too, prices developed positively overall and for the most part more than compensated for the significantly higher loss estimates in some areas owing to inflation or other loss trends. To varying degrees, price increases were evident around the world. All in all, prices for our portfolio increased by 4.7% on a risk-adjusted basis.

Result

The total technical result declined in the first half of the year and in Q2. The year-on-year decrease is mainly attributable to higher major-loss expenditure. From January to June, we posted major loss expenditure totalling €1,635m (1,082m)[1], of which €600m (464m)[1] was attributable to Q2, in each case after retrocessions to reinsurers and before tax. These amounts include gains and losses from the run-off of major claims from previous years, and were equivalent to 12.8% of net insurance revenue in the first half of the year and 9.3% in Q2. This expenditure was below the long-term average expected value of 14% in the first half-year and in Q2.

1 The figure is only comparable to a limited extent with the same period last year, as the major-loss threshold was raised to €30m with effect from 1 January 2023 (previous years: €10m).

Claims costs from natural catastrophes amounted to €1,315m (604m)[1] for the first half of the year and €445m (156m)[1] for Q2. The highest expenditure for natural catastrophes in the first half of the year was due to the earthquake in Turkey, with a nominal amount of around €0.6bn.

Expenditure for man-made losses came to €320m (478m)[1] for the first half of the year. The figure for Q2 was €155m (308m)[1].

The aforementioned major-loss figures take account of the effects from discounting and risk adjustment.

In addition to the comprehensive reassessment of provisions for basic losses that we carry out primarily towards the end of the year, we also perform detailed quarterly analyses of the claims notifications we receive. As claims notifications remained appreciably below the expected level, we made reserve releases in the first half-year. After adjustments for discounting effects, these releases amounted to €636m, or 5.0% of net insurance revenue. 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 83.5% (74.5%) of net insurance revenue for the first six months of the year and 80.5% (72.3%) for Q2. The figure for the first half-year is thus lower than the 86% target we projected at the beginning of the year for the whole of 2023.

The investment result for the first half-year and for Q2 was significantly higher overall than in the same periods last year. The increase was mainly attributable to rising equity markets. In the same period last year, losses on interest-rate derivatives and impairment losses on equities and fixed-interest bonds had had a negative impact.

ERGO Life and Health Germany

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	4,916	4,637	6.0	2,354	2,276	3.4
Share of insurance revenue at ERGO	%	49.6	49.6		48.3	47.9	
Total technical result	€m	543	378	43.6	285	136	110.1
Net financial result	€m	–69	132	–	–11	36	–
Thereof: Investment result	€m	813	417	95.2	186	472	–60.7
Operating result	€m	164	184	–10.9	110	–5	–
Net result	€m	113	107	5.5	72	–30	–

Insurance revenue

In the first half of the year and in Q2, insurance revenue from insurance contracts issued (insurance revenue) exceeded the level posted in the respective periods last year. The key driver of the increase in the first half-year was the positive development in Health Germany and in Life Germany.

In the Life Germany division, insurance revenue for the first half-year totalled €1,472m (1,370m), an increase of 7.5%. The figure for Q2 was €624m (641m). The increase in the first half of the year was due in particular to a higher CSM release.

In Health Germany, insurance revenue was up by 5.6% to €2,990m (2,830m) in the first half of the year, with €1,509m (1,421m) attributable to Q2. We achieved growth in both long-term and short-term health business. Travel insurance, which was up by 22.7% year on year in the first six months, was a key contributor to growth in insurance revenue in Health Germany.

Insurance revenue in Digital Ventures was up 4.0% to €454m (437m) year on year in the first six months, with €221m (215m) attributable to Q2. Health insurance business achieved growth of 7.7% in the first half of the year, due in particular to supplementary dental insurance business. Insurance revenue in property-casualty business for the first half-year was down 6.1% year on year.

1 The figure is only comparable to a limited extent with the same period last year, as the major-loss threshold was raised to €30m with effect from 1 January 2023 (previous years: €10m).

Result

The total technical result generated in the first half-year and in Q2 rose significantly compared with the same periods last year. Compared with the first half of the previous year, higher amounts were released from the contractual service margin in life business, mainly on account of higher interest rates than in the first half of the previous year. Owing to very good growth and favourable claims development, short-term health business contributed to the year-on-year increase in the total technical result in the first six months of the year. The total technical result also includes the result from intra-Group interest-rate reinsurance which is offset in the net financial result. This interest-rate reinsurance had a significantly negative effect on the total technical result in the first half of the previous year. The total technical result for Q2 was positively influenced by the above-mentioned development in short-term health business in particular.

The net financial result for the first half-year and for Q2 was down year on year. The decrease for the half-year was driven by the above-mentioned compensating effect from the intra-Group interest-rate reinsurance, among other factors. The year-on-year increase in the investment result for the first six months was attributable in part to higher regular income and lower write-downs. In the same period last year, write-downs of Russian and Ukrainian bonds had been made. The investment result, the investment result for unit-linked life insurance, and the currency result were for the most part offset by insurance finance income or expenses within the net financial result.

ERGO Property-casualty Germany

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	2,246	2,096	7.2	1,129	1,143	–1.2
Share of insurance revenue at ERGO	%	22.7	22.4		23.2	24.0	
Loss ratio	%	58.7	63.6		63.6	52.8	
Expense ratio	%	25.9	26.8		24.6	24.7	
Combined ratio	%	84.7	90.5		88.1	77.5	
Total technical result	€m	338	192	76.1	132	249	–47.2
Net financial result	€m	77	82	–6.6	25	17	44.1
Thereof: Investment result	€m	105	73	44.0	51	12	333.6
Operating result	€m	314	170	85.0	103	199	–48.1
Net result	€m	229	84	172.1	62	149	–58.0

Insurance revenue

Compared with the first half of the previous year, insurance revenue from insurance contracts issued (insurance revenue) developed very positively. This improvement in the first six months of the year was due to growth in motor insurance, in other classes of business – especially engineering – and in third-party liability insurance. Insurance revenue also grew in legal protection insurance and in personal accident insurance. We experienced a slight decline in insurance revenue in the first half-year in fire and property insurance, and in marine insurance. Insurance revenue in Q2 was comparable to the figure for the same period last year.

Result

The total technical result for the first six months improved considerably compared with the same period last year. The Q2 result was down on the previous year. In addition to very good operational performance, the main drivers of the increase in the first half of the year were man-made major losses and natural catastrophes, which were significantly lower than expected. Greater discounting effects resulting from increased interest rates also contributed to the improved result.

For the aforementioned reasons, the combined ratio for the first six months was substantially lower (by 5.8 percentage points) than in the first half of 2022 and thus at a very good level. The combined ratio for Q2 was higher than the previous year's figure for the same period.

The year-on-year net financial result was down in the first half-year but increased in Q2. The year-on-year increase in the investment result for the first half-year, which was due in particular to higher regular income, was slightly more than offset by the decline in the net insurance finance income or expenses. In Q2, the significantly improved investment result led to a higher net financial result.

ERGO International

Key figures

		Q1–2 2023	Q1–2 2022	Change	Q2 2023	Q2 2022	Change
				%			%
Insurance revenue from insurance contracts issued	€m	2,753	2,625	4.9	1,391	1,333	4.4
Share of insurance revenue at ERGO	%	27.8	28.0		28.5	28.0	
Loss ratio	%	60.6	58.8		57.0	62.3	
Expense ratio	%	31.0	32.1		31.1	31.0	
Combined ratio	%	91.6	91.0		88.1	93.3	
Total technical result	€m	279	265	5.2	182	175	4.1
Net financial result	€m	7	18	–62.2	20	–26	–
Thereof: Investment result	€m	181	89	103.6	98	2	>1.000,0
Operating result	€m	173	156	11.2	137	49	181.4
Net result	€m	128	111	14.7	116	27	320.2

Insurance revenue

Compared with the same periods last year, in the first six months and in Q2 we posted an overall increase in insurance revenue from insurance contracts issued (insurance revenue), which was due especially to strong growth in Poland and in health business in Belgium, and to the full consolidation of the property-casualty insurer ERGO Insurance (Thailand) Public Co. Ltd. in the consolidated financial statements. Adjusted for positive currency translation effects and the consolidation of ERGO Thailand, insurance revenue in the segment rose by 1.8% compared with the first half of last year.

In international property-casualty business, insurance revenue grew by 5.8% to €1,683m (1,591m) in the first six months and by 13.4% to €866m (763m) in Q2. We saw year-on-year improvements in Poland and Greece in particular in the first six months of the year. The consolidation of ERGO Thailand led to a year-on-year increase in insurance revenue of €91m in the first six months.

In international health business, insurance revenue for the first half-year amounted to €842m (806m), a 4.5% increase compared with the same period last year. This was driven by growth in Belgium, which was partly attributable to an increase in new business. The figure for Q2 was €428m (438m).

In international life insurance business, insurance revenue remained unchanged in the first half-year, at €228m (228m). The figure for Q2 was €97m (131m). Growth in Poland was offset almost exactly by decreases in Belgium, the Baltic states and Austria.

Result

The total technical result for the first six months and for Q2 improved compared with the same periods last year. Good operational performance and favourable claims experience in property-casualty business in Greece were the main drivers of the moderately positive development in the first six months. A higher release of the contractual service margin in life and long-term health business, together with a year-on-year increase in the contribution from short-term health business in the first half-year also had a positive impact on the result.

In the first six months of the year, the combined ratio in international property-casualty business, including short-term health business, was 0.6 percentage points higher than in the same period last year, driven by major losses in Poland in Q1 and the first-time consolidation of ERGO Thailand. In Q2, the figure was 5.2 percentage points lower year on year, owing in particular to improved claims experience.

The net financial result for the first half-year was down year on year. The decline was largely due to lower net insurance finance income or expenses. The investment result for the first six months increased year on year, with positive contributing factors including higher regular interest revenue and gains from the disposal of participations.

Prospects

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

Outlook for the Munich Re Group 2023

		As at 30.6.2023	From Annual Report 2022
Insurance revenue from insurance contracts issued	€bn	58	58
Total technical result – Life and health reinsurance	€bn	1	1
Combined ratio – Property-casualty reinsurance	%	86	86
Combined ratio – ERGO Property-casualty Germany	%	89	89
Combined ratio – ERGO International	%	90	90
Return on investment	%	over 2.2	over 2.2
Net result	€bn	4.0	4.0
Economic earnings	€bn	over 4.0	over 4.0

All forecasts and targets face increased uncertainty owing to fragile macroeconomic developments and volatile capital markets. In particular, there continues to be considerable uncertainty regarding the financial impact of the Russian war of aggression in Ukraine. As always, the projections are subject to major losses remaining within normal bounds, and to the income statement not being impacted by severe fluctuations in the currency or capital markets, significant changes in the tax environment, or other one-off effects.

At the end of the first six months, Munich Re remains confident in its outlook for further positive business opportunities in the second half of 2023. The targets communicated for 2023 in Munich Re's Group Annual Report 2022 and in the Quarterly Statement for Q1/2023[1] are thus unchanged. Accordingly, Munich Re is still aiming for a net result of €4.0bn for the 2023 financial year. The probability of achieving this target has increased given the strong half-year result.

At 1 July 2023, a volume of around €3.7bn, or around 18% of the contract portfolio, was up for renewal in the property-casualty reinsurance segment. About 31% of this was from North America, 14% from Latin America and 31% from worldwide business. These renewals represented a significant percentage of natural catastrophe business – around 28% of premium worldwide. Premium volume fell by approximately 2% to around €3.6bn. The decline was attributable to casualty insurance; by contrast, an increase was recorded in property insurance and specialty business. Prices developed positively overall, and for the most part more than compensated for the significantly higher loss estimates in some areas, which were caused primarily by inflation or other loss trends. Primary insurance prices also increased in many markets. To varying degrees, price increases were evident around the world. All in all, prices for the Munich Re portfolio increased by 5.1%. This figure is, as always, risk-adjusted. In other words, price increases are offset if they are associated with increased risk and, consequently, elevated loss expectations.

The statements relating to opportunities and risks as presented in the Munich Re Group Annual Report 2022 apply unchanged. Munich Re continues to enjoy a very solid capital base, and the solvency ratio (without the application of transitional measures) lies above the communicated optimal range of 175–220%.

1 Forecast unchanged from the Group Annual Report 2022.

Condensed interim consolidated financial statements

Consolidated balance sheet[1]
as at 30 June 2023

Assets

			30.6.2023	31.12.2022		Change
	€m	€m	€m	€m	€m	%
A. Intangible assets						
I. Goodwill		3,215		3,240	–25	–0.8
II. Other intangible assets		915		1,043	–129	–12.3
			4,130	**4,284**	**–154**	**–3.6**
B. Reinsurance contracts held that are assets			**4,077**	**3,892**	**185**	**4.8**
C. Insurance contracts issued that are assets			**6,561**	**5,977**	**584**	**9.8**
D. Investments						
I. Non-financial investments						
1. Investment property	9,596			9,618	–23	–0.2
2. Property, plant and equipment	530			547	–17	–3.1
3. Intangible assets	133			0	133	–
4. Biological assets	814			735	80	10.9
5. Inventories	0			0	0	–100.0
6. Investments in affiliated companies, associates and joint ventures	6,547			5,945	602	10.1
Thereof: Associates and joint ventures accounted for using the equity method	6,224			5,642	581	10.3
		17,620		**16,845**	**775**	**4.6**
II. Financial investments		192,079		191,120	959	0.5
			209,699	**207,965**	**1,734**	**0.8**
E. Investments for unit-linked life insurance			**7,963**	**7,470**	**493**	**6.6**
F. Insurance-related financial instruments			**9,521**	**18,298**	**–8,777**	**–48.0**
G. Receivables						
I. Current tax receivables		1,055		695	360	51.8
II. Financial receivables		3,464		4,044	–580	–14.3
III. Other receivables		1,508		1,451	57	3.9
			6,026	**6,189**	**–163**	**–2.6**
H. Cash and cash equivalents			**5,845**	**6,439**	**–594**	**–9.2**
I. Deferred tax assets			**3,019**	**2,862**	**157**	**5.5**
J. Other assets			**6,568**	**5,622**	**946**	**16.8**
K. Non-current assets held for sale			**369**	**392**	**–23**	**–5.9**
Total assets			**263,780**	**269,391**	**–5,612**	**–2.1**

1 Previous year's figures adjusted due to initial application of IFRS 17, and changes made to the presentation and classification of items in the consolidated balance sheet; see section "Initial application of new accounting policies and other adjustments".

Equity and liabilities

		30.6.2023	31.12.2022		Change
	€m	€m	€m	€m	%
A. Equity					
I. Issued capital and capital reserve	7,431		7,422	9	0.1
II. Retained earnings	19,217		15,380	3,837	24.9
III. Other reserves	–1,773		–1,022	–751	–73.5
IV. Net result attributable to Munich Reinsurance Company equity holders	2,428		5,313	–2,885	–54.3
V. Non-controlling interests	134		152	–18	–12.1
		27,436	**27,245**	**191**	**0.7**
B. Subordinated liabilities		**4,691**	**4,748**	**–57**	**–1.2**
C. Reinsurance contracts held that are liabilities		**448**	**262**	**186**	**70.9**
D. Insurance contracts issued that are liabilities					
I. Liability for remaining coverage	129,771		128,771	1,001	0.8
II. Liability for incurred claims	77,625		76,283	1,342	1.8
III. Other technical liabilities	6		7	0	–4.4
		207,403	**205,061**	**2,343**	**1.1**
E. Other provisions		**2,608**	**2,661**	**–53**	**–2.0**
F. Liabilities					
I. Derivatives	1,177		1,466	–289	–19.7
II. Non-derivative financial liabilities	4,308		4,647	–339	–7.3
III. Current tax liabilities	2,287		1,569	718	45.8
IV. Other liabilities	11,168		19,840	–8,671	–43.7
		18,940	**27,522**	**–8,581**	**–31.2**
G. Deferred tax liabilities		**1,921**	**1,751**	**170**	**9.7**
H. Liabilities related to non-current assets held for sale		**331**	**141**	**190**	**134.3**
Total equity and liabilities		**263,780**	**269,391**	**–5,612**	**–2.1**

Consolidated income statement[1]

from 1 January to 30 June 2023

			Q1–2 2023	Q1–2 2022	Change	
	€m	€m	€m	€m	€m	%
1. Insurance revenue from insurance contracts issued		28,448		27,033	1,415	5.2
2. Insurance service expenses from insurance contracts issued						
Claims expenses	−20,252			−19,092	−1,161	−6.1
Changes from underlying items	−155			96	−250	–
Administration and acquisition costs	−3,984			−3,636	−348	−9.6
Other insurance service expenses	0			0	0	–
		−24,391		**−22,632**	**−1,759**	**−7.8**
3. Insurance service result from insurance contracts issued (1+2)		**4,057**		**4,401**	**−344**	**−7.8**
4. Insurance revenue ceded from reinsurance contracts held	−664			−692	28	4.0
5. Income from reinsurance contracts held	384			599	−215	−35.9
6. Insurance service result from reinsurance contracts held (4+5)		**−280**		**−93**	**−187**	**−200.5**
7. Insurance service result (3+6)		**3,776**		**4,307**	**−531**	**−12.3**
8. Result from insurance-related financial instruments		192		130	63	48.4
9. Total technical result (7+8)			**3,969**	**4,437**	**−468**	**−10.6**
10. Investment result		2,208		574	1,634	284.4
Thereof: Income from associates and joint ventures accounted for using the equity method		313		34	279	815.7
11. Currency result		−101		855	−956	–
12. Investment result for unit-linked life insurance		490		−1,169	1,659	–
13. Insurance finance income or expenses from insurance contracts issued	−2,276			453	−2,729	–
14. Insurance finance income or expenses from reinsurance contracts held	43			8	35	430.7
15. Insurance finance income or expenses (13+14)		**−2,232**		**461**	**−2,694**	**–**
16. Net financial result (10+11+12+15)			**364**	**722**	**−358**	**−49.5**
17. Other operating income		582		468	114	24.3
18. Other operating expenses		−1,574		−1,513	−61	−4.1
19. Operating result (9+16+17+18)			**3,341**	**4,114**	**−774**	**−18.8**
20. Net finance costs			−84	−93	9	9.7
21. Taxes on income			−832	−956	124	12.9
22. Net result (19+20+21)			**2,425**	**3,066**	**−641**	**−20.9**
Thereof: Attributable to Munich Reinsurance Company equity holders			2,428	3,060	−632	−20.7
Attributable to non-controlling interests			−3	6	−9	–
			€	€	€	%
Earnings per share			**17.75**	**21.84**	**−4.09**	**−18.7**

1 Previous year's figures adjusted due to initial application of IFRS 17; see section "Initial application of new accounting policies and other adjustments".

Consolidated income statement[1]
from 1 April to 30 June 2023

			Q2 2023	Q2 2022		Change
	€m	€m	€m	€m	€m	%
1. Insurance revenue from insurance contracts issued		14,175		13,772	404	2.9
2. Insurance service expenses from insurance contracts issued						
Claims expenses	–10,048			–9,268	–780	–8.4
Changes from underlying items	120			41	80	195.7
Administration and acquisition costs	–2,008			–1,879	–128	–6.8
Other insurance service expenses	0			0	0	–
		–11,935		**–11,106**	**–829**	**–7.5**
3. Insurance service result from insurance contracts issued (1+2)		**2,240**		**2,665**	**–425**	**–16.0**
4. Insurance revenue ceded from reinsurance contracts held	–366			–338	–28	–8.4
5. Income from reinsurance contracts held	231			202	29	14.2
6. Insurance service result from reinsurance contracts held (4+5)		**–135**		**–136**	**0**	**0.2**
7. Insurance service result (3+6)		**2,105**		**2,530**	**–425**	**–16.8**
8. Result from insurance-related financial instruments		55		44	11	24.2
9. Total technical result (7+8)			**2,159**	**2,574**	**–414**	**–16.1**
10. Investment result		596		317	279	88.2
Thereof: Income from associates and joint ventures accounted for using the equity method		28		13	14	105.3
11. Currency result		44		634	–590	–93.1
12. Investment result for unit-linked life insurance		163		–696	859	–
13. Insurance finance income or expenses from insurance contracts issued	–885			0	–885	–
14. Insurance finance income or expenses from reinsurance contracts held	23			6	18	302.8
15. Insurance finance income or expenses (13+14)		**–861**		**6**	**–867**	**–**
16. Net financial result (10+11+12+15)			**–59**	**261**	**–320**	**–**
17. Other operating income		283		247	35	14.3
18. Other operating expenses		–810		–832	22	2.6
19. Operating result (9+16+17+18)			**1,573**	**2,250**	**–677**	**–30.1**
20. Net finance costs			–42	–46	4	9.2
21. Taxes on income			–377	–618	242	39.1
22. Net result (19+20+21)			**1,154**	**1,585**	**–431**	**–27.2**
Thereof: Attributable to Munich Reinsurance Company equity holders			1,153	1,585	–433	–27.3
Attributable to non-controlling interests			1	0	1	–
			€	€	€	%
Earnings per share			**8.45**	**11.32**	**–2.87**	**–25.4**

1 Previous year's figures adjusted due to initial application of IFRS 17; see section "Initial application of new accounting policies and other adjustments".

Consolidated statement of comprehensive income[1]
from 1 January to 30 June 2023

€m	Q1–2 2023	Q1–2 2022
Net result	**2,425**	**3,066**
Foreign currency translation		
Gains (losses) recognised in equity	–288	1,175
Recognised in profit or loss	0	0
Unrealised gains and losses on financial investments		
Gains (losses) recognised in equity	734	–18,980
Recognised in profit or loss	546	–648
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	1	0
Recognised in profit or loss	0	0
Change resulting from equity method measurement		
Gains (losses) recognised in equity	–9	0
Recognised in profit or loss	0	0
Change resulting from reinsurance contracts held		
Gains (losses) recognised in equity	–805	–401
Recognised in profit or loss	0	0
Change resulting from insurance contracts issued		
Gains (losses) recognised in equity	43	15,310
Recognised in profit or loss	0	0
Other changes	0	0
I. Items where income and expenses recognised in other comprehensive income are reclassified to profit or loss	**221**	**–3,543**
Remeasurements of defined benefit plans	23	589
Other changes	0	0
II. Items where income and expenses recognised in other comprehensive income are not reclassified to profit or loss	**23**	**589**
Income and expenses recognised in other comprehensive income (I + II)	**244**	**–2,954**
Total comprehensive income	**2,669**	**111**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	2,672	114
Attributable to non-controlling interests	–3	–3

1 Previous year's figures adjusted due to initial application of IFRS 17; see section "Initial application of new accounting policies and other adjustments".

Consolidated statement of comprehensive income[1]
from 1 April to 30 June 2023

€m	Q2 2023	Q2 2022
Net result	**1,154**	**1,585**
Currency translation		
Gains (losses) recognised in equity	–6	769
Recognised in profit or loss	0	0
Unrealised gains and losses on financial investments		
Gains (losses) recognised in equity	–1,286	–10,010
Recognised in profit or loss	641	–123
Change resulting from cash flow hedges		
Gains (losses) recognised in equity	1	0
Recognised in profit or loss	0	0
Change resulting from equity method measurement		
Gains (losses) recognised in equity	–6	0
Recognised in profit or loss	0	0
Change resulting from reinsurance contracts held		
Gains (losses) recognised in equity	–26	–199
Recognised in profit or loss	0	0
Change resulting from insurance contracts issued		
Gains (losses) recognised in equity	435	8,036
Recognised in profit or loss	0	0
Other changes	0	0
I. Items where income and expenses recognised in other comprehensive income are reclassified to profit or loss	**–247**	**–1,527**
Remeasurements of defined benefit plans	6	414
Other changes	0	0
II. Items where income and expenses recognised in other comprehensive income are not reclassified to profit or loss	**6**	**414**
Income and expenses recognised in other comprehensive income (I + II)	**–240**	**–1,113**
Total comprehensive income	**914**	**472**
Thereof:		
Attributable to Munich Reinsurance Company equity holders	913	475
Attributable to non-controlling interests	1	–3

1 Previous year's figures adjusted due to initial application of IFRS 17; see section "Initial application of new accounting policies and other adjustments".

Consolidated statement of changes in equity

€m	Issued capital	Capital reserve
31.12.2021 (as originally reported)	**588**	**6,845**
Effect from the initial application of IFRS 17	0	0
Effect from the application of the classification overlay approach and the fair value model for certain properties	0	0
Balance at 1.1.2022	**588**	**6,845**
Allocation to retained earnings	0	0
Net result	0	0
Income and expenses recognised in other comprehensive income	0	0
Currency translation	0	0
Unrealised gains and losses on financial investments	0	0
Change resulting from cash flow hedges	0	0
Change resulting from equity method measurement	0	0
Change resulting from reinsurance contracts held	0	0
Changes resulting from insurance contracts issued	0	0
Remeasurement of defined benefit plans	0	0
Other changes	0	0
Total comprehensive income	**0**	**0**
Other changes	0	0
Dividend payments	0	0
Purchase and retirement of own shares	–1	0
Balance at 30.6.2022 (adjusted)	**586**	**6,845**
Balance at 31.12.2022 (adjusted)	**577**	**6,845**
Effect from the initial application of IFRS 9	0	0
Consequential effect of the initial application of IFRS 9 on insurance contracts with direct participation features[1]	0	0
Balance at 1.1.2023	**577**	**6,845**
Allocation to retained earnings	0	0
Net result	0	0
Income and expenses recognised in other comprehensive income	0	0
Currency translation	0	0
Unrealised gains and losses on financial investments	0	0
Change resulting from cash flow hedges	0	0
Change resulting from equity method measurement	0	0
Change resulting from reinsurance contracts held	0	0
Changes resulting from insurance contracts issued	0	0
Remeasurement of defined benefit plans	0	0
Other changes	0	0
Total comprehensive income	**0**	**0**
Other changes	0	0
Dividend payments	0	0
Purchase and retirement of own shares	9	0
Balance at 30.6.2023	**586**	**6,845**

1 For further details, please refer to the section entitled “Equity”.

	Equity attributable to Munich Reinsurance Company equity holders						Non-controlling interests	Total equity
	Retained earnings	Other reserves				Net result		
		Fair value measurement	Measurement of insurance contracts	Currency translation	Hedging relationships			
	13,822	**5,784**	**0**	**848**	**11**	**2,933**	**116**	**30,945**
	–61	8,000	–10,432	0	0	0	1	–2,493
	3	10	0	0	0	0	0	13
	13,765	**13,793**	**–10,432**	**848**	**11**	**2,933**	**116**	**28,466**
	1,392	0	0	0	0	–1,392	0	0
	0	0	0	0	0	3,060	6	3,066
	589	–19,619	14,909	1,175	0	0	–8	–2,954
	0	0	0	1,175	0	0	0	1,175
	0	–19,619	0	0	0	0	–9	–19,628
	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	0	0	–401	0	0	0	0	–401
	0	0	15,310	0	0	0	1	15,310
	589	0	0	0	0	0	0	589
	0	0	0	0	0	0	0	0
	1,981	**–19,619**	**14,909**	**1,175**	**0**	**1,668**	**–3**	**111**
	36	0	0	0	0	0	1	37
	0	0	0	0	0	–1,541	–7	–1,548
	–67	0	0	0	0	0	0	–69
	15,714	**–5,826**	**4,477**	**2,023**	**11**	**3,060**	**108**	**26,998**
	15,380	**–12,808**	**10,198**	**1,588**	**0**	**5,313**	**152**	**27,245**
	1,362	–1,763	0	–1	0	–1	0	–403
	–791	0	791	0	0	0	0	0
	15,951	**–14,571**	**10,989**	**1,587**	**0**	**5,311**	**152**	**26,842**
	3,728	0	0	0	0	–3,728	0	0
	0	0	0	0	0	2,428	–3	2,425
	22	1,269	–764	–285	1	0	0	244
	0	0	0	–285	0	0	–3	–288
	0	1,278	0	0	0	0	1	1,279
	0	0	0	0	1	0	0	1
	0	–9	0	0	0	0	0	–9
	0	0	–805	0	0	0	0	–805
	0	0	41	0	0	0	1	43
	22	0	0	0	0	0	1	23
	0	0	0	0	0	0	0	0
	3,751	**1,269**	**–764**	**–285**	**1**	**–1,301**	**–3**	**2,669**
	11	0	0	0	0	0	–15	–4
	0	0	0	0	0	–1,583	–1	–1,584
	–496	0	0	0	0	0	0	–487
	19,217	**–13,302**	**10,225**	**1,302**	**1**	**2,428**	**134**	**27,436**

Condensed consolidated cash flow statement[1]
from 1 January to 30 June 2023

€m	Q1–2 2023	Q1–2 2022
Net result	**2,425**	**3,066**
Net change in reinsurance contracts held	–17	–147
Net change in insurance contracts issued	57	–6,583
Change in non-financial investments	–906	8
Change in financial investments	–508	5,903
Change in investments for unit-linked life insurance	–40	–33
Change in insurance-related financial instruments	106	126
Change in receivables and liabilities (excluding bonds and notes issued and liabilities to credit institutions)	703	–2,467
Change in other provisions	–20	–1,553
Change in other balance sheet items	–961	–466
Fair value changes recognised in profit or loss	1,361	2,939
Depreciation/amortisation, impairment losses, reversals of impairment losses, and changes in expected credit losses	94	1,825
Gains/losses resulting from the disposal of consolidated subsidiaries, other intangible assets, and property, plant and equipment	6	–4
Other non-cash income and expenses	–102	224
I. Cash flows from operating activities	**2,198**	**2,837**
Inflows from losing control of consolidated subsidiaries	3	6
Outflows from obtaining control of consolidated subsidiaries	–49	12
Inflows from the sale of other intangible assets	1	1
Outflows from the acquisition of other intangible assets	–93	–2
Inflows from the sale of property, plant and equipment	25	28
Outflows from the acquisition of property, plant and equipment	–48	–57
Inflows and outflows from other investing activities	4	–2
II. Cash flows from investing activities	**–157**	**–14**
Inflows from increases in capital and from non-controlling interests	0	0
Purchase of own shares	–496	–68
Dividend payments	–1,583	–1,548
Inflows from the issue of subordinated liabilities	0	0
Outflows from the redemption of subordinated liabilities	–100	–416
Inflows and outflows from other financing activities	–118	1
III. Cash flows from financing activities	**–2,298**	**–2,031**
Cash flows for the period (I + II + III)[2]	**–256**	**792**
Effect of exchange-rate changes on cash and cash equivalents	–313	120
Cash at 1 January	6,439	5,413
Cash at 30 June	5,869	6,326
Thereof:		
Cash not attributable to disposal group	5,845	6,312
Cash attributable to disposal group	25	14

1 Previous year's figures adjusted due to initial application of IFRS 17, and changes made to the presentation and classification of items in the consolidated balance sheet; see section "Initial application of new accounting policies and other adjustments".
2 Cash mainly comprises cash at banks.

Selected notes to the consolidated financial statements

Basis of preparation

Application of International Financial Reporting Standards (IFRSs)

This Half-Year Financial Report as at 30 June 2023 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union. The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. We have complied with all new and amended IFRSs and interpretations from the IFRS Interpretations Committee that Munich Re was first required to apply from 1 January 2023. 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 2022, with the exception of the changes mentioned below.

Presentation of figures

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 of the Group. Amounts are rounded to million euros. As a result, there may be minor deviations in totals and percentages. Figures in brackets refer to the comparative period. We only add plus or minus signs where it is not clear from the context whether the amount is an expense/outflow or income/inflow.

Comparative information

Munich Re is applying IFRS 9, Financial Instruments, and IFRS 17, Insurance Contracts, for the first time with effect from 1 January 2023. In the initial application of IFRS 9, we have made use of the option not to restate comparative information, except when we apply the classification overlay approach permissible under IFRS 17. For insurance contracts within the scope of IFRS 17, however, the transition date is the beginning of the financial year prior to the date of initial application. The comparative information for insurance items recognised in accordance with IFRS 17 has therefore been restated.

In connection with the initial application of IFRS 17, we have restated the previous year's figures for some of our loans and our investment property or owner-occupied property. These are assets previously recognised at amortised cost, which back insurance contracts with direct participation features. Further comments can be found in the section entitled "Effects of the initial application of IFRS 17" within "Initial application of new accounting policies and other adjustments".

In connection with the initial application of the new accounting standards, the structure of the consolidated balance sheet has been revised, the names of the statements and line items adapted, and changes made to the consolidated cash flow statement. Comparative figures have been reclassified accordingly. Further information can be found in the section entitled "Change in presentation and classification" within "Initial application of new accounting policies and other adjustments".

Use of judgements and estimates in recognition and measurement

In preparing the condensed interim consolidated financial statements, preparers must use their judgement in applying accounting policies, and make certain estimates and assumptions. In addition to the matters presented in the consolidated financial statements as at 31 December 2022, the use of judgements and estimates most significantly impacting on the items in the consolidated financial statements affects in particular the following areas:

- Classification of financial assets
- Impairment of financial assets
- Level of aggregation of insurance contracts
- Measurement of insurance contracts
- Determining transition approaches in accordance with IFRS 17

Further comments can be found in the sections entitled "Initial application of new accounting policies and other adjustments", "Accounting policies of IFRS 9" and "Accounting policies of IFRS 17".

Initial application of new accounting policies and other adjustments

IFRSs required to be applied for the first time

As from financial year 2023, application of the following new or amended IFRSs is mandatory for the first time:

- IFRS 9 (7/2014), Financial Instruments: IFRS 9 supersedes the previous IAS 39 requirements relating to the recognition and measurement of financial instruments with effect from 1 January 2023. We apply IFRS 9, including all amendments incorporated into EU law by 31 December 2022.
- IFRS 17 (5/2017), Insurance Contracts: IFRS 17 supersedes IFRS 4 with effect from 1 January 2023; it is applied to insurance contracts (including reinsurance contracts) issued, reinsurance contracts held and investment contracts with discretionary participation features. We apply IFRS 17, including all amendments incorporated into EU law by 31 December 2022.
- Amendments to IAS 1 (rev. 2/2021), Presentation of Financial Statements, and to IFRS Practice Statement 2: Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 8 (rev. 2/2021), Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 (rev. 5/2021), Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

IFRS 9 and IFRS 17 have led to significant changes in the classification and measurement of financial instruments and in the recognition, measurement and presentation of insurance contracts. Moreover, the adoption of these standards has far-reaching implications for the disclosures in the notes.

The amendments to existing standards listed above have no effect or no material effect on Munich Re.

A more detailed explanation of the effects of the amendments to the accounting policies for financial instruments and insurance contracts follows below.

Accounting policies of IFRS 9

The key accounting policies for financial assets and financial liabilities in accordance with IFRS 9 are described in the following sections. Our accounting policies for netting and determining the fair value of financial instruments and the accounting policies relevant for the preparation of comparative information in accordance with the provisions of IAS 39 can be found in the disclosures in the consolidated financial statements as at 31 December 2022.

Financial assets

In addition to financial investments, our financial assets include insurance-related financial instruments, investments for unit-linked life insurance, financial receivables and cash and cash equivalents.

Recognition and derecognition

We recognise a financial asset in the consolidated balance sheet at the time when we become a party to the contractual provisions of the financial instrument.

When the contractual rights to receive the cash flows from a financial asset have expired, we derecognise that asset. If a financial asset is transferred, we evaluate whether the derecognition requirements of IFRS 9 are met. In this process, we take into account the extent to which we retain the risks and rewards of ownership of the financial asset and – if applicable – whether we retain control. Depending on the outcome of this evaluation, we derecognise the financial asset, or we continue to recognise it in full or to the extent of our continuing involvement.

Financial assets are recognised and derecognised as at the trade date.

Classification

For the purpose of subsequent measurement, financial assets are classified as measured at “amortised cost”, “fair value through other comprehensive income” or “fair value through profit or loss”.

The classification is determined on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model

An entity’s business model refers to how the entity manages the financial assets in order to generate cash flows. The business model is determined by management at the level

of groups of financial assets; it is based on several factors, such as the risks that affect the performance of the business model and the way in which those risks are managed, as well as how the performance is evaluated and reported to management. This decision requires judgement. A distinction is made between the following business models:

In the business model "hold to collect", the financial assets are held with the objective to collect contractual cash flows. The sale of financial assets is not part of the management strategy, but is, under certain circumstances, not incompatible with the application of this business model, for example if there is an increase in the financial asset's credit risk.

The objective of the business model "hold to collect and sell" is achieved by both collecting contractual cash flows and selling financial assets. The sale of assets is a key aspect of the management of the portfolio.

The business model "other" applies to financial assets that are managed neither under the "hold to collect" nor under the "hold to collect and sell" business models. This is the case, for example, if the objective of the business model is in particular to realise cash flows by selling assets, or if a group of financial assets is managed on the basis of their fair value.

Contractual cash flow characteristics
If financial assets are held within the business model "hold to collect" or "hold to collect and sell", an additional assessment as to whether they pass the "solely payments of principal and interest (SPPI) test" is necessary for the classification for subsequent measurement.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement and pass the SPPI test. In a basic lending arrangement, compensation for the time value of money and for the credit risk are typically the most significant elements of interest. In addition, interest may include compensation for other basic lending risks (such as liquidity risk) and costs (such as administration costs) as well as an appropriate profit margin consistent with a basic lending arrangement. Depending on the nature of the financial asset, the assessment also requires the use of judgement.

Measurement

Measurement on initial recognition
On initial recognition at the trade date, financial assets are recognised at fair value or the transaction price. For financial assets that are not subsequently measured at fair value through profit or loss, directly attributable transaction costs must be included in addition.

Subsequent measurement
The measurement of a financial asset after initial recognition is based on the classification in accordance with the business model and the result of the SPPI test.

Financial assets managed within the business model "hold to collect" that pass the SPPI test are measured at amortised cost. At Munich Re, this includes in particular financial receivables and cash and cash equivalents.

Financial assets subject to the business model "hold to collect and sell" that pass the SPPI test are measured at fair value through other comprehensive income. This includes the major part of our financial investments. They are mostly used to back insurance liabilities and are managed as part of our asset-liability management on the basis of their duration and risk profile. This means that the management strategy is aimed at both collecting contractual cash flows and selling financial assets.

Financial assets that are managed under the business model "other" or that do not pass the SPPI test are measured at fair value through profit or loss. In view of the business model, at Munich Re, this includes in particular the investments for unit-linked life insurance and the insurance-related financial instruments – such as insurance contracts that do not transfer significant insurance risk.

Derivatives and equity instruments are generally measured at fair value through profit or loss. Munich Re does not make use of the option to designate equity instruments as measured at fair value through other comprehensive income. We present investments in affiliated companies, joint ventures and associates that are not consolidated because they are immaterial under non-financial investments and, in the interest of simplicity, measure them in the same way as equity instruments. Accordingly, on transition to IFRS 9, we now measure these investments at fair value through profit or loss and no longer at fair value through other comprehensive income.

Contracts with embedded derivatives where the host contract is not a financial asset within the scope of IFRS 9 may under certain circumstances be designated as measured at fair value through profit or loss. Munich Re uses this fair value option especially for certain insurance contracts with embedded derivatives which themselves are not within the scope of IFRS 17 and not closely related to the host contract.

In addition, financial assets may be irrevocably designated as measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces accounting mismatches. This is of minor significance for Munich Re.

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

A three-stage impairment model is used to recognise and measure impairment losses on financial assets.

Stage 1: On initial recognition, financial instruments are always assigned to Stage 1 of the impairment model and they remain at Stage 1 if their credit risk has not increased significantly since they were initially recognised. The loss allowance is measured at an amount equal to the 12-month expected credit losses, which represents the expected credit losses that result from default events that may occur within 12 months of the balance sheet date.

Stage 2: If the credit risk of a financial instrument has increased significantly since initial recognition but there is no objective evidence of impairment, the loss allowance at Stage 2 of the impairment model is measured at an amount equal to the lifetime expected credit loss.

Stage 3: If in addition to a significant increase in credit risk, there is objective evidence of impairment, the instrument is allocated to Stage 3 of the impairment model (credit-impaired financial assets). As in Stage 2, the loss allowance is measured at an amount equal to the lifetime expected credit losses. Interest revenue is calculated by applying the effective interest method – unlike in Stage 1 and Stage 2 – on the basis of the net carrying amount of the financial asset (i.e. after deducting the loss allowance).

The assessment of whether the credit risk has increased significantly requires judgement. As a matter of principle, a significant increase in credit risk is assumed if this risk (measured in terms of the probability of default) has increased by more than two percentage points since the financial instrument was initially recognised.

We assume that the credit risk of a financial instrument has not increased significantly if it has low credit risk as at the balance sheet date (low credit risk exception).

For financial instruments with an internal MEAG rating, we generally assume that changes in the risk of a default occurring over the next 12 months are a reasonable approximation of the changes in the lifetime risk of a default occurring. If there are indications that only an assessment based on the entire lifetime of the financial instrument is appropriate, such an assessment is made.

We generally make use of the rebuttable presumption that the credit risk has increased significantly since initial recognition if a contractual payment is more than 30 days past due, unless we have evidence to the contrary.

Objective evidence of credit impairment includes but is not limited to:

- significant financial difficulty of the borrower;
- a breach of contract (such as a default or past-due event);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties.

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

Expected credit losses are equal to the discounted product of these three components. The calculation includes probability-weighted scenarios that take account of reasonable and supportable information that is available without undue cost or effort as at the balance sheet date and incorporates past events, current conditions and forecasts of future economic conditions. The procedures and inputs for measuring expected credit losses, including consideration of forward-looking information, are subject to estimates and assumptions.

Financial assets are written off if, based on a reasonable assessment, it must be assumed that these assets are not recoverable. Write-offs do not have an impact on profit or loss since the amounts are reflected in the loss allowance and therefore have already been recognised previously through profit or loss.

Our investment guidelines do not provide for the acquisition of purchased or originated credit-impaired financial assets.

We do not exercise the option to measure loss allowances on lease receivables using the simplified approach, i.e. at an amount equal to lifetime expected credit losses.

Hedge accounting
Hedge accounting under IFRS 9 focuses on the entity's risk management activities. A distinction is made between the following types of hedges:

- Fair value hedge
- Cash flow hedge
- Hedge of a net investment in a foreign operation

Hedge accounting is of minor significance for Munich Re.

From time to time, fair values are hedged to mitigate interest-rate and other market risks. The gain or loss on the hedging instrument and on the hedged item are recognised in profit or loss. For such types of hedging transaction, mainly swaps and forwards are used as hedging instruments. There were no fair value hedges as at the balance sheet date.

Munich Re enters into cash flow hedges to a small extent, hedging in particular the cash flow risk from variable interest payments. In this process, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity (other comprehensive income). The ineffective portion of the hedge, on the other hand, is recognised in profit or loss. In the period in which the hedged cash flows affect profit or loss, the cumulated amount recognised in other comprehensive income is reclassified to the consolidated income statement. Munich Re mainly uses interest-rate swaps for this type of hedging.

Munich Re does not enter into hedges of a net investment in a foreign operation.

Financial liabilities

Our financial liabilities comprise subordinated liabilities, derivative liabilities, non-derivative financial liabilities including bonds and insurance-related liabilities.

Recognition and derecognition

We recognise a financial liability in the consolidated balance sheet at the time when we become party to the contractual provisions of the financial instrument.

We derecognise financial liabilities when they are extinguished, i.e. when the obligations specified in the contract are discharged or cancelled, or when they expire.

They are recognised or derecognised as at the trade date.

Classification

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

Measurement

Measurement on initial recognition
On initial recognition on the trade date, financial liabilities are recognised at fair value or the transaction price. For financial liabilities that are not subsequently measured at fair value through profit or loss, directly attributable transaction costs must be included in addition.

Subsequent measurement
Most of our financial liabilities are measured at amortised cost using the effective interest method. This includes primarily the subordinated liabilities reported separately in the consolidated balance sheet and bonds as well as liabilities to credit institutions presented under non-derivative financial liabilities.

The category of financial liabilities at fair value through profit or loss at Munich Re includes predominantly the derivative liabilities reported separately in the consolidated balance sheet. In addition, we have made loan commitments to a small extent. Since the financial instruments arising from these loan commitments are subsequently measured at fair value, we recognise the loan commitments at fair value through profit or loss.

Moreover, most financial liabilities resulting from insurance contracts that do not transfer significant insurance risk are managed on a fair value basis. For these contracts, we exercise the option to designate them as measured at fair value through profit or loss.

In addition, contracts with embedded derivatives where the host contract is not a financial asset within the scope of IFRS 9 may under certain circumstances be designated as measured at fair value through profit or loss. Munich Re uses this fair value option especially for certain insurance contracts with embedded derivatives which themselves are not contracts within the scope of IFRS 17 and not closely related to the host contract.

Embedded derivatives

In financial assets within the scope of IFRS 9, embedded derivatives are not separated from the host contract. Instead, the financial asset is classified on the basis of the entire hybrid contract and in accordance with the general rules based on the business model and cash flow characteristics.

Some of our insurance contracts and financial liabilities contain embedded derivatives. In these cases, the embedded derivatives are assessed at initial recognition of the instruments and separated from the host contract if:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value through profit or loss.

If embedded derivatives are separated from the host contract, they are measured at fair value through profit or loss.

Accounting policies of IFRS 17

Classification as an insurance contract

A contract is classified as an insurance contract within the scope of IFRS 17 if it transfers significant insurance risk. We make this assessment as part of risk transfer testing. We classify an insurance risk as significant if an insured event could cause the payment of additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance, and there is a possibility of a loss on a present-value basis. Alternatively, we classify contracts as insurance contracts if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts. Contracts that do not transfer significant insurance risk are generally financial instruments and are accounted for in accordance with IFRS 9 requirements. An exception here are investment contracts with discretionary participation features, which fall under the scope of IFRS 17.

Separation of components

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

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

If an insurance contract contains embedded derivatives that are themselves not contracts within the scope of IFRS 17, IFRS 9 requirements are applied when assessing the obligation to separate components and accounting for the given derivative. For details, please refer to the section entitled “Embedded derivatives” under “Accounting policies of IFRS 9”. Distinct investment components and distinct non-insurance services are separated from the insurance contract and accounted for in accordance with IFRS 9 and/or IFRS 15 requirements. They are of minor significance for Munich Re.

Level of aggregation

Recognition and measurement occur at the level of groups of insurance contracts. We begin by including insurance contracts in a portfolio that are subject to similar risks and managed together. In a second step, we assign each portfolio – based on its profitability – to one of the following three groups of insurance contracts:

- group of contracts that are onerous at initial recognition;
- group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- group of the remaining contracts in the portfolio.

We classify an insurance contract as onerous at initial recognition if the risk-adjusted present value of all the expected cash flows for contract fulfilment results in a net cash outflow. Due to changes in estimates relating to future service, a group of insurance contracts can become onerous upon subsequent measurement. This nevertheless does not affect the classification into different groups at initial recognition. In other words, the composition of the groups is not reassessed. It is sometimes necessary to exercise judgement when establishing portfolios and forming groups of insurance contracts on the basis of their profitability.

We also ensure that all the contracts within a group were issued within one year. We thus do not use the annual cohort exemption.

Recognition

A group of insurance contracts issued is recognised from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due; or
- for a group of onerous contracts, when the group becomes onerous.

Measurement

IFRS 17 provides a consistent accounting model for all insurance contracts. The basic approach consists in applying the general measurement model (GMM), which is mainly used in life reinsurance and in parts of property-casualty primary insurance business. In view of the GMM's high complexity, IFRS 17 provides the option of using – primarily for short-term contracts – a simplified measurement model known as the premium allocation approach (PAA). We apply this simplified measurement approach particularly for our property-casualty reinsurance business and for a substantial part of our property-casualty primary insurance business. IFRS 17 also provides for a modified measurement model, the variable fee approach (VFA), for certain participating primary insurance contracts. We apply the VFA for eligible life and health primary insurance contracts. Please see below for more detailed explanations of the underlying concepts of these approaches.

For all measurement models, there is a distinction between a pre-claims stage (liability for remaining coverage – LRC) and a claims stage after the occurrence of an insured event (liability for incurred claims – LIC). The measurement of the LRC and LIC is based on a series of estimates and assumptions, particularly the estimate of future cash flows as well as the procedures and inputs for determining both the discount rate and the risk adjustment for non-financial risk. In addition, a certain degree of judgement must be exercised when establishing coverage units.

General Measurement Model (GMM)

Procedure

The GMM is based on a building block approach that consists of four blocks. The expected future cash flows for contract fulfilment form the basis for measuring our assets and liabilities from insurance business (building block 1). Cash flows are discounted in order to reflect the time value of money and the financial risks (building block 2). Comparing the present value of expected cash inflows against the present value of expected cash outflows results in the present value of the net cash flows relevant for the measurement. This present value is subjected to a risk adjustment to reflect the uncertainty arising from non-financial risk pertaining to the amount and the timing of cash flows (building block 3). For groups of insurance contracts classified as profitable at initial recognition, we recognise a contractual service margin which represents the unearned profit (building block 4). The latter is recognised over time as insurance contract services are provided over the coverage period.

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

For subsequent measurement of the LRC, building blocks 1, 2 and 3 are remeasured using updated assumptions and inputs. The contractual service margin is adjusted to reflect changes in non-financial assumptions of future coverage and new business margins, among other things, and is amortised as insurance contract services are provided over time. The carrying amount of the LRC is – at the end of each reporting period – the sum of the present value of expected future net cash flows, the risk adjustment for non-financial risk and the contractual service margin.

Cash flows (building block 1)

The starting point for measuring groups of insurance contracts is based on a current estimate of all cash flows required to fulfil the contract within the contract boundary.

Cash flows that need to be taken into account include premium payments, expenses for claims and benefits, acquisition and administration costs, and loss adjustment expenses. The cash flows included in the measurement model reflect our current estimates and expectations regarding the fulfilment of our insurance obligations at each reporting date. We include in the cash flows an allocation of certain fixed and variable overheads that can be directly attributed to the fulfilment of insurance contracts.

Discounting (building block 2)

Under the GMM, future cash flows are discounted using current discount rates. Measurement thus considers the time value of money, so that cash flows expected to occur at different times are made comparable. In this context, we select discount rates that are as consistent as possible with the overall cash flow characteristics of the groups of insurance contracts, and make use of observable market inputs wherever possible. Discount rates are determined using a bottom-up approach, with the Solvency II interest-rate curves published by the supervisory authority EIOPA (European Insurance and Occupational Pensions Authority) serving as the starting point for risk-free interest rates. The discount rates we use do not take into consideration any type of default risk. But if relevant, an illiquidity premium

may be added to the discount-rate curve to take account of the differences in liquidity between the insurance liabilities and the liquid reference instruments used in determining the risk-free interest rate. We do this for the relevant portfolios in life primary insurance business, in particular.

At each reporting date, the fulfilment cash flows for the LRC and LIC are remeasured using current discount rates. IFRS 17 provides for the option, applied at portfolio level, to recognise the impact of changes in discount rates and financial risk in other comprehensive income rather than in the consolidated income statement. We make use of this option for the majority of our insurance portfolio, irrespective of the measurement model used.

Risk adjustment for non-financial risk (building block 3)
Cash flows arising from insurance contracts usually involve a high degree of uncertainty regarding the point in time an insured event occurs and the amount of a claim. In addition, there may be changes to the assumptions made about the insurance business as a result of changes in policyholder behaviour, e.g. related to exercising available options. To take this uncertainty into consideration, IFRS 17 provides for a third building block: an explicit risk adjustment for non-financial risk that represents compensation for bearing the risk. The sum of the risk adjustment for non-financial risk and the present value of net cash flows represents the undertaking-specific fulfilment cash flows relevant for the measurement.

The risk adjustment for non-financial risk is determined in accordance with our internal risk model, taking Group-wide risk diversification into account. We apply a cost-of-capital method for determining the risk adjustment for non-financial risk. Like the present value of the cash flows, the risk adjustment for non-financial risk is reviewed at each reporting date and updated to reflect the current conditions.

Contractual service margin (building block 4)
The contractual service margin represents the unearned profit at initial recognition that is spread over the coverage period as insurance contract services are provided. If at initial recognition the present value of expected inflows exceeds the present value of expected outflows plus the risk adjustment for non-financial risk, the expected profit from the insurance cover is initially recognised as a contractual service margin, and taken into account when measuring the liability for remaining coverage. The initial recognition of profitable groups of insurance contracts thus does not affect profit or loss. If additional profitable contracts are added to a group of insurance contracts within an annual cohort over time, the expected profit from the new business is added to the contractual service margin at initial recognition. On subsequent measurement, the change in the contractual service margin is recognised in the consolidated income statement as part of insurance revenue. The amount of the contractual service margin to be released for each period is determined by coverage units. These are used to determine the quantity of services provided for the in-force insurance contracts in the current reporting period in relation to the expected total insurance contract services provided over the whole of the coverage period. For all of our insurance business, we define the coverage units in such a way as to ensure that they reflect the services provided as accurately as possible. We generally use volume-based coverage units such as the sum insured or the capital at risk, which may be adjusted to reflect the specific characteristics of the (re)insurance business concerned. A certain degree of judgement must be exercised when establishing coverage units.

By contrast, if we expect a loss at initial recognition, we identify a corresponding portion of the present value of the expected net cash flows plus the risk adjustment for non-financial risk as a loss component. We recognise the expected loss in the consolidated income statement at initial recognition of the group of contracts, or as soon as we become aware that the group of insurance contracts is onerous. When aggregating contracts into groups, we ensure that onerous groups of insurance contracts are not combined with profitable groups. At subsequent measurement, our control procedures are also designed to identify at an early stage any groups of insurance contracts that are to be classified as onerous in terms of future coverage. A loss component will always reflect the expected loss from the insurance contract services still to be provided at a given point in time. We systematically amortise the loss component based on the remaining cash flows and the risk adjustment for non-financial risk until the end of the coverage period.

An initially profitable group of insurance contracts within an annual cohort may become onerous on subsequent measurement. In this case, a loss component has to be recognised. Conversely, a group of insurance contracts classified as onerous can become profitable on subsequent measurement, giving rise to a contractual service margin. At the end of the coverage period, both the loss component and the contractual service margin have been completely amortised in profit or loss.

Premium Allocation Approach (PAA)

Scope of application

We use the PAA for all groups of insurance contracts that meet the requirements for applying the simplified measurement model. This is always the case if the coverage period of such contracts is one year or less – or, if the coverage period is longer, it can be reasonably expected that applying the simplified measurement model will produce a measurement of the LRC for the group that would not differ materially from the measurement that would result from applying the requirements of the GMM. The length of the coverage period is mainly determined by the concept of contract boundaries. We use the PAA for our property-casualty reinsurance business, with the exception of groups of insurance contracts for which the coverage period has expired at the transition date and which are in the settlement period. The GMM is applied to such groups of insurance contracts. In addition, we generally use the PAA for a substantial part of our property-casualty primary insurance business and for health primary insurance contracts not similar to life insurance.

Procedure

On initial recognition of a group of insurance contracts, we recognise an LRC, equal to the premiums received less acquisition costs paid. For business classified as profitable, neither the present value of the future net cash flows nor the risk adjustment for non-financial risk nor the contractual service margin is explicitly determined and recognised. If the coverage period of the contracts in the group is one year or less, any acquisition costs incurred may be recognised directly as an expense. We use this option for a substantial part of our property-casualty primary insurance business. Moreover, IFRS 17 provides for utilisation of the PAA to simplify the discounting of future cash flows when compared to the GMM. If there is no significant financing component and if claims settlement is expected within a year of the occurrence of loss, no discounting is required. We currently do not apply this option. In order to provide for maximum transparency and comparability in measuring our business, we consistently consider the time value of money also when using the PAA.

If we are aware of any indications that contracts should be classified as onerous under the GMM, we compare the insurance liability determined under the PAA with the result of the measurement under the GMM. If the comparison shows that the carrying amount of the LRC (fulfilment cash flows) under the GMM exceeds the carrying amount determined under the PAA, we directly recognise the balance as an expense in the form of a loss component. To this end, we explicitly calculate the present value of the net cash flows and the risk adjustment for non-financial risk to facilitate a comparison with the GMM. Our onerosity testing is geared to identifying onerous contracts as soon as possible and ensures adequate reserving at all times.

For subsequent measurement of a profitable group of insurance contracts, the carrying amount of the LRC is updated as follows. First, the carrying amount is either increased with no impact on profit or loss by adding the further premium payments received, or decreased by subtracting directly attributable acquisition costs paid – provided that we do not make use of the option to recognise the acquisition costs as an expense. The LRC is reduced by the amount of insurance revenue earned as insurance contract services are provided. We earn the insurance revenue by spreading the expected total premium for the coverage period within the contract boundaries over the accounting periods in a risk-commensurate manner. Again, for subsequent measurement of profitable groups of insurance contracts, the present value of the net cash flows, the risk adjustment for non-financial risk and the contractual service margin are not explicitly determined, so that the PAA provides for effective simplification. By contrast and consistent with the GMM, we explicitly determine risk-adjusted net cash flows for onerous groups of insurance contracts, and following the occurrence of an insured event.

Also for the PAA, a distinction is made between the LRC and the LIC. Likewise, a risk adjustment for non-financial risk needs to be determined for the LIC when using the PAA.

Insurance contracts with direct participation features measured using the variable fee approach (VFA)

Scope of application

Under an insurance contract, the insurer may not only be liable to pay for a claim after the occurrence of an insured event, but may also have to give policyholders a share in the profits. Contracts with direct participation features are measured using the VFA, subject to certain criteria. Contracts fall within the VFA scope if they provide for policyholder participation in the performance of a reference value for the underlying items. This is the case for our German participating life and health primary insurance business and a substantial part of our international life and health primary insurance contracts. Unit-linked life insurance is another case for application of the VFA. However, both reinsurance contracts held and reinsurance contracts issued are excluded from the scope of this measurement approach.

Procedure

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

For German life and health (similar to life) primary insurance business, profit participation provides for policyholders essentially sharing in the investment result, risk result and cost result. The value of the underlying items is based on this profit participation, and reflects the present value of both future payments and payments made in current and prior periods. We use the fair values of the net assets backing our liabilities, including the assets backing equity, to measure the fair value of the underlying items. Because of the mechanics of German profit participation in particular, all financial and insurance effects and assumption changes have an impact on profit participation – and thus also on our variable fee. As a result, developments such as changes in the fair value of assets backing our liabilities, current loss experience, effects related to policyholder lapse behaviour and other changes in financial and non-financial assumptions are initially offset against the contractual service margin.

The fulfilment cash flows for German life and health primary insurance business are determined on a market-consistent basis in line with the contractual options and guarantees, applying a risk-neutral measurement where risk-free interest rates only can be generated under the no-arbitrage principle. The actual returns generated from the underlying items are usually higher, and the company's share in any excess return over the risk-neutral measurement is included in the contractual service margin under the VFA. After the contractual service margin has been adjusted, it is released to profit or loss based on the expected provision of future services, which are spread proportionally by applying coverage units. For participating contracts, we take into account that we provide not only insurance services, but also investment-related services in managing the assets backing our liabilities.

Another difference compared with the GMM relates to the option of recognising the effect of changes in financial inputs on the measurement either in the consolidated income statement, or in other comprehensive income in equity. This effect is not explicitly captured when using the VFA. Instead, because of the special link to the asset side, the result of the underlying item recognised in profit or loss for the liability side is mirrored in the consolidated income statement. A positive investment result is offset by corresponding finance expenses from insurance contracts issued. Changes in the fair value of assets that are part of the underlying items and do not have an impact on profit or loss are recognised as insurance finance income or expenses directly in other comprehensive income in equity. This value corresponds to the amounts recognised for the investments in other comprehensive income in equity plus off-balance-sheet valuation reserves.

Special accounting policies for reinsurance contracts held

The recognition and measurement of reinsurance contracts held generally follows the requirements for insurance contracts issued. Significant differences to the recognition and measurement requirements for insurance contracts issued are set out below.

A group of reinsurance contracts held is recognised from the earlier of the following: the beginning of the coverage period of the group of contracts, or the date when an onerous group of underlying insurance contracts is recognised.

With respect to a group of reinsurance contracts held that provide proportionate coverage (for example proportional reinsurance contracts), the group is not recognised until the date on which any underlying insurance contract is recognised – if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

We apply the PPA for most of our reinsurance contracts held in property-casualty business, and the GMM in life and health business. Conversely, the VFA is not applied to reinsurance contracts held.

The estimates of future cash flows and their discounting are determined at the reporting date on the basis of current assumptions, which are in line with the assumptions we made for measuring the underlying insurance contracts issued.

We determine the risk adjustment for non-financial risk of reinsurance contracts held as the proportion of the risks that is effectively transferred to the reinsurer, with the net risk capital after retrocession serving here as the basis. We ensure in this context the best possible consistency when determining the risk adjustment for non-financial risk as regards the underlying gross business.

In contrast to insurance contracts issued, the contractual service margin (net cost/gain) for reinsurance contracts held can be positive or negative. In the case of prospective reinsurance coverage, it is necessary upon purchasing reinsurance to defer both a net gain and a net cost over the coverage period. We offset against the contractual service margin any changes in the fulfilment cash flows, provided that the changes relate to future service. However, if the changes in estimates are attributable to changes that do not adjust the contractual service margin of the group of underlying insurance contracts, we recognise their impact on the measurement of the reinsurance contract held in profit or loss. In this way, we achieve a consistent presentation of gross business and reinsurance contracts held. As part of subsequent measurement, the contractual service margin is spread out over the remaining coverage period on the basis of the coverage units.

In the case of retroactive reinsurance contracts held, which provide coverage against adverse development of claims after the occurrence of an insured event, we recognise the net cost of purchasing reinsurance as an expense in profit or loss. Conversely, a net gain is spread over the settlement period of the underlying contracts in a contractual service margin on the basis of coverage units.

If a loss is recognised for an onerous group of underlying insurance contracts, we set up a loss-recovery component. In proportion to the anticipated recoveries, we thus match the loss component of the underlying gross business recognised as an expense with a loss-recovery component recognised as income. As a consequence, effective reinsurance coverage is thus offset in the financial statements and only the effects of losses from the underlying gross business that are not covered by reinsurance are recognised in profit or loss in the respective period. Reversals of the loss-recovery component adjust the contractual service margin, provided that the reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.

The loss-recovery component is calculated by multiplying the recognised loss by the percentage of claims on the underlying insurance contracts that are expected to be recoverable. Upon subsequent measurement, the loss-recovery component is adjusted to reflect the changes in the loss component of the underlying insurance contracts. The loss-recovery component is of minor significance for Munich Re due to the structure of the reinsurance programme.

Presentation in the consolidated balance sheet

The following items are presented separately at a portfolio level in the consolidated balance sheet:

- Reinsurance contracts held that are assets
- Insurance contracts issued that are assets
- Reinsurance contracts held that are liabilities
- Insurance contracts issued that are liabilities

In the case of insurance contracts issued that are liabilities, we present the following items separately in the consolidated balance sheet: the LRC, the LIC, and other technical liabilities.

Liability for remaining coverage

The LRC comprises the payment obligations for insured events that have not yet occurred and insurance contract services that have not yet been provided. Under the GMM, the LRC is the sum of the present value of the risk-adjusted future cash flows (fulfilment cash flows – consisting of building blocks 1, 2 and 3) and the contractual service margin (building block 4). Please refer to the section “Measurement” for detailed explanations of the building blocks and their measurement. We remeasure the estimated present value of the future cash flows and the risk adjustment for non-financial risk at each reporting date on the basis of updated assumptions. In addition, we recognise the expected profit attributable to the provision of insurance coverage for a group of insurance contracts as a contractual service margin, and thus explicitly as part of the liability for remaining coverage. We adjust the contractual service margin for any changes in fulfilment cash flows relating to future services, or establish a loss component and recognise it as an expense as soon as the contractual service margin has been depleted.

Under the PAA, in the case of profitable business the LRC is recognised upon initial measurement in a simplified way as the sum of premiums received less the acquisition cash flows paid, provided that the latter are not recognised directly as an expense. In other words, neither the present value of the future cash flows nor a risk adjustment for non-financial risk nor a contractual service margin is determined. Conversely, in the case of onerous groups of insurance contracts a loss component is recognised in line with the GMM and recognised under this balance sheet item. As part of subsequent measurement, we consider the time value of money and consequently achieve the greatest possible consistency with the application of the GMM. In addition, the liability for remaining coverage is discounted on the basis of historical yield curves as determined on initial recognition.

The LRC for groups of insurance contracts measured under the VFA consists of the sum of the present value of the risk-adjusted future cash flows and the contractual service margin. The determination of both the present value of the future cash flows and the risk adjustment for non-financial

risk at initial measurement generally follows the requirements under the GMM. Special rules apply under IFRS 17 for subsequent measurement as per the VFA; please refer to the section "Measurement".

Liability for incurred claims

The LIC comprises the payment obligations for incurred claims that have not yet been settled, and for insurance contract services already provided. The LIC consists of the present value of the risk-adjusted future cash flows and is measured by applying the first three building blocks of the GMM. We start by determining, based on our actuarial estimate, the requisite present value of the cash outflows expected to occur by the time the insured event has been definitively settled. The present value of the cash outflows reflects both the expected payments to the policyholder as well as our claims settlement expenses and administration costs. We add a risk adjustment for non-financial risk to the present value of the cash outflows to account for any remaining uncertainty as to the ultimate amount of claims or their payout dates.

In the context of estimates and in line with the LRC, we consider past experience and assumptions about future developments, including social, economic or technological factors. By applying our actuarial projection methods, we ensure appropriate reserving for incurred claims at all times, near the upper end of adequate expected values.

We use current discount rates when discounting future cash outflows and use the option to recognise the effect of changes in financial inputs on measurement in other comprehensive income in equity. In this context, the measurement is based on different reference interest rates, depending on the specific measurement model used. Under the GMM, the discount rates relevant at initial recognition are used as a reference. By contrast, under the PAA the discount rates relevant at the date of the incurred claim are generally used as a reference. When applying the PAA, we do not make use of the option to refrain from discounting under certain circumstances.

Changes in the measurement of the LIC arising from updated actuarial estimates or updated costs are recognised in profit or loss.

Particularly for participating life and health primary insurance business, the LIC primarily concerns payments to customers. We do not distinguish in our balance sheet presentation of technical liabilities between unit-linked life insurance contracts and other insurance contracts in the VFA scope.

Other technical liabilities

Under the balance sheet item "Other technical liabilities" we present measurement components regarding groups of insurance contracts for which the recognition criteria have not yet been met. This mainly includes premiums received before the first payment due date and the beginning of the coverage period.

Presentation in the consolidated income statement

In the consolidated income statement, IFRS 17 requires a disaggregation of:

- insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses.

Insurance revenue is defined so as to facilitate comparisons with revenue in other industries; it also distinguishes between various sources of revenue with respect to the GMM and the VFA. Insurance revenue reflects the services we provide and for which we are entitled to compensation; investment components are excluded from insurance revenue. An investment component is any amount that an insurance contract requires us to repay to the policyholder in all circumstances – regardless of whether an insured event occurs, e.g. either as a claims payment or as a participation in profit. An investment component is not recognised as insurance revenue and also the repayment of this amount is recognised with no impact on profit or loss. Particularly surrender values in primary insurance as well as performance-related or fixed commissions and profit commissions in reinsurance are investment components in our business, provided that we first receive the premium before such repayments are made to the policyholder. Excluding investment components from insurance revenue does not affect the insurance service result, as there are corresponding reductions in the insurance service expenses.

When applying the PAA, we recognise as insurance revenue the amount of expected premium receipts allocated to the period, while excluding any investment components and adjusted to reflect the time value of money. We allocate the expected premium receipts to each period on the basis of the expected pattern of release of risk during the coverage period.

The insurance service expenses comprise claims expenses in particular (without repayment of any investment components). We present administration and acquisition costs separately under “Insurance service expenses” in the consolidated income statement. In this context, the acquisition costs are systematically allocated to the appropriate periods of the coverage period and recognised in corresponding amounts as insurance revenue and as insurance service expenses. We furthermore present changes in the underlying items separately under “Insurance service expenses” when applying the VFA.

Within the insurance service result, income or expenses from reinsurance contracts held are presented separately (insurance revenue ceded from reinsurance contracts held and income from reinsurance contracts held) and thus separately from insurance revenue and the insurance service expenses from insurance contracts issued.

Insurance finance income or expenses include the effect from the accretion of interest on the present value of the net cash flows, the risk adjustment for non-financial risk and the contractual service margin. Conversely, we mainly recognise the impact of changes in interest rates in other comprehensive income in equity.

In addition to the new presentation requirements for the consolidated balance sheet and for the consolidated income statement, IFRS 17 requires extensive disclosure in the notes for the financial year – including reconciliations for changes in the insurance items in the balance sheet and changes in individual measurement components.

Effects from the initial application of IFRS 9

Retrospective application and comparative information

We have applied the requirements of IFRS 9 for the classification and measurement of financial instruments retrospectively as of 1 January 2023. Initial application is made in accordance with the transition requirements of IFRS 9. Hedge accounting is exempt from retrospective application; it has been applied prospectively as at 1 January 2023. All hedging relationships designated in accordance with IAS 39 at as 31 December 2022 met the criteria for hedge accounting under IFRS 9 as at 1 January 2023 and were therefore considered continuing hedging relationships.

As a general principle, we use the option not to restate comparative information, but continue to present it in accordance with IAS 39. However, in connection with the initial application of IFRS 17, we make use of the classification overlay approach for certain financial instruments (especially loans) in order to avoid accounting mismatches when transitioning to IFRS 17. This approach allows us to present comparative information for these financial instruments as if the classification and measurement requirements of IFRS 9 had already been applied. When applying the classification overlay approach, we do not make use of the concept for recognising expected credit losses under IFRS 9. Further comments can be found in the section entitled “Comparative information” within “Effects from the initial application of IFRS 17”.

Classification and measurement of financial instruments

The classification of financial assets is based on the business model under which the financial assets are managed, and on the contractual cash flow characteristics.

Our financial assets will mainly be measured at fair value through other comprehensive income, particularly bonds and loans that are managed within the business model “hold to collect and sell” and also pass the SPPI test. In contrast to IAS 39, under IFRS 9 a higher overall percentage of our financial assets will be measured at fair value through other comprehensive income.

There is a lower proportion of financial assets measured at amortised cost (AC) and a higher percentage of financial assets measured at fair value through profit or loss than under IAS 39 measurement. Financial assets measured at fair value through profit or loss include, in particular, bonds and loans that do not pass the SPPI test, equities, investment fund units, and derivatives.

Material reclassifications of financial assets with an impact on subsequent measurement involve in particular the following:

Reclassifications from the IAS 39 category of "loans and receivables" (LaR) to the IFRS 9 classification of "at fair value through other comprehensive income" (FVOCI): this involves mortgage loans, registered bonds and borrowers' note loans that are managed within the business model "hold to collect and sell" and pass the SPPI test.

Financial debt instruments that do not pass the SPPI test are reclassified from the IAS 39 category of "loans and receivables" (LaR) to the IFRS 9 classification of "at fair value through profit or loss" (FVPL); the same applies to insurance contracts that do not transfer significant insurance risk, since they are managed within the business model "other".

Reclassification from the IAS 39 category of "available for sale" (AfS) to the IFRS 9 classification of "at fair value through profit or loss" (FVPL) involves primarily participations and equities. This reclassification also affects insurance-related bonds and equity instruments. We do not exercise the option to designate equity instruments as measured at fair value through other comprehensive income.

Reclassification from the IAS 39 category of "designated as at fair value through profit or loss" (FVPL option) to the IFRS 9 classification of "at fair value through other comprehensive income" (FVOCI) relates to certain bonds with extension options that contain embedded derivatives that must be separated under IAS 39 and were designated as at fair value through profit or loss. Under IFRS 9, they no longer meet the requirements for applying the fair value option. Where the bonds pass the SPPI test, they are classified as at fair value through other comprehensive income.

IFRS 9 does not provide for any material changes to the classification requirements for financial liabilities. Most of our financial liabilities continue to be measured at amortised cost using the effective interest method. Before the initial application of IFRS 9 and IFRS 17, the liabilities related to insurance contracts that do not transfer significant insurance risk were measured at amortised cost. Under IFRS 9, these contracts are considered financial instruments; they are measured at fair value through profit or loss, exercising the fair value option. In addition, loan commitments that have thus far been accounted for in accordance with IAS 37 are now classified as "at fair value through profit or loss", provided the financial instruments added later are accounted for at fair value.

The following table presents the reconciliation of measurement categories from IAS 39 to IFRS 9 for financial assets and the impact on retained earnings following reclassification and/or remeasurement. The carrying amounts as at 31 December 2022 include a total of −€4,658m in remeasurement effects anticipated during application of the classification overlay approach. Additional information on the classification overlay approach can be found in the "Comparative information" section within "Basis of preparation", and in the "Comparative information" section within "Effects from the initial application of IFRS 17".

Reconciliation of measurement categories from IAS 39 to IFRS 9 – Financial assets

€m	IAS 39 measurement category	Carrying amount as at 31.12.2022	IFRS 9 measurement category	Reclassification	Remeasurement	Carrying amount as at 1.1.2023	Effects on retained earnings
Financial investments							
Instruments subject to equity risk							
	AfS	9,711	FVPL	–9,711	0	9,711	164
	FVPL	310	FVPL	–310	0	310	0
	FVPL option	1	FVPL	–1	0	1	0
		10,022		**–10,022**	**0**	**10,022**	**164**
Instruments subject to interest-rate and credit risk							
	LaR	2,887	AC	–2,887	0	2,887	0
	LaR	35,060	FVOCI	–35,060	–129	34,931	–37
	LaR	4,785	FVPL	–4,785	–1	4,784	–79
	AfS	119,029	FVOCI	–119,029	0	119,029	–117
	AfS	3,130	FVPL	–3,130	0	3,130	–15
	FVPL	12	FVOCI	–12	0	12	0
	FVPL	1,771	FVPL	–1,771	0	1,771	0
	FVPL option	1,316	FVOCI	–1,316	0	1,316	69
	FVPL option	306	FVPL	–306	0	306	0
	n/a (IAS 37)	0	FVPL	0	2	2	2
	n/a (hedge accounting)	1	n/a (hedge accounting)	–1	0	1	0
		168,297		**–168,297**	**–128**	**168,169**	**–176**
Alternative investments							
	LaR	3,913	FVOCI	–3,913	–230	3,683	–8
	LaR	88	FVPL	–88	27	115	27
	AfS	1,646	FVOCI	–1,646	0	1,646	–38
	AfS	6,613	FVPL	–6,613	0	6,613	1,722
	FVPL	27	FVPL	–27	0	27	0
	FVPL option	229	FVPL	–229	0	229	0
	n/a (IAS 37)	0	FVPL	0	5	5	5
		12,516		**–12,516**	**–198**	**12,318**	**1,708**
Subtotal		**190,835**		**–190,835**	**–326**	**190,509**	**1,696**
Investments for unit-linked life insurance							
	FVPL option	7,470	FVPL	–7,470	0	7,470	0
		7,470		**–7,470**	**0**	**7,470**	**0**
Insurance-related financial instruments[1]							
	LaR	6,193	FVPL	–6,193	–37	6,155	–37
	LaR	9	FVPL option	–9	–2	6	–2
	AfS	508	FVPL	–508	0	508	26
	FVPL	1,895	FVPL	–1,895	0	1,895	0
	FVPL option	998	FVPL	–998	0	998	0
	FVPL option	38	FVPL option	–38	0	38	0
	FVPL	2	FVPL option	–2	0	2	0
		9,643		**–9,643**	**–40**	**9,604**	**–14**
Receivables							
Financial receivables							
	LaR	3,817	AC	–3,817	1	3,817	1
		3,817		**–3,817**	**1**	**3,817**	**1**
Cash and cash equivalents							
	LaR	6,439	AC	–6,439	0	6,439	0
		6,439		**–6,439**	**0**	**6,439**	**0**
Total		**218,204**		**–218,204**	**–365**	**217,839**	**1,683**
			Total effects on retained earnings before tax				1,683
			Effects from deferred tax				–451
			Total effects on retained earnings after tax				**1,231**

1 For certain insurance contracts that do not transfer significant insurance risk, financial assets and liabilities were recognised prior to the initial application of IFRS 9. For the sake of clarity, the effects from the transition to IFRS 9 for these contracts are presented on a combined basis in the reconciliation table.

The following table presents the reconciliation of measurement categories from IAS 39 to IFRS 9 for financial liabilities.

Reconciliation of measurement categories from IAS 39 to IFRS 9 – Financial liabilities

€m	IAS 39 measurement category	Carrying amount as at 31.12.2022	IFRS 9 measurement category	Reclassification	Remeasurement	Carrying amount as at 1.1.2023	Effects on retained earnings
Subordinated liabilities	**AC**	**4,748**	**AC**	**–4,748**	**0**	**4,748**	**0**
Liabilities							
Derivatives							
	FVPL	1,454	FVPL	–1,454	0	1,454	0
	n/a (hedge accounting)	11	n/a (hedge accounting)	–11	0	11	0
	n/a (IAS 37)	4	FVPL	–4	26	29	–26
		1,468		**–1,468**	**26**	**1,494**	**–26**
Non-derivative financial liabilities							
Bonds	AC	300	AC	–300	0	300	0
Liabilities to credit institutions	AC	1,047	AC	–1,047	0	1,047	0
Other financial liabilities	AC	2,923	AC	–2,923	0	2,923	0
		4,271		**–4,271**	**0**	**4,271**	**0**
Other liabilities							
Insurance-related liabilities[1]							
	AC	46	FVPL	–46	2	49	–2
	AC	703	AC	–703	0	703	0
	AC	728	FVPL option	–728	9	737	–9
	FVPL	2,508	FVPL	–2,508	0	2,508	0
	FVPL option	11	FVPL	–11	0	11	0
	FVPL	1	FVPL option	–1	0	1	0
	FVPL option	594	FVPL option	–594	0	594	0
		4,590		**–4,590**	**11**	**4,602**	**–11**
Subtotal		**10,330**		**–10,330**	**37**	**10,367**	**–37**
Total		**15,077**		**–15,077**	**37**	**15,115**	**–37**
			Total effects on retained earnings before tax				–37
			Effects from deferred tax				13
			Total effects on retained earnings after tax				**–24**

1 For certain insurance contracts that do not transfer significant insurance risk, financial assets and liabilities were recognised prior to the initial application of IFRS 9. For the sake of clarity, the effects from the transition to IFRS 9 for these contracts are presented on a combined basis in the reconciliation table.

The following table contains information on the fair values of, and unrecognised fair value gains/losses on, financial instruments which, in the context of the initial application of IFRS 9, were reclassified from the IAS 39 category of "at fair value through profit or loss" (FVPL). There were no reclassifications from the category "available for sale".

Reclassifications from the category "measured at fair value through profit or loss"

				Gains/losses not recognised due to reclassification and arising from changes in fair value in 2023	
€m	Reclassification from the category	Reclassification to the category	Fair value at 30.6.2023	In the consolidated income statement	In other reserves
Bonds with embedded derivatives	FVPL option	FVOCI	1,145	17	n/a
Other	FVPL	FVOCI	10	0	n/a
Total			**1,155**	**17**	**n/a**

The following table contains information on the interest revenue of financial instruments which, in the context of the initial application of IFRS 9, were reclassified from the IAS 39 category of "measured at fair value through profit or loss" (FVPL).

Interest revenue resulting from reclassifications from the category "measured at fair value through profit or loss"

			2023
€m	Reclassification from the category	Reclassification to the category	Interest revenue recognised in the reporting period
Bonds with embedded derivatives	FVPL option	FVOCI	22
Other	FVPL	FVOCI	0
Total			**22**

Impairment

IFRS 9 specifies the use of an expected credit loss model for the recognition of impairment losses; this requires recognising a loss allowance equal to the amount of expected credit losses when a financial asset is initially recognised. The model is applied to recognise impairment losses on financial assets measured at amortised cost or at fair value through other comprehensive income, as well as on lease receivables.

The following table shows the reconciliation of impairment losses under IAS 39 to loss allowances under IFRS 9:

Reconciliation of impairment losses under IAS 39 (31.12.2022) to loss allowances under IFRS 9 (1.1.2023)

€m	31.12.2022	1.1.2023	Impairment loss 31.12.2022[1]	Reclassification	Remeasurement of impairment loss	Loss allowance 1.1.2023
Financial investments						
Instruments subject to equity risk[2]						
	AfS	FVPL	–647	647	647	0
			–647	**647**	**647**	**0**
Instruments subject to interest-rate and credit risk						
	LaR	FVOCI	–62	62	–9	–72
	AfS	FVOCI	–223	223	–117	–339
	AfS	FVPL	–48	48	48	0
	FVPL	FVOCI	0	0	0	0
	FVPL option	FVOCI	0	0	–3	–3
			–333	**333**	**–81**	**–414**
Alternative investments						
	LaR	FVOCI	–148	148	–10	–158
	AfS	FVOCI	0	0	–38	–38
	AfS	FVPL	–107	107	107	0
			–255	**255**	**58**	**–197**
Subtotal			**–1,234**	**1,234**	**623**	**–611**
Receivables						
Financial receivables						
	LaR	AC	–2	2	0	–3
			–2	**2**	**0**	**–3**
Total			**–1,236**	**1,236**	**623**	**–613**

1 Includes both impairment losses under IAS 39 and provisions under IAS 37.
2 Includes equity funds, derivatives and other investments (mixed funds).

Impact on equity

The new requirements for classifying financial assets and financial liabilities have overall led to a reduction in equity by €440m as at 1 January 2023. However, most of the classification effect on equity had already been anticipated by applying the classification overlay approach in connection with the initial application of IFRS 17.

Further comments on the impact of the initial application of IFRS 9 can be found in the table showing the reconciliation of measurement categories in this section. Additional information on the classification overlay approach can be found in the section entitled “Comparative information” within “Effects from the initial application of IFRS 17”.

The effects on “Retained earnings” amounted to €1,207m in total and are presented in the above table showing the reconciliation of measurement categories.

By contrast, “Other reserves” were reduced by €1,647m. However, this decline was largely attributable to the new classification requirements for financial assets, which led to reclassifications within equity between “Retained earnings” and “Other reserves”. This was the result of reclassifications from the IAS 39 category “available for sale” to the IFRS 9 category “measured at fair value through profit or loss” and from the IAS 39 category “at fair value through profit or loss” to the IFRS 9 category “at fair value through other comprehensive income”.

The initial application of the impairment requirements under the expected credit loss model as at 1 January 2023 resulted only in a slight decrease in equity by €1m. The decrease is slight primarily because just a very small proportion of financial assets are measured at amortised cost under IFRS 9; moreover, these assets are generally of high credit quality. The vast majority of financial assets are measured at fair value through other comprehensive income; any change in value including a change in loss allowance is recognised under “Other reserves” in equity. Accordingly, the additional recognition of expected credit losses on the above-mentioned financial assets as at the transition date merely results in a reclassification of €178m from “Retained earnings” to “Other reserves” within equity.

The initial application of IFRS 9 as at 1 January 2023 has no material impact on earnings per share.

Effects from the initial application of IFRS 17

Measurement at the transition date

We apply IFRS 17 retrospectively with effect from 1 January 2023 unless this is impracticable. Initial application is made in accordance with the transition requirements of IFRS 17. Depending on the availability of the information required, we use one of the following three transition approaches for the initial application of IFRS 17 to our in-force business.

We apply the full retrospective approach to remeasure insurance contracts to the extent that this was practicable based on the information available as at the transition date. To this end, we identify and measure groups of contracts as if IFRS 17 had always been applied, without making use of transition simplifications. The information used for the full retrospective approach is primarily based on existing regular processes and internal reporting.

Where it was impracticable to apply the full retrospective approach, i.e. information required for the full retrospective approach was not fully available, or could not be made available without undue cost or effort, we applied the modified retrospective approach or the fair value approach to transition the contracts in force as at 1 January 2022 to the new accounting regime.

The aim of the modified retrospective approach is to achieve the outcome that is as close as possible to the full retrospective approach using reasonable and supportable information. Under the modified retrospective approach, we use the simplifications and modifications specified in the standard only to the extent that the information required for a full retrospective approach is not available without undue cost or effort. In particular, this applies to simplifications used in identifying and classifying groups of insurance contracts, determining the contractual service margin or the loss component, and determining insurance finance income or expenses.

For certain existing contracts in property-casualty business in both primary insurance and reinsurance as well as for certain parts of our life reinsurance business, we apply the full retrospective approach for the one-off transition to IFRS 17; otherwise, we use the modified retrospective approach or the fair value approach.

In life reinsurance, if the available historical information is insufficient to use the full retrospective approach, we mostly use the fair value approach to measure our insurance contracts, aiming to ensure market consistency as much as possible. In addition, the fair value approach is also used to measure certain contracts in property-casualty reinsurance business, particularly groups of insurance contracts for which the coverage period has expired at the transition date and which are in the settlement period, and in primary insurance in Germany. Among other things, we rely on market analyses to validate the cost of capital used. In terms of the net insurance liabilities as at the transition date, the modified retrospective approach and the fair value approach make up a share of over 90%.

Comparative information

In contrast to restating comparative information as required by IFRS 17, we make use of the option under IFRS 9 to continue measuring the prior-year figures for the financial instruments accounted for under IFRS 9 in accordance with the provisions of IAS 39 instead of restating them. However, restatements are necessary for those items which are included in the measurement of insurance items under IFRS 17. This affects in particular deposits retained as well as accounts receivable and payable on reinsurance business. More information can be found in the section “Presentation in the consolidated balance sheet and in the consolidated income statement”. In addition, we apply the classification overlay approach for some of our financial instruments in order to avoid accounting mismatches when transitioning to IFRS 17. This approach allows us to measure certain financial instruments for the 2022 comparative period in the 2023 condensed interim consolidated financial statements as if the measurement rules of IFRS 9 had already been applied. We made use of this option for financial instruments which back primary insurance business with direct participation features within the scope of the VFA, and which have previously been accounted for at amortised cost. Because the measurement of our primary insurance contracts with direct participation features is always based on the fair value of the assets, fair value measurement of loans backing our liabilities, in particular, helps us to avoid accounting mismatches and ensures that the presentation of our equity accurately reflects the economic situation. When applying the classification overlay approach, we do not make use of the concept for recognising expected credit losses under IFRS 9.

In connection with the initial application of IFRS 17 as at 1 January 2023, we also measure property held as underlying items for insurance contracts with direct participation features under the VFA in accordance with the fair value model. This approach likewise serves to avoid accounting mismatches. The comparative information has been restated accordingly.

Impact on equity and the result

In applying IFRS 17 for the first time, at the time of transition as at 1 January 2022

- all groups of insurance contracts are identified, recognised and measured in accordance with the requirements of IFRS 17;
- balances that would not exist in accordance with the requirements of IFRS 17 are derecognised; and
- the resulting net difference is recognised in equity.

Initial application of IFRS 17 had the following impacts on equity as at 1 January 2022:

Impact of the initial application of IFRS 17 on equity

€bn	2022
Equity (IFRS 4) at 1 January	**30.9**
Change in equity	
Modified measurement basis	25.3
Contractual service margin	–22.3
Risk adjustment for non-financial risk	–5.6
Loss component	–1.4
Deferred taxes	1.5
	–2.5
Equity (IFRS 17) at 1 January	**28.5**

Equity as at 1 January 2022 is €2.5bn lower when compared to the application of IFRS 4. This is due in particular to the fact that, for business with direct participation features, unrealised valuation reserves from investments previously recognised in equity are taken into account in determining the insurance liabilities related both to future services and to the contractual service margin. The effects of the classification overlay approach and the effects of discounting have a contrary impact.

The contractual service margin reflects the unearned profits at initial recognition and is released over time as insurance contract services are provided. At €22.3bn, the contractual service margin clearly exceeds the overall decrease in equity resulting from the initial application of IFRS 17 as at 1 January 2022. In particular, our life reinsurance business and our life and health primary insurance business contribute to the amount of the contractual service margin. It should be noted that insurance contracts that are accounted for using the PAA do not include a contractual service margin under IFRS 17.

The risk adjustment for non-financial risk is taken into account in the measurement of insurance contracts. We base the risk adjustment for non-financial risk on the risk capital requirements of our internal risk model. The risk adjustment for non-financial risk is closely aligned with the calculation of the non-financial risk in accordance with Solvency II. Solvency II requires the value at risk of basic own funds to be calculated with a confidence level of 99.5% over a one-year period. The level of risk adjustment for non-financial risk used by Munich Re corresponds to a confidence level of approximately 90% over a one-year period. The risk adjustment for non-financial risk is lower in this instance than the risk margin under Solvency II as at 31 December 2021. This is due to the fact that – unlike in the calculation of the risk margin – the Group-wide risk diversification is included in the calculation of the risk adjustment for non-financial risk. It should also be noted that neither operational nor credit risks are taken into account in the calculation of the risk adjustment for non-financial risk under IFRS 17, and that there are also differences in the classification of insurance contracts and financial instruments compared with Solvency II. To determine the risk adjustment for non-financial risk, we applied a cost-of-capital method with a cost-of-capital rate of 6%, in the same way as we do under Solvency II.

The loss component reduces equity and reflects the expected loss from services still to be provided under insurance contracts issued. It is amortised over the coverage period. The loss component is primarily attributable to our property-casualty reinsurance business and reflects the generally consistent continuation of our reserving approach to date regarding the application of assumptions to both future cash flows and the risk adjustment for non-financial risk as well as the use of a granular level of aggregation when identifying groups of insurance contracts. The loss component can balance out over time and contribute to run-off profits.

In addition to the above-mentioned effects on equity as at 1 January 2022, initial application of IFRS 17 had the following impacts on the result for the 2022 financial year:

Initial application of IFRS 17 resulted in an increase in the result for the 2022 financial year amounting to €1.9bn.

The result under IFRS 17 was affected by the interest-rate levels as at the transition date 1 January 2022 and by the interest-rate developments in 2022. Due to the comparatively very low interest-rate levels as at 1 January 2022, there were minor unwinding-of-discount effects on the insurance portfolio overall. By contrast, losses that occurred in the 2022 financial year were discounted at higher discount rates for the 2022 accident year as a result of the substantial rise in interest rates over the course of 2022. This mainly affected the property-casualty reinsurance segment and had a positive effect of over €1bn on the result for the 2022 financial year.

The services we rendered in the comparative period and the associated release of the contractual service margin resulted in an earlier recognition of profits in life reinsurance than under IFRS 4.

Insurance revenue is considerably lower than gross premiums written because amounts that are repaid to policyholders under all circumstances, regardless of whether an insured event occurs (investment components), are not recognised as insurance revenue under IFRS 17. This relates in particular to commissions and profit commissions in reinsurance business. The reduction in revenue does not affect the insurance service result, as the insurance service expenses are likewise reduced.

The transition to IFRS 17 has not affected the economic opportunities and risks of the insurance business for Munich Re as such. Detailed information about this can be found in our 2022 Solvency and Financial Condition Report (SFCR).

Presentation in the consolidated balance sheet and in the consolidated income statement

With the introduction of IFRS 17, certain items that have previously been presented separately in our financial statements will be omitted, since the resulting cash flows are now recognised as part of the measurement models. This mainly concerns the items deferred acquisition costs and insurance-related receivables and liabilities such as accounts receivable and payable. Following the application of IFRS 17, deposits retained are also no longer presented separately, but are included in the insurance items.

More information on presentation in the consolidated balance sheet is available in the section "Presentation in the consolidated balance sheet" within "Accounting policies of IFRS 17".

In the consolidated income statement, IFRS 17 requires a disaggregation between the insurance service result and insurance finance income or expenses.

More information on presentation in the consolidated income statement is available in the section "Presentation in the consolidated income statement" within "Accounting policies of IFRS 17".

Condensed opening balance sheet

The condensed opening balance sheet as at 1 January 2022 is as follows:

Opening balance sheet

€m		1.1.2022			1.1.2022
A.	Intangible assets	4,099	A.	Equity	28,466
B.	Reinsurance contracts held that are assets	3,581	B.	Subordinated liabilities	5,055
C.	Insurance contracts issued that are assets	6,878	C.	Reinsurance contracts held that are liabilities	17
D.	Investments	241,666	D.	Insurance contracts issued that are liabilities	233,629
E.	Investments for unit-linked life insurance	8,582	E.	Other provisions	4,960
F.	Insurance-related financial instruments	18,474	F.	Liabilities	26,652
G.	Receivables	4,513	G.	Deferred tax liabilities	2,348
H.	Cash and cash equivalents	5,413	H.	Liabilities related to non-current assets held for sale	370
I.	Deferred tax assets	3,021			
J.	Other assets	4,764			
K.	Non-current assets held for sale	505			
Total assets		**301,496**	**Total liabilities**		**301,496**

Change in presentation and classification

Consolidated balance sheet structure

In addition to the change in the presentation of certain items resulting from the new IFRS 17 accounting policies by including these items in the cash flows of the insurance contracts (see information in the section entitled "Presentation in the consolidated balance sheet and in the consolidated income statement" within "Effects from the initial application of IFRS 17")), changes were made to the presentation and classification of items in the consolidated balance sheet in accordance with IAS 1.41. As part of the application of the new accounting policies, among other things, we now present non-financial assets and liabilities separately from financial assets and liabilities. The changes include the following matters in particular:

Financial investments are presented separately from non-financial investments, with separate presentation of assets in connection with our investment in infrastructure, renewable energies and forestry investments under non-financial investments (property, plant and equipment; intangible assets; biological assets and inventories). Specifically in this context, we reclassified non-financial investments totalling €1,440m, which were previously presented in B.VI "Other investments", to the new item D.I "Non-financial investments".

In addition, investments amounting to €8,582m for unit-linked life insurance contracts previously presented in item C. "Insurance-related investments" have been reclassified to the new item E. "Investments for unit-linked life insurance".

All financial assets resulting from insurance contracts are now presented together in item F. “Insurance-related financial instruments”. This mainly relates to derivatives accounted for separately from insurance contracts as well as hybrid contracts with host insurance contracts and embedded derivatives for which the fair value option was exercised. Insurance contracts that do not transfer significant insurance risk totalling €14,774m are also presented under this item.

Financial receivables are presented separately and the previous item E. “Receivables” is broken down into current tax receivables, financial receivables and other receivables under the new item G. “Receivables”.

Derivatives are presented separately from non-derivative financial liabilities. The liability item F. “Liabilities” is broken down into derivatives, non-derivative financial liabilities, current tax liabilities and other liabilities.

The change in the presentation and classification of the consolidated balance sheet allows us to present our financial position in a better and more transparent way and to present more reliable and more relevant information on our business activities, in particular with regard to our increased and further increasing activities in the field of alternative assets. The comparative information for the items affected by the changes in presentation and classification has been restated.

The balance sheet structure before and after the changes to the presentation and classification is, as at 1 January 2022, as set out in the table below. The items are measured according to the requirements of IAS 39 and IFRS 17, including the overlay approach applied in relation to the application of IFRS 17 as well as the fair value model in relation to property which is held as underlying items under the measurement model of the VFA.

Balance sheet structure

Assets: Old balance sheet structure

€m		1.1.2022
B.	**Investments**	
I.	Land and buildings including buildings on third-party land	9,385
II.	Investments in affiliated companies, associates and joint ventures	3,635
III.	Loans	58,426
IV.	Other securities	165,418
1.	Available for sale	162,468
2.	At fair value through profit or loss	2,950
V.	Deposits retained on assumed reinsurance	0
VI.	Other investments	4,803
		241,666
C.	**Insurance-related investments**	**27,056**
E.	**Receivables**	
I.	Current tax receivables	715
II.	Other receivables	3,798
		4,513
F.	**Cash at banks, cheques and cash in hand**	**5,413**
I.	**Other assets**	**4,764**

Assets: New balance sheet structure

		1.1.2022
D.	**Investments**	
I.	Non-financial investments	14,460
II.	Financial investments	227,206
		241,666
E.	**Investments for unit-linked life insurance**	**8,582**
F.	**Insurance-related financial instruments**	**18,474**
G.	**Receivables**	
I.	Current tax receivables	715
II.	Financial receivables	1,963
III.	Other receivables	1,835
		4,513
H.	**Cash and cash equivalents**	**5,413**
J.	**Other assets**	**4,764**

Equity and liabilities: Old balance sheet structure

€m		1.1.2022
B.	**Subordinated liabilities**	**5,055**
F.	**Liabilities**	
I.	Bonds and notes	293
II.	Deposits retained on ceded business	0
III.	Current tax liabilities	1,845
IV.	Other liabilities	24,513
		26,652

Equity and liabilities: New balance sheet structure

		1.1.2022
B.	**Subordinated liabilities**	**5,055**
F.	**Liabilities**	
I.	Derivatives	808
II.	Non-derivative financial liabilities	4,243
III.	Current tax liabilities	1,845
IV.	Other liabilities	19,756
		26,652

Names of statements and line items

In addition, certain statements and line items were renamed to align with the terms used in the relevant IFRSs in order to enhance presentation and understandability. The renaming has no impact on the composition of the statements and line items, including their measurement. No restatements of the comparative information were therefore necessary. The changes to the names affect the following statements or line items:

The "Statement of recognised income and expense" has been renamed "Consolidated statement of comprehensive income". In addition, "Other comprehensive income" and "Total comprehensive income" are used as (sub-)totals in the consolidated statement of comprehensive income.

The balance sheet item "Land and buildings including buildings on third-party land" has been renamed "Investment property".

Condensed consolidated cash flow statement

As a consequence of including certain items, previously accounted for separately, in the cash flows of the measurement models in accordance with IFRS 17 and the changes to the balance sheet structure as noted above, names and presentation of affected line items in the condensed consolidated cash flow statement have been changed. In addition, in line with our insurance business model we present cash flows from the acquisition, sale and maturity of investments and from insurance-related investments under cash flows from operating activities – under the items "Change in financial investments" and "Change in insurance-related financial instruments". Previously, these cash flows were presented under cash flows from investing activities.

New standards and amendments to standards that are not yet effective

Unless otherwise stated, Munich Re intends to initially apply all new standards or amendments to standards that are not yet effective as at the mandatory effective date for entities whose registered office is in the European Union. The IASB has published amendments to the following standards that have not yet been adopted into European law:

- Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (rev. 1/2020); Deferral of Effective Date of this Amendment (rev. 7/2020)
- Amendments to IAS 1, Presentation of Financial Statements (rev. 10/2022) – Non-current Liabilities with Covenants
- Amendments to IAS 7, Statement of Cash Flows, and to IFRS 7, Financial Instruments: Disclosures (rev. 5/2023) – Supplier Finance Arrangements
- Amendments to IAS 12, Income Taxes (rev. 5/2023) – International Tax Reform – Pillar Two Model Rules
- Amendments to IFRS 16, Leases (rev. 9/2022) – Lease Liability in a Sale and Leaseback

The amendments to IAS 12 are to be applied as soon as they have been adopted into European law. The other amendments will be effective from 2024.

The Organisation for Economic Co-operation and Development (OECD) has published model rules on Pillar Two – Global Minimum Tax. These are being transposed into local tax law in some of the countries where Munich Re does business. Munich Re observes and complies with the legal changes. For 2023, we do not expect any relevant tax effects in connection with the changes to IAS 12 adopted by the IASB in May 2023.

The other amendments listed above are expected to either have no significance or to be of minor significance for Munich Re.

Other information regarding the Half-Year Financial Report

The impact of effects directly related to the COVID-19 pandemic was minor in the first half of 2023.

In contrast to the first half of 2022, the first six months of 2023 were not affected by the financial repercussions of the war in Ukraine.

Inflation-rate developments have been taken into consideration in our estimates of insurance liabilities.

We refer to the information found in the Group Annual Report 2022 as regards the importance of climate risks.

Changes in the consolidated group

On 18 January 2023, via its subsidiary Thaisri Insurance Public Co. Ltd. (Thaisri), Bangkok, Munich Re acquired 75.28% of the voting shares in Nam Seng Insurance Public Co. Ltd. (NSI), Bangkok, and thus obtained control over NSI. The purchase price for the shareholding was €61m and was fully paid in cash from own funds.

NSI is a property-casualty insurer in Thailand. ERGO's international growth strategy puts a focus on the highly attractive property-casualty markets in Southeast Asia. As the product portfolios of Thaisri and NSI complement each other to a significant degree, there is material cross-selling potential between both companies. This transaction puts Thaisri in the position to further expand its market presence and continue to improve its competitive position on the Thai market.

The transaction resulted in provisional goodwill of €22m. Non-controlling interests in NSI were provisionally valued at €13m at the acquisition date.

The provisional fair values of the assets and liabilities of NSI at the acquisition date were as follows: investments of €87m; cash at banks, cheques and cash in hand of €13m; receivables and other asset items of €53m; equity of €52m; and provisions and liabilities of €101m. The fair value of the receivables acquired as part of the transaction largely corresponds to the carrying amount. There were no significant bad debts at the acquisition date. No significant contingent liabilities existed at the acquisition date.

For Munich Re, NSI's contributions to the Group's revenue and net result are of secondary importance.

On 20 February 2023, Munich Reinsurance Company acquired 50% of the shares in Saxon Land B.V., Amsterdam, a real estate company that owns the Fen Court offices in London. The purchase price for the shares was in the mid-triple-digit million euro range. By acquiring the shares, Munich Reinsurance Company and Assecurazioni Generali S.p.A., Trieste, obtained joint control of the company.

On 8 March 2023, Munich Re obtained control of Vier Gas Investments S.à.r.l. (Vier Gas), Luxembourg, which had previously been accounted for in the consolidated balance sheet as a joint venture using the equity method. Our co-shareholder left the joint venture as part of a capital reduction and associated transfer of the entity's assets. After the transaction, Munich Re held 100% of the voting shares in Vier Gas. The revaluation of the shares resulted in a gain in the low three-digit-million euro range, which was recognised in the investment result.

Munich Re obtained control of Thaisri Insurance Public Co., Ltd. (Thaisri), Bangkok, in the financial year 2022. A provisional valuation of Thaisri's net assets was carried out as at 31 December 2022. The valuation of Thaisri's net assets was completed in Q1 2023. Unlike the provisional valuation as at 31 December 2022, the completed valuation resulted in negative goodwill of €9m, which was released directly to profit or loss and recognised in "Other operating income".

In Q2 2023, the transaction to sell the Hungarian subsidiary D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest, was completed.

Segment reporting

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

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

Certain primary insurers whose business requires special solution-finding competence are coupled to reinsurance as the risk carrier. Consequently, we transact their business from within reinsurance. These include the Global Specialty Insurance division, which is part of the property-casualty reinsurance segment.

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 management.

Assets and liabilities in connection with intra-Group loans are presented on an unconsolidated basis in the segment balance sheet in accordance with the way they are managed internally, and income and expenses from such loans are likewise presented on an unconsolidated basis in the segment income statement. All other items are presented after elimination of intra-Group transactions and shareholdings.

Segment assets

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2023	31.12.2022	30.6.2023	31.12.2022
A. Intangible assets	283	313	2,194	2,349
B. Reinsurance contracts held that are assets	688	700	2,589	2,522
C. Insurance contracts issued that are assets	5,841	5,473	169	32
D. Investments	20,367	21,879	65,191	62,736
E. Investments for unit-linked life insurance	0	0	0	0
F. Insurance-related financial instruments	8,159	16,834	932	1,085
G. Non-current assets held for sale	0	4	48	119
H. Other segment assets	3,516	3,708	9,786	9,334
Total segment assets	**38,854**	**48,911**	**80,909**	**78,176**

Segment equity and liabilities

	Reinsurance			
	Life and health		Property-casualty	
€m	30.6.2023	31.12.2022	30.6.2023	31.12.2022
A. Subordinated liabilities	481	1,057	4,197	3,678
B. Reinsurance contracts held that are liabilities	113	99	144	46
C. Insurance contracts issued that are liabilities				
I. Liability for remaining coverage	10,396	12,059	–2,348	–3,745
II. Liability for incurred claims	6,809	5,685	60,657	60,682
III. Other technical liabilities	0	0	0	0
	17,205	**17,744**	**58,309**	**56,937**
D. Other provisions	124	148	574	585
E. Liabilities related to non-current assets held for sale	0	0	1	1
F. Other segment liabilities	5,900	15,900	8,334	6,754
Total segment liabilities	**23,823**	**34,949**	**71,560**	**68,002**

	ERGO						Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
	64	67	1,392	1,374	198	181	4,130	4,284
	22	17	360	311	419	342	4,077	3,892
	224	239	287	174	40	60	6,561	5,977
	100,962	101,010	7,801	7,411	15,377	14,929	209,699	207,965
	5,556	5,239	0	0	2,407	2,231	7,963	7,470
	430	380	0	0	0	0	9,521	18,298
	49	0	0	0	272	269	369	392
	5,336	5,679	1,467	1,286	1,353	1,105	21,458	21,113
	112,644	**112,631**	**11,307**	**10,556**	**20,066**	**19,117**	**263,780**	**269,391**

	ERGO						Total	
	Life and Health Germany		Property-casualty Germany		International			
	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
	0	0	0	0	13	13	4,691	4,748
	1	0	115	77	75	40	448	262
	108,583	107,926	968	565	12,172	11,965	129,771	128,771
	1,721	1,868	5,566	5,319	2,872	2,729	77,625	76,283
	0	0	0	0	6	7	6	7
	110,303	**109,794**	**6,535**	**5,884**	**15,051**	**14,701**	**207,403**	**205,061**
	793	826	794	534	323	568	2,608	2,661
	31	0	0	0	299	140	331	141
	2,059	2,273	2,459	1,834	2,109	2,512	20,861	29,273
	113,188	**112,894**	**9,903**	**8,329**	**17,870**	**17,973**	**236,343**	**242,146**
					Equity		**27,436**	**27,245**
					Total equity and liabilities		**263,780**	**269,391**

Segment income statement from 1 January to 30 June 2023

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022
1. Insurance revenue from insurance contracts issued	5,340	5,579	13,192	12,096
2. Insurance service expenses from insurance contracts issued				
Claims expenses	–4,601	–5,003	–9,043	–7,392
Changes from underlying items	0	0	0	0
Administration and acquisition costs	–210	–177	–1,834	–1,641
Other insurance service expenses	0	0	0	0
	–4,810	**–5,181**	**–10,878**	**–9,033**
3. Insurance service result from insurance contracts issued (1+2)	**529**	**399**	**2,315**	**3,063**
4. Insurance revenue ceded from reinsurance contracts held	–75	–80	–442	–416
5. Income from reinsurance contracts held	58	81	235	326
6. Insurance service result from reinsurance contracts held (4+5)	**–17**	**1**	**–207**	**–89**
7. Insurance service result (3+6)	**513**	**400**	**2,107**	**2,974**
8. Result from insurance-related financial instruments	132	140	57	88
9. Total technical result (7+8)	**644**	**540**	**2,164**	**3,062**
10. Investment result	272	191	837	–195
11. Currency result	24	648	12	21
12. Investment result for unit-linked life insurance	0	0	0	0
13. Insurance finance income or expenses from insurance contracts issued	–60	–27	–775	–154
14. Insurance finance income or expenses from reinsurance contracts held	2	0	37	6
15. Insurance finance income or expenses (13+14)	**–58**	**–27**	**–738**	**–148**
16. Net financial result (10+11+12+15)	**239**	**812**	**111**	**–322**
17. Other operating income	133	125	260	217
18. Other operating expenses	–211	–240	–651	–588
19. Operating result (9+16+17+18)	**805**	**1,236**	**1,884**	**2,368**
20. Net finance costs	–2	–14	–67	–68
21. Taxes on income	–187	–295	–479	–465
22. Net result (19+20+21)	**617**	**927**	**1,338**	**1,836**

In the property-casualty reinsurance segment, we posted nominal losses of €0.6bn related to the earthquake in Turkey.

						ERGO		Total
	Life and Health Germany		Property-casualty Germany		International			
	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022
	4,916	4,637	2,246	2,096	2,753	2,625	28,448	27,033
	−3,626	−3,646	−1,309	−1,439	−1,673	−1,612	−20,252	−19,092
	−139	43	−1	10	−15	43	−155	96
	−616	−548	−572	−542	−752	−728	−3,984	−3,636
	0	0	0	0	0	0	0	0
	−4,381	**−4,151**	**−1,883**	**−1,971**	**−2,440**	**−2,297**	**−24,391**	**−22,632**
	536	**486**	**363**	**125**	**313**	**328**	**4,057**	**4,401**
	−3	−4	−40	−79	−104	−114	−664	−692
	5	−5	15	146	72	51	384	599
	2	**−9**	**−25**	**67**	**−33**	**−63**	**−280**	**−93**
	537	**477**	**338**	**192**	**281**	**265**	**3,776**	**4,307**
	6	−99	0	0	−2	0	192	130
	543	**378**	**338**	**192**	**279**	**265**	**3,969**	**4,437**
	813	417	105	73	181	89	2,208	574
	−119	199	−12	−13	−6	0	−101	855
	325	−768	0	0	165	−400	490	−1,169
	−1,088	284	−17	23	−336	327	−2,276	453
	0	0	0	−1	4	3	43	8
	−1,088	**284**	**−17**	**22**	**−332**	**330**	**−2,232**	**461**
	−69	**132**	**77**	**82**	**7**	**18**	**364**	**722**
	59	61	47	39	84	27	582	468
	−370	−387	−147	−143	−196	−154	−1,574	−1,513
	164	**184**	**314**	**170**	**173**	**156**	**3,341**	**4,114**
	23	6	−22	−1	−16	−16	−84	−93
	−73	−83	−63	−84	−30	−29	−832	−956
	113	**107**	**229**	**84**	**128**	**111**	**2,425**	**3,066**

Segment income statement from 1 April to 30 June 2023

	Reinsurance			
	Life and health		Property-casualty	
€m	Q2 2023	Q2 2022	Q2 2023	Q2 2022
1. Insurance revenue from insurance contracts issued	2,606	2,666	6,695	6,353
2. Insurance service expenses from insurance contracts issued				
Claims expenses	–2,249	–2,406	–4,428	–3,688
Changes from underlying items	0	0	0	0
Administration and acquisition costs	–94	–86	–927	–870
Other insurance service expenses	0	0	0	0
	–2,344	**–2,491**	**–5,355**	**–4,558**
3. Insurance service result from insurance contracts issued (1+2)	**262**	**175**	**1,340**	**1,795**
4. Insurance revenue ceded from reinsurance contracts held	–37	–38	–261	–215
5. Income from reinsurance contracts held	24	38	173	118
6. Insurance service result from reinsurance contracts held (4+5)	**–13**	**0**	**–88**	**–97**
7. Insurance service result (3+6)	**249**	**175**	**1,252**	**1,698**
8. Result from insurance-related financial instruments	76	127	–17	14
9. Total technical result (7+8)	**325**	**302**	**1,236**	**1,712**
10. Investment result	101	101	160	–270
11. Currency result	50	425	38	71
12. Investment result for unit-linked life insurance	0	0	0	0
13. Insurance finance income or expenses from insurance contracts issued	–30	–13	–434	–85
14. Insurance finance income or expenses from reinsurance contracts held	1	0	20	5
15. Insurance finance income or expenses (13+14)	**–29**	**–13**	**–413**	**–80**
16. Net financial result (10+11+12+15)	**122**	**513**	**–215**	**–279**
17. Other operating income	66	62	118	115
18. Other operating expenses	–98	–115	–330	–304
19. Operating result (9+16+17+18)	**414**	**762**	**808**	**1,244**
20. Net finance costs	0	–7	–34	–32
21. Taxes on income	–89	–195	–195	–334
22. Net result (19+20+21)	**326**	**561**	**578**	**878**

Other segment disclosures

	Reinsurance			
	Life and health		Property-casualty	
€m	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022
Interest revenue	332	15	788	30
Interest expenses	–16	–24	–97	–93
Depreciation and amortisation	–16	–19	–81	–81
Income from associates and joint ventures accounted for using the equity method	0	0	252	46

					ERGO		Total
	Life and Health Germany		Property-casualty Germany		International		
Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
2,354	2,276	1,129	1,143	1,391	1,333	14,175	13,772
−1,866	−1,797	−711	−562	−794	−815	−10,048	−9,268
126	59	0	−20	−5	1	120	41
−327	−303	−273	−273	−386	−348	−2,008	−1,879
0	0	0	0	0	0	0	0
−2,067	**−2,041**	**−985**	**−854**	**−1,185**	**−1,162**	**−11,935**	**−11,106**
287	**235**	**145**	**289**	**206**	**171**	**2,240**	**2,665**
−2	−1	−19	−38	−48	−46	−366	−338
4	−2	6	−2	25	50	231	202
2	**−3**	**−13**	**−40**	**−23**	**4**	**−135**	**−136**
289	**233**	**132**	**249**	**182**	**175**	**2,105**	**2,530**
−4	−97	0	0	0	0	55	44
285	**136**	**132**	**249**	**182**	**175**	**2,159**	**2,574**
186	472	51	12	98	2	596	317
−25	144	−14	−7	−5	1	44	634
113	−478	0	0	50	−218	163	−696
−284	−102	−13	13	−124	187	−885	0
0	0	1	0	2	1	23	6
−285	**−102**	**−12**	**12**	**−122**	**189**	**−861**	**6**
−11	**36**	**25**	**17**	**20**	**−26**	**−59**	**261**
30	34	18	20	51	16	283	247
−194	−210	−71	−87	−116	−116	−810	−832
110	**−5**	**103**	**199**	**137**	**49**	**1,573**	**2,250**
13	2	−12	−1	−9	−9	−42	−46
−51	−27	−29	−50	−13	−12	−377	−618
72	**−30**	**62**	**149**	**116**	**27**	**1,154**	**1,585**

					ERGO		Total
	Life and Health Germany		Property-casualty Germany		International		
Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022
1,339	21	95	9	175	6	2,728	82
−37	−25	−32	−13	−24	−20	−206	−176
−9	−33	−46	−39	−32	−30	−183	−204
44	9	16	1	1	−21	313	34

Non-current assets by country[1]

€m	30.6.2023	31.12.2022
Germany	8,942	6,832
USA	4,883	4,632
United Kingdom	582	546
Netherlands	469	438
France	460	446
Sweden	305	322
Canada	284	286
Spain	264	250
Poland	244	237
Austria	239	135
Portugal	232	69
Belgium	205	177
Australia	164	150
Italy	139	138
Denmark	128	123
Switzerland	94	94
Finland	86	79
Thailand	74	36
New Zealand	56	53
Lithuania	54	53
Others	110	108
Total	**18,014**	**15,204**

1 The non-current assets mainly comprise intangible assets, investment property, property, plant and equipment, and biological assets.

Investments in non-current assets per segment[1]

€m	Q1–2 2023	Q1–2 2022
Reinsurance – Life and health	36	21
Reinsurance – Property-casualty	237	122
ERGO Life and Health Germany	55	95
ERGO Property-casualty Germany	69	108
ERGO International	89	36
Total	**487**	**382**

1 The non-current assets mainly comprise intangible assets, investment property, property, plant and equipment, and biological assets.

Insurance revenue from insurance contracts issued

€m	Q1–2 2023	Q1–2 2022
Europe	16,286	16,052
North America	7,953	7,087
Asia and Australasia	2,871	2,606
Africa, Middle East	757	773
Latin America	580	515
Total	**28,448**	**27,033**

Alternative performance measures

In addition to IFRS metrics, Munich Re uses alternative performance measures to measure its financial performance. These alternative performance measures are not defined or set out in IFRSs and provide useful information about our financial position and performance and contribute to the understandability of our results. They serve to supplement, not replace, the metrics defined in the IFRSs. Similarly named alternative performance measures published by other companies have potentially been calculated differently and might therefore not be comparable, or comparable to a limited extent only.

Gross premiums written

Under IFRS 4, gross premiums written were the key measure of revenue and comprised all premium income due for payment in a financial year. Under IFRS 17, however, the reporting metric is insurance revenue, which is calculated based on the services provided from the groups of insurance contracts. Insurance revenue is substantially lower than gross premiums written because premium amounts that are repaid to policyholders under all circumstances, regardless of whether an insured event occurs (investment component), are not recognised as insurance revenue. This relates in particular to commissions and profit commissions in reinsurance business. Differences also arise from the recognition of insurance revenue based on services provided over the reporting period and adjustments for financing effects, among other factors. In the interest of comparability, we disclose gross premiums written as an alternative performance measure.

Gross premiums written

						Q1–2 2023
	Reinsurance		ERGO			Total
€m	Life and health	Property-casualty	Life and Health Germany	Property-casualty Germany	International	
Insurance revenue from insurance contracts issued	5,340	13,192	4,916	2,246	2,753	28,448
Gross premiums written	6,568	17,521	5,321	2,666	2,952	35,028

Gross premiums written

→						Q1–2 2022
	Reinsurance		ERGO			Total
€m	Life and health	Property-casualty	Life and Health Germany	Property-casualty Germany	International	
Insurance revenue from insurance contracts issued	5,579	12,096	4,637	2,096	2,625	27,033
Gross premiums written	6,656	15,990	4,896	2,515	2,625	32,683

Combined ratio

The combined ratio is a regularly used metric for property-casualty business. It is calculated as the percentage ratio of the insurance service expenses and insurance revenue, both of which on a net basis, i.e. after reinsurance cessions. Given that the combined ratio takes into consideration the time value of money and the uncertainty of future cash flows, it can also be used to assess economic profitability.

Determining the combined ratio

	Reinsurance		ERGO			
	Property-casualty		Property-casualty Germany		International[1]	
€m	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022	Q1–2 2023	Q1–2 2022
Insurance revenue from insurance contracts issued	13,192	12,096	2,246	2,096	2,149	2,069
Insurance revenue ceded from reinsurance contracts held	–442	–416	–40	–79	–97	–106
Insurance revenue (net)	**12,750**	**11,681**	**2,206**	**2,017**	**2,052**	**1,963**
Insurance service expenses from insurance contracts issued	–10,878	–9,033	–1,883	–1,971	–1,949	–1,832
Income from reinsurance contracts held	235	326	15	146	69	46
Insurance service expenses (net)	**–10,643**	**–8,707**	**–1,868**	**–1,825**	**–1,880**	**–1,786**
Combined ratio %	**83.5**	**74.5**	**84.7**	**90.5**	**91.6**	**91.0**

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

Return on equity (RoE)

The return on equity (RoE) is an important profitability KPI, which is of relevance in particular in the medium term. It is calculated on the basis of the Group's IFRS net result in relation to the average IFRS equity at the beginning and end of the year. IFRS equity is adjusted in particular for the fair value reserve, the foreign currency translation reserve, the insurance finance reserve (from the measurement of insurance contracts) and the reserve from hedging relationships. Further adjustments are made to eliminate distortions attributable to intra-Group transactions. IFRS equity is affected by profits as well as by capital measures such as dividend payments and share buy-backs, in particular. The RoE is recognised for the Group and for the reinsurance and ERGO fields of business.

Determining the annualised return on equity (RoE) for the first half-year 2023

	Reinsurance		ERGO		Total	
€m	30.6.2023	31.12.2022	30.6.2023	31.12.2022	30.6.2023	31.12.2022
Segment assets	119,763	127,087	144,017	142,304	263,780	269,391
Segment liabilities	95,383	102,950	140,961	139,196	236,343	242,146
Adjustments used in the calculation of equity						
Other reserves – Fair value measurement, measurement of insurance contracts, currency translation, hedging relationships	–184	417	–1,589	–1,439	–1,773	–1,022
Adjustment item for material asset transfers between reinsurance and ERGO	697	976	–697	–976	0	0
Adjusted equity	**23,867**	**22,743**	**5,342**	**5,524**	**29,210**	**28,267**
	Q1–2 2023		Q1–2 2023		Q1–2 2023	
Average adjusted equity	23,305		5,433		28,738	
Net result	1,955		470		2,425	
Return on equity (RoE) %	**16.8**		**17.3**		**16.9**	

Determining the annualised return on equity (RoE) for the first half-year 2022

	Reinsurance		ERGO		Total	
€m	30.6.2022	1.1.2022	30.6.2022	1.1.2022	30.6.2022	1.1.2022
Segment assets	127,909	131,256	149,287	170,240	277,196	301,496
Segment liabilities	103,347	105,490	146,851	167,540	250,198	273,030
Adjustments used in the calculation of equity						
Other reserves – Fair value measurement, measurement of insurance contracts, currency translation, hedging relationships	1,927	4,818	−1,242	−599	684	4,220
Adjustment item for material asset transfers between reinsurance and ERGO	1,384	1,020	−1,384	−1,020	0	0
Adjusted equity	**21,251**	**19,928**	**5,062**	**4,318**	**26,313**	**24,246**
	Q1–2 2022		Q1–2 2022		Q1–2 2022	
Average adjusted equity	20,589		4,690		25,280	
Net result	2,763		303		3,066	
Return on equity (RoE) %	**26.8**		**12.9**		**24.3**	

Notes to the consolidated balance sheet

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

Intangible assets

Development of intangible assets

		Goodwill		Other intangible assets		Total
€m	2023	Prev. year	2023	Prev. year	2023	Prev. year
Gross carrying amount at 1 January	4,803	4,655	3,931	3,715	8,734	8,370
Accumulated amortisation and impairment losses at 1 January	–1,563	–1,563	–2,888	–2,709	–4,451	–4,272
Carrying amount at 1 January	3,240	3,092	1,043	1,007	4,284	4,099
Currency translation differences	–40	174	4	15	–36	189
Additions	19	20	98	127	117	147
Disposals	–5	0	–2	–1	–7	–1
Reclassifications	0	1	–140	–11	–140	–10
Reversal of impairment losses	0	0	0	0	0	0
Amortisation	0	0	–80	–80	–80	–80
Impairment losses	0	0	–8	0	–8	0
Carrying amount at 30 June	**3,215**	**3,287**	**915**	**1,056**	**4,130**	**4,343**
Accumulated amortisation and impairment losses at 30 June	–1,563	–1,563	–2,838	–2,831	–4,401	–4,394
Gross carrying amount at 30 June	4,778	4,850	3,752	3,887	8,530	8,737

As at 1 January 2023, intangible assets related to the acquisition of infrastructure investments were reclassified from “Other intangible assets” to “Non-financial investments” owing to the new balance sheet structure. The previous year’s figures were not reclassified because of immateriality.

Reinsurance contracts held that are assets

The following table shows the development of the risk adjustment for non-financial risk and net cost/gain on (contractual service margin of) reinsurance contracts held.

Development of risk adjustment and net cost/gain

		2023		Prev. year
€m	Risk adjustment	Net cost/gain	Risk adjustment	Net cost/gain
Carrying amount at 1 January	–122	–376	–167	–368
Insurance service result				
Changes that relate to services provided in the reporting period and to past service	9	25	4	14
Thereof: expected risk adjustment release for the service provided in the period	5		7	
Thereof: other changes in the risk adjustment	5		–3	
Changes that relate to future service	–24	–18	–2	–19
	–14	**7**	**3**	**–4**
Insurance finance income or expenses from reinsurance contracts held	0	–2	0	–1
Other	10	21	6	20
Changes presented in other comprehensive income	–9	0	22	0
IFRS 5 reclassification	0	1	0	0
Carrying amount at 30 June	**–136**	**–349**	**–136**	**–353**

Equity

Number of shares in circulation and number of treasury shares

	30.6.2023	31.12.2022
Number of shares in circulation	136,137,696	137,643,183
Number of treasury shares	330,454	2,455,748
Total	**136,468,150**	**140,098,931**

Effects on equity from the transition to IFRS 9 and IFRS 17 as at 1 January 2023

With the initial application of IFRS 9 as at 1 January 2023, "Retained earnings" increased by €1,207m due to the changed requirements regarding the classification and measurement of financial assets and liabilities. In addition, for some financial instruments, the reclassification had an impact on unrealised gains and losses recognised in other comprehensive income, leading to a decrease of €1,647m in "Other reserves". For details, please refer to the section entitled "Classification and measurement of financial instruments" under "Effects from the initial application of IFRS 9" within "Initial application of new accounting policies and other adjustments".

Other effects on "Retained earnings" from the initial application of IFRS 9 included a reclassification of €113m from "Other reserves" due to changes in the measurement of investments in affiliated companies, associates and joint ventures that were not consolidated because they were immaterial, and various other transition effects of €42m. Further comments can be found in the section entitled "Accounting policies of IFRS 9" under "Initial application of new accounting policies and other adjustments".

Of the total amount reclassified from "Other reserves" to "Retained earnings", €791m was attributable to financial instruments held as underlying items of insurance contracts accounted for under the VFA. As the method of measurement of these financial instruments had changed to "at fair value through profit or loss", the amounts recognised in other comprehensive income in the 2022 financial year from the measurement of the insurance contracts related to these underlying items would in future neither have been derecognised nor reclassified to the consolidated income statement. A corresponding reclassification from "Other reserves" to "Retained earnings" was therefore required for the insurance contracts concerned.

Subordinated liabilities

Breakdown of subordinated liabilities

€m	Fitch	Moody's	S&P	30.6.2023	31.12.2022
Munich Reinsurance Company, Munich, 5.875% until 2032, thereafter floating, US$ 1,250m, Bonds 2022/2042	–	A2 (hyb)	A	1,146	1,171
Munich Reinsurance Company, Munich, 1.00% until 2032, thereafter floating, €1,000m, Bonds 2021/2042	A	–	A	993	998
Munich Reinsurance Company, Munich, 1.25% until 2031, thereafter floating, €1,250m, Bonds 2020/2041	A	–	A	1,238	1,245
Munich Reinsurance Company, Munich, 3.25% until 2029, thereafter floating, €1,250m, Bonds 2018/2049	A	A2 (hyb)	–	1,245	1,265
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., Dover, Delaware, LIBOR +91 BP, US$ 76m, Bonds 1997/2027	–	–	–	56	56
Total				**4,691**	**4,748**

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

Insurance contracts issued that are liabilities

The following table shows the development of the risk adjustment for non-financial risk and contractual service margin of insurance contracts issued that are liabilities.

Development of risk adjustment and contractual service margin

	2023		Prev. year	
€m	Risk adjustment	Contractual service margin	Risk adjustment	Contractual service margin
Carrying amount at 1 January	4,224	25,400	5,730	22,688
Insurance service result				
Changes that relate to services provided in the reporting period and to past service	–189	–1,258	–178	–1,160
Thereof: expected risk adjustment release for the service provided in the period	–160		–179	
Thereof: other changes in the risk adjustment	–30		2	
Changes that relate to future service	449	1,137	52	1,686
	259	**–121**	**–126**	**526**
Insurance finance income or expenses from insurance contracts issued	28	96	15	42
Other	–76	–191	180	438
Changes presented in other comprehensive income	–17	0	–992	0
IFRS 5 reclassification	–1	–17	0	0
Carrying amount at 30 June	**4,418**	**25,167**	**4,807**	**23,694**

Non-derivative financial liabilities

Breakdown of bonds and notes issued

€m	A.M. Best	Fitch	Moody's	S&P	30.6.2023	31.12.2022
Munich Re America Corporation, Wilmington, 7.45%, US$ 305m[1], Senior Notes 1996/2026	a	AA–	A2	A–	279	300
Total					**279**	**300**

1 The issuer executed a partial redemption in the first half of 2023, with a nominal volume of US$ 16m.

Notes to the consolidated income statement

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

Insurance revenue

Insurance revenue

€m	Q1-2 2023	Q1-2 2022
Insurance revenue from insurance contracts issued		
Expected claims incurred and other expenses in the reporting period	9,877	10,105
Expected release of risk adjustment for non-financial risk for the reporting period	160	179
Contractual service margin for services provided in the reporting period	1,257	1,163
Portion of premium that relates to the recovery of acquisition costs	669	532
Experience adjustments for premium receipts and related cash flows	142	72
Tax specifically chargeable to the policyholder	0	0
Insurance revenue from short-term contracts	16,344	14,981
	28,448	**27,033**
Insurance revenue ceded from reinsurance contracts held	**–664**	**–692**

Insurance service expenses

Insurance service expenses

€m	Q1-2 2023	Q1-2 2022
Insurance service expenses from insurance contracts issued		
Claims expenses	–20,252	–19,092
Changes from underlying items	–155	96
Administration and acquisition costs	–3,984	–3,636
Other insurance service expenses	0	0
	–24,391	**–22,632**
Income from reinsurance contracts held	**384**	**599**

Investment result

Investment result by type of investment

€m	Q1-2 2023	Q1-2 2022
Investment result from non-financial investments		
Investment property	227	285
Property, plant and equipment	47	100
Intangible assets	0	0
Biological assets	17	22
Inventories	11	5
Investments in affiliated companies, associates and joint ventures	306	38
Thereof: Associates and joint ventures accounted for using the equity method	313	34
	608	**450**
Investment result from financial investments	**1,876**	**362**
Expenses for the management of investments, other expenses	**–276**	**–238**
Total	**2,208**	**574**

Investment result for unit-linked life insurance

The investments for unit-linked life insurance generated regular income of €43m (30m). The change in fair value amounted to €448m (–1,198m). The expenses incurred for managing these investments amounted to €1m (1m).

Insurance finance income or expenses

Insurance finance income or expenses

€m	Q1-2 2023	Q1-2 2022
Insurance finance income or expenses from insurance contracts issued		
Accretion of interest from insurance contracts issued	–944	–196
Impact of changes in interest rates from insurance contracts issued	1	–1
Changes in the fair value of underlying items	–1,333	649
	–2,276	**453**
Insurance finance income or expenses from reinsurance contracts held		
Accretion of interest from reinsurance contracts held	42	6
Impact of changes in interest rates from reinsurance contracts held	2	2
	43	**8**
Total	**–2,232**	**461**

Other operating income and expenses

Other operating income and expenses

€m	Q1-2 2023	Q1-2 2022
Other operating income	582	468
Thereof:		
Interest and similar income	67	50
Reversal of impairment losses on other operating assets	2	15
Other operating expenses	–1,574	–1,513
Thereof:		
Interest and similar expenses	–56	–52
Impairment losses on other operating assets	1	–9

Other operating income in the first six months of the year mainly comprised income of €390m (326m) from services rendered, interest revenue of €67m (50m), and income from the release/reversal of provisions grouped under "Miscellaneous" of €17m (11m). Also included was income of €11m (23m) from owner-occupied property, some of which is also leased out.

Other operating expenses mainly included expenses of €435m (335m) for services received, interest expenses of €56m (52m), thereof €4m (3m) from leases, and other tax of €53m (45m). Also included were expenses amounting to €676m (864m) for Group functions and central tasks and projects. Expenses not directly attributable to a portfolio of insurance contracts or not forming part of cash flows within insurance contract boundaries came to €243m (198m).

Notes to the financial instruments and fair value disclosures on assets and liabilities

Carrying amounts and categories of financial instruments

We manage our financial assets depending on the nature and extent of the underlying risks. For the purposes of these notes to the financial instruments, we have grouped our financial assets and liabilities into classes accordingly.

Financial investments comprise Munich Re's main economic asset classes. We distinguish between financial investments subject to equity risk, financial investments subject to interest-rate and credit risk, and alternative investments. Financial investments are predominantly managed within the business model "hold to collect and sell" and measured either at fair value through other comprehensive income or at fair value through profit or loss, depending on whether or not they pass the SPPI test.

By contrast, fixed-term deposits with credit institutions are managed within the business model "hold to collect" and – since they pass the SPPI test – are thus measured at amortised cost.

Investments for unit-linked life insurance and insurance-related financial instruments are managed within the business model "other" based on their fair value. They each constitute a class. Insurance-related financial instruments also include hybrid contracts with host insurance contracts that are designated as measured at fair value through profit or loss due to embedded derivatives that must be separated.

Financial receivables and cash and cash equivalents are managed within the business model "hold to collect" and – since they pass the SPPI test – are measured at amortised cost.

We also assign lease receivables to the class of financial receivables; however, they do not fall into one of the IFRS 9 measurement categories.

Carrying amounts and measurement categories of economic asset classes of financial assets

							30.6.2023
		IFRS 9 measurement category					
			Fair value through profit or loss		Fair value through other comprehensive income		
€m	Carrying amount	Amortised cost	Mandatory	Designated		Hedge accounting	Lease receivables
Financial investments							
Instruments subject to equity risk	11,361	0	11,361	0	0	0	0
Instruments subject to interest-rate and credit risk	167,948	3,464	9,199	0	155,284	1	0
Alternative investments	12,771	0	7,211	0	5,560	0	0
	192,079	**3,464**	**27,770**	**0**	**160,844**	**1**	**0**
Investments for unit-linked life insurance	7,963	0	7,963	0	0	0	0
Insurance-related financial instruments	9,521	0	9,478	43	0	0	0
Financial receivables	3,464	3,436	0	0	0	0	28
Cash and cash equivalents	5,845	5,845	0	0	0	0	0
Total	**218,872**	**12,744**	**45,211**	**43**	**160,844**	**1**	**28**

							31.12.2022
		Measurement basis under IAS 39					
			Fair value through profit or loss		Fair value through other comprehensive income		
€m	Carrying amount	Amortised cost	Mandatory	Designated		Hedge accounting	Lease receivables
Financial investments							
Instruments subject to equity risk	10,022	0	310	1	9,711	0	0
Instruments subject to interest-rate and credit risk	168,582	42,730	1,783	1,623	122,446	0	0
Alternative investments	12,516	4,001	27	229	8,259	0	0
	191,120	**46,732**	**2,119**	**1,853**	**140,416**	**0**	**0**
Investments for unit-linked life insurance	7,470	0	0	7,470	0	0	0
Insurance-related financial instruments	18,298	14,856	1,898	1,036	508	0	0
Financial receivables	4,044	4,017	0	0	0	0	27
Cash and cash equivalents	6,439	6,439	0	0	0	0	0
Total	**227,371**	**72,044**	**4,017**	**10,359**	**140,924**	**0**	**27**

Our financial liabilities are included in the balance sheet items "Subordinated liabilities" and "Liabilities". Subordinated liabilities constitute a class of their own, whereas liabilities are broken down into several classes. Derivatives and insurance-related liabilities each constitute a class of their own. Non-derivative financial liabilities are broken down into bonds and notes issued, liabilities to credit institutions, and other financial liabilities.

Carrying amounts and measurement categories of economic classes of financial liabilities

						30.6.2023
		IFRS 9 measurement category				
			Fair value through profit or loss			
€m	Carrying amount	Amortised cost	Mandatory	Designated	Hedge accounting	Lease liabilities
Subordinated liabilities	4,691	4,691	0	0	0	0
Liabilities						
Derivatives	1,177	0	1,167	0	10	0
Non-derivative financial liabilities						
Bonds and notes issued	279	279	0	0	0	0
Liabilities to credit institutions	964	964	0	0	0	0
Other financial liabilities	3,066	2,689	0	0	0	377
	4,308	**3,931**	**0**	**0**	**0**	**377**
Other liabilities						
Insurance-related liabilities	4,591	647	3,313	631	0	0
Subtotal	**10,076**	**4,578**	**4,479**	**631**	**10**	**377**
Total	**14,767**	**9,269**	**4,479**	**631**	**10**	**377**

						31.12.2022
		Measurement basis under IAS 39				
			Fair value through profit or loss			
€m	Carrying amount	Amortised cost	Mandatory	Designated	Hedge accounting	Lease liabilities
Subordinated liabilities	4,748	4,748	0	0	0	0
Liabilities						
Derivatives	1,466	0	1,455	0	11	0
Non-derivative financial liabilities						
Bonds and notes issued	300	300	0	0	0	0
Liabilities to credit institutions	1,047	1,047	0	0	0	0
Other financial liabilities	3,300	2,943	0	0	0	356
	4,647	**4,291**	**0**	**0**	**0**	**356**
Other liabilities						
Insurance-related liabilities	13,109	9,973	2,531	605	0	0
Subtotal	**19,222**	**14,265**	**3,985**	**605**	**11**	**356**
Total	**23,970**	**19,012**	**3,985**	**605**	**11**	**356**

Fair value hierarchy for assets and liabilities

All assets and liabilities measured at fair value, or not measured at fair value in the consolidated balance sheet but for which a fair value has to be disclosed in the notes, are allocated to one of the fair value hierarchy levels set out in IFRS 13. Further information can be found in the Notes to the Munich Re Group Annual Report 2022.

The following table provides an overview of the valuation techniques and inputs used to measure the fair values of our assets and liabilities if quoted prices for these instruments are not available.

Valuation techniques for assets and liabilities

Bonds and notes	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
RUB-denominated Russian government bonds	Theoretical price	Issuer-specific yield curve	Present-value method
Mortgage loans	Theoretical price	Sector-specific yield curve considering the profit margin included in the nominal interest rate	Present-value method

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

Bonds and notes with embedded derivatives	Pricing method	Parameters	Pricing model
Callable bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix	Hull-White
CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan) Stochastic volatility model Hull-White
CMS floaters with variable cap	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan) Stochastic volatility model Hull-White
Inverse CMS floaters	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews	Replication model (Hagan) Stochastic volatility model Hull-White
CMS steepeners	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix and skews Correlation matrix	Replication model (Hagan) Stochastic volatility model Hull-White
Convergence bonds	Theoretical price	Swap curve Issuer-specific spreads Volatility matrix Correlation matrix	Replication model (Hagan) Stochastic volatility model
Multi-tranches	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method, Hull-White
FIS loans against borrower's note	Theoretical price	At-the-money volatility matrix and skew Swap curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Swaption notes	Theoretical price	At-the-money volatility matrix and skew Swap curve Money-market interest-rate curve Sector-, rating- or issuer-specific yield curve	Bachelier/ Normal Black, Present-value method
Cat bonds	Theoretical price	Fair values of cat bonds Historical event data Interest-rate curve	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 Timber price	Present-value method or valuation
Insurance contracts that do not transfer significant insurance risk	Theoretical market price	Biometric rates and lapse rates Historical event data Interest-rate curve Currency spot rates	Present-value method

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

The fair value of the loans and the bonds is based on established valuation techniques in line with the present value principle and taking observable and, in some cases, unobservable market inputs into account. The derivative components of catastrophe bonds are measured based on the values supplied by brokers for the underlying bonds, which is why the extent to which unobservable inputs were used cannot readily be assessed.

The fair value of derivative financial instruments is based on the present-value method or established option pricing models using mostly observable market inputs such as interest-rate curves, volatilities or exchange rates.

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

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

The other investments allocated to Level 3 are mainly external fund units (in particular, private equity, real estate and funds that invest in a variety of assets that are subject to theoretical valuation). Since market quotes are not available on a regular basis, net asset values (NAVs) are provided by asset managers. The NAVs are determined by adding up all the fund assets and subtracting all the fund liabilities. The NAV per fund unit is calculated by dividing the NAV by the number of outstanding fund units. We thus do not perform our own valuations using unobservable inputs. We regularly perform plausibility tests over the valuations supplied on the basis of comparable investments.

We have taken climate risks and other ESG risks into account implicitly in our determination of fair values using the respective forward-looking valuation inputs, provided that they have an influence on price in the capital markets in which the products of relevance here are traded.

Among the associates and joint ventures accounted for using the equity method, there is only one investment for which a quoted market price is available. This price amounts to €51m (51m) and is allocated to Level 1 of the fair value hierarchy.

The fair value of investment property managed by Munich Re is measured by valuation experts within the Group, while the fair value of investment property managed by third parties is measured by external valuation experts. Property is allocated to Level 3 of the fair value hierarchy. Determining the sustainability of income and expenses, taking into account the market conditions at the property location, is essential for the valuation. The fair value is determined individually per item by discounting the future net cash inflows as at the measurement date.

The measurement of subordinated liabilities for which quoted market prices are not available is performed using the present-value method and taking observable market inputs into account. For the bonds we have issued, we use the quoted market prices of corresponding assets provided by price quoters to measure the fair value. The fair values of our liabilities to credit institutions are determined using the present-value method, in part exclusively using observable market inputs, and partly also taking into account unobservable inputs.

In the following table, we present the fair values of our assets at the reporting date for each level of the fair value hierarchy.

Allocation of assets to levels of the fair value hierarchy

€m	Level 1	Level 2	Level 3	30.6.2023 Total
Financial assets				
Financial investments				
Instruments subject to equity risk	10,004	43	1,313	11,361
Instruments subject to interest-rate and credit risk	1,036	165,446	1,466	167,948
Alternative investments	0	552	12,219	12,771
	11,040	**166,041**	**14,998**	**192,079**
Investments for unit-linked life insurance	6,875	1,088	0	7,963
Insurance-related financial instruments	0	1,571	7,951	9,521
Financial receivables	493	2,938	50	3,480
Subtotal	**18,407**	**171,637**	**22,999**	**213,043**
Non-financial assets				
Non-financial investments and owner-occupied property				
Investment property	0	0	7,456	7,456
Investments in associates and joint ventures	51	685	8,520	9,256
Other non-financial investments	95	11	1,368	1,474
Owner-occupied property	0	0	2,757	2,757
	146	**696**	**20,101**	**20,943**
Non-financial investments, held as underlying items				
Investment property	0	0	5,785	5,785
Owner-occupied property	0	0	1,043	1,043
	0	**0**	**6,827**	**6,827**
Other receivables	0	1,374	0	1,374
Subtotal	**146**	**2,070**	**26,928**	**29,144**
Total	**18,553**	**173,707**	**49,927**	**242,188**

€m	Level 1	Level 2	Level 3	31.12.2022 Total
Financial assets				
Financial investments				
Instruments subject to equity risk	8,890	171	962	10,022
Instruments subject to interest-rate and credit risk	707	165,939	1,520	168,166
Alternative investments	0	541	11,773	12,313
	9,596	**166,651**	**14,255**	**190,501**
Investments for unit-linked life insurance	5,355	2,115	0	7,470
Insurance-related financial instruments	0	1,538	8,065	9,604
Financial receivables	1,746	1,132	939	3,817
Subtotal	**16,697**	**171,436**	**23,259**	**211,392**
Non-financial assets				
Non-financial investments and owner-occupied property				
Investment property	0	0	7,175	7,175
Investments in associates and joint ventures	51	770	7,964	8,785
Other non-financial investments	92	40	1,265	1,397
Owner-occupied property	0	0	2,682	2,682
	144	**809**	**19,087**	**20,040**
Non-financial investments, held as underlying items				
Investment property	0	0	5,917	5,917
Owner-occupied property	0	0	992	992
	0	**0**	**6,908**	**6,908**
Other receivables	0	1,451	0	1,451
Subtotal	**144**	**2,260**	**25,995**	**28,399**
Total	**16,841**	**173,696**	**49,254**	**239,792**

The fair value of our investment portfolio increased in the first half of the year, largely due to rising stock market prices for instruments subject to equity risk.

The fair values of our liabilities at the reporting date for each level of the fair value hierarchy are presented in the following table.

Allocation of liabilities to levels of the fair value hierarchy

				30.6.2023
€m	Level 1	Level 2	Level 3	Total
Subordinated liabilities	0	4,048	0	4,048
Liabilities				
Derivatives	202	810	165	1,177
Non-derivative financial liabilities				
Bonds and notes issued	0	298	0	298
Liabilities to credit institutions	0	416	550	965
Other financial liabilities	310	3,848	157	4,315
	310	**4,562**	**706**	**5,578**
Other liabilities				
Insurance-related liabilities	30	1,937	2,624	4,591
Subtotal	**541**	**7,309**	**3,496**	**11,346**
Total	**541**	**11,357**	**3,496**	**15,394**

				31.12.2022
€m	Level 1	Level 2	Level 3	Total
Subordinated liabilities[1]	0	4,029	0	4,029
Liabilities				
Derivatives	423	825	218	1,466
Non-derivative financial liabilities				
Bonds and notes issued[1]	0	338	0	338
Liabilities to credit institutions	0	971	76	1,047
Other financial liabilities	283	1,748	539	2,570
	283	**3,057**	**615**	**3,955**
Other liabilities				
Insurance-related liabilities	25	2,014	2,564	4,602
Subtotal	**730**	**5,896**	**3,396**	**10,023**
Total	**730**	**9,925**	**3,396**	**14,052**

1 The previous year’s figures have been adjusted.

Regularly, at each reporting date, we assess whether the allocation of our assets and liabilities to the levels of the fair value hierarchy is still appropriate. If changes in the basis of valuation have occurred – for instance, if a market is no longer active or the valuation was performed using inputs requiring a different allocation – we make the necessary adjustments.

In the following tables, we present the instruments transferred to a different level of the fair value hierarchy in the reporting period or the previous period.

Transfers between levels of the fair value hierarchy for assets

						Q1-2 2023
			Transfer from			Transfer to
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Financial investments						
Instruments subject to equity risk	0	0	0	0	0	0
Instruments subject to interest-rate and credit risk	0	–11	0	0	0	11
Alternative investments	0	0	0	0	0	0
	0	**–11**	**0**	**0**	**0**	**12**
Investments for unit-linked life insurance	0	0	0	0	0	0
Insurance-related financial instruments	0	0	0	0	0	0
Subtotal	**0**	**–11**	**0**	**0**	**0**	**12**
Non-financial assets						
Non-financial investments and owner-occupied property						
Investment property	0	0	0	0	0	0
Other non-financial investments	0	0	0	0	0	0
Owner-occupied property	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Non-financial assets, held as underlying items						
Investment property	0	0	0	0	0	0
Owner-occupied property	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**
Total	**0**	**–11**	**0**	**0**	**0**	**12**

						Q1-2 2022
			Transfer from			Transfer to
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Financial investments						
Instruments subject to equity risk	0	0	0	0	0	0
Instruments subject to interest-rate and credit risk	0	–151	0	0	0	151
Alternative investments	0	–19	–67	0	67	19
	0	**–170**	**–67**	**0**	**67**	**170**
Investments for unit-linked life insurance	0	0	0	0	0	0
Insurance-related financial instruments	0	0	0	0	0	0
Subtotal	**0**	**–170**	**–67**	**0**	**67**	**170**
Non-financial assets						
Non-financial investments and owner-occupied property						
Investment property	0	0	0	0	0	0
Other non-financial investments	0	–11	0	0	0	11
Owner-occupied property	0	0	0	0	0	0
	0	**–11**	**0**	**0**	**0**	**11**
Non-financial assets, held as underlying items						
Investment property	0	0	0	0	0	0
Owner-occupied property	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Subtotal	**0**	**–11**	**0**	**0**	**0**	**11**
Total	**0**	**–181**	**–67**	**0**	**67**	**181**

There were no transfers between levels of the fair value hierarchy for liabilities.

Reconciliation of the fair values of assets and liabilities allocated to Level 3 of the fair value hierarchy

The following tables show a reconciliation of the fair values of assets and liabilities allocated to Level 3 of the fair value hierarchy broken down by class.

Reconciliation of the fair values of the assets allocated to Level 3

	Financial investments					
	Instruments subject to equity risk		Instruments subject to interest-rate and credit risk		Alternative investments	
€m	2023	Prev. year	2023	Prev. year	2023	Prev. year
Fair vaue at 1 January	962	774	1,511	1,325	11,773	12,219
Gains and losses						
on derivative transactions	0	0	0	0	–1	0
on non-derivative transactions	3	34	4	–212	–74	–824
recognised in equity	0	11	–18	0	120	431
	3	**45**	**–14**	**–212**	**46**	**–394**
Acquisition	624	63	70	612	2,829	1,892
Disposals	–284	–17	–127	–53	–2,413	–925
Transfer to Level 3	8	0	13	151	2	19
Transfer from Level 3	0	0	0	0	0	–67
Other	0	–5	2	24	–18	109
Fair value at 30 June	**1,313**	**859**	**1,456**	**1,846**	**12,219**	**12,853**

→	Investments for unit-linked life insurance		Insurance-related financial instruments	
€m	2023	Prev. year	2023	Prev. year
Fair value at 1 January	0	122	8,065	851
Gains and losses				
on derivative transactions	0	0	–70	–36
on non-derivative transactions	0	0	–75	420
recognised in equity	0	0	0	6
	0	**0**	**–145**	**390**
Acquisition	0	0	826	90
Disposals	0	–122	–795	–190
Transfer to Level 3	0	0	0	0
Transfer from Level 3	0	0	0	0
Other	0	0	–1	24
Fair value at 30 June	**0**	**0**	**7,951**	**1,165**

→	Non-financial investments and owner-occupied property					
	Investment property		Other non-financial investments		Owner-occupied property	
€m	2023	Prev. year	2023	Prev. year	2023	Prev. year
Fair value at 1 January	0	0	1,124	882	0	0
Gains and losses						
on derivative transactions	0	0	1	0	0	0
on non-derivative transactions	0	0	–15	28	0	0
recognised in equity	0	0	2	–35	0	0
	0	**0**	**–12**	**–6**	**0**	**0**
Acquisition	0	0	165	181	0	0
Disposals	0	0	–80	–21	0	0
Transfer to Level 3	0	0	0	11	0	0
Transfer from Level 3	0	0	0	0	0	0
Other	0	0	98	28	0	0
Fair value at 30 June	**0**	**0**	**1,295**	**1,075**	**0**	**0**

→

€m	Non-financial assets, held as underlying items: Investment property 2023	Investment property Prev. year	Owner-occupied property 2023	Owner-occupied property Prev. year
Fair value at 1 January	5,917	5,658	992	1,035
Gains and losses				
on derivative transactions	0	0	0	0
on non-derivative transactions	–50	43	–24	–14
recognised in equity	0	0	0	0
	–50	**43**	**–24**	**–14**
Acquisition	165	54	0	0
Disposals	–227	0	–8	0
Transfer to Level 3	0	0	0	0
Transfer from Level 3	0	0	0	0
Other	–20	–188	83	0
Fair value at 30 June	**5,785**	**5,568**	**1,043**	**1,021**

On account of the Western sanctions against Russia, dealing in rouble-denominated securities of Russian issuers came to a standstill in the previous year. There were consequently no liquid quoted prices in an active market. This primarily affected Munich Re holdings in rouble-denominated government bonds issued by the Russian Federation. The fair value was thus measured using the present-value method, allowance being made for issuer-specific yield curves. Given the low liquidity of the markets, assumptions are made when determining valuation inputs. The securities were therefore transferred from Level 2 to Level 3 of the fair value hierarchy in 2022.

Reconciliation of the fair values of the liabilities allocated to Level 3

			Non-derivative financial liabilities			
	Derivatives		Bonds and notes issued		Other financial liabilities	
€m	2023	Prev. year	2023	Prev. year	2023	Prev. year
Fair value at 1 January	218	138	0	0	0	0
Gains and losses						
on derivative transactions	–1	–2	0	0	0	0
on non-derivative transactions	–10	–1	0	0	0	0
recognised in equity	0	0	0	0	0	0
	–11	**–3**	**0**	**0**	**0**	**0**
Acquisition	1	22	0	0	0	0
Disposals	–43	–34	0	0	0	0
Transfer to Level 3	0	0	0	0	0	0
Transfer from Level 3	0	0	0	0	0	0
Other	0	0	0	0	0	0
Fair value at 30 June	**165**	**123**	**0**	**0**	**0**	**0**

→

€m	Insurance-related liabilities 2023	Insurance-related liabilities Prev. year
Fair value at 1 January	2,444	1,682
Gains and losses		
on derivative transactions	–70	–48
on non-derivative transactions	–46	–185
recognised in equity	0	0
	–116	**–233**
Acquisition	1,219	260
Disposals	–1,043	–314
Transfer to Level 3	0	0
Transfer from Level 3	0	0
Other	0	32
Fair value at 30 June	**2,505**	**1,427**

Changes in fair value recognised in the consolidated income statement for assets allocated to Level 3 of the fair value hierarchy are presented in the result from insurance-related financial instruments, the investment result, or the investment result for unit-linked life insurance. Gains and losses on these assets recognised in equity are shown as part of unrealised gains and losses in other comprehensive income.

Changes in fair value recognised in the consolidated income statement for liabilities allocated to Level 3 of the fair value hierarchy are presented in the result from insurance-related financial instruments or the investment result. Where the impact of own credit risk of financial liabilities designated as at fair value through profit or loss is recognised in equity, we present it as part of unrealised gains and losses in other comprehensive income. When the financial liabilities designated as at fair value through profit or loss are derecognised, the amount of change in the fair value attributable to changes in the credit risk and recognised in other comprehensive income is transferred to retained earnings.

Sensitivity of unobservable inputs used to measure fair value

If the value of financial instruments is based on unobservable inputs, the value of these inputs at the reporting date is derived using a range of reasonably possible alternatives that are determined based on management judgement. The values we select for such unobservable inputs used to measure fair value are reasonable and commensurate with the prevailing market conditions and the respective measurement approach.

The following information sets out the significant unobservable inputs for financial assets and liabilities allocated to Level 3 of the fair value hierarchy, and subsequently illustrates the effect that a change in the inputs has on the fair value. The sensitivities presented have been calculated based on the assumption that only the inputs in question have changed. In reality, however, it is unlikely that changes in market conditions affect only one input. For that reason, the effects shown here on the fair values calculated may differ from the actual changes in fair value. It should also be noted that the disclosures are neither a prediction nor an indication of future changes in fair value.

Significant estimation uncertainties and judgements are involved in measuring instruments that are subject to credit risk if no issuer rating is available and it is not possible to access prices for traded financial instruments from the issuer. This usually applies to mortgage loans and infrastructure loans. In such cases, we use our internal rating model to estimate the issuer's credit risk and determine, on the basis of their operating sector, geographic location and creditworthiness, the interest-rate curve to apply to measure the fair value. If the interest-rate curve were to increase or decrease, it would lead to a decrease or increase in the fair value of interest-sensitive financial investments.

A significant share of the insurance-related financial instruments is comprised of annuity policies and life insurance contracts that do not transfer significant insurance risk. Here, actuarial data such as biometric data (mortality rates) and lapse rates are the underlying significant unobservable inputs. A decrease (or increase) in lapse rates, mortality rates or annuity claims would lead to a higher (or lower) fair value. In the case of contracts that provide high death benefits, the effect for lapse rate changes may be reversed. A decrease (or increase) in the exercising of withdrawal plans would lead to a lower (or higher) fair value. Even if the mortality assumption were to constantly increase by 5%, or the lapse assumption were to increase (or decrease) by 50%, the resulting changes in the fair value of the insurance-related financial instruments would be immaterial, as these contracts do not transfer significant insurance risk.

Other instruments for which we used significant unobservable inputs to measure the fair value are unlisted fund investments, investments in private-equity companies and direct investments in non-listed companies. For these assets, the fair value is determined based on the net asset value of the investment. Any changes in the net asset value would lead to a corresponding adjustment of the fair value, i.e. a 10% increase (decrease) in the net asset value would mean that the fair value would also increase (decrease) by 10%.

Reconciliation of the deferred gains and losses arising from the initial measurement of financial instruments allocated to Level 3

For financial assets and liabilities that are allocated to Level 3 of the fair value hierarchy, the fair value we calculate on initial recognition may differ from the transaction price. Due to the fact that measurement of the fair value is based on unobservable inputs, such differences are deferred.

Over the lifetime of the financial instrument concerned, these deferred gains and losses are amortised to profit or loss.

No such circumstances exist at present.

Other information

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

Composition of the non-current assets and disposal groups held for sale

€m	30.6.2023	31.12.2022
Assets		
Non-financial investments	0	74
Thereof: Investment property	0	74
Financial investments	250	280
Other assets of the disposal group	119	39
Total assets	**369**	**392**
Liabilities		
Insurance contracts issued that are liabilities	235	104
Other liabilities of the disposal group	96	38
Total liabilities	**331**	**141**

In Q4 2022, an investment property was classified as held for sale. This did not result in any value adjustment. The property was sold in Q1.

A group of three Dutch subsidiaries comprising DAS Holding N.V., Amsterdam, DAS Legal Finance B.V., Amsterdam, and DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V., Amsterdam, was classified as held for sale in Q1 2021. As the planned sale did not materialise and there is currently no intention to sell them, the subsidiaries were reclassified in Q2.

Our Hungarian subsidiary D.A.S. Jogvédelmi Biztosíto Részvénytársaság, Budapest, was classified as held for sale in Q4 2022. No significant value adjustments resulted from the classification. The company was deconsolidated in Q2 2023.

Our subsidiary American Digital Title Insurance Company, Brighton, Colorado, was still classified as held for sale at the reporting date. No value adjustments resulted from the classification. The sale of the company is anticipated in the second half of 2023.

In July 2023, we sold Globality S.A., Munsbach, to Foyer S.A., a financial group from Luxembourg. As at 30 June 2023, we classified the company's assets and liabilities as held for sale. No value adjustments were required as a result of this reclassification. There will continue to be a strategic partnership between Globality, Foyer and ERGO.

In Q2, we classified DAS UK Holdings Limited, Bristol, with its subsidiaries DAS Services Limited, DAS Legal Expenses Insurance Company Limited and DAS Law Limited as held for sale. No significant value adjustments were required. The sales agreement with ARAG SE, Düsseldorf, was signed in mid-July. The sale is subject to approval by the competent authorities.

Further information on gains and losses from losing control can be found in the section "Changes in the consolidated group".

The "Other reserves" of Group equity include an amount of –€15m for disposal groups, of which –€6m is attributable to unrealised losses on financial investments and –€9m to unrealised gains on the currency translation reserve.

In our segment reporting, we disclose how the non-current assets held for sale are allocated between the segments. Transactions between the disposal group and the Group's continuing operations continued to be fully eliminated.

Financial investments are allocated to Level 1 and Level 2 of the fair value hierarchy.

Related parties

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

Munich Re's company pension obligations are implemented by several external entities; these entities are deemed related parties under IAS 24. Munich Reinsurance Company has established a contractual trust agreement in the form of a two-way trust for its unfunded company pension obligations. In this regard, Münchener Rückversicherungs-Gesellschaft Pensionstreuhänder e.V. is deemed a related party under IAS 24. Contributions to it are used for defined contribution plans and defined benefit plans. The Munich Re pension scheme is also considered a related party in

accordance with IAS 24. Contributions to the pension scheme are recognised as expenses for defined contribution plans.

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

Number of staff

The number of staff employed by the Group as at 30 June 2023 totalled 18,722 (18,625) in Germany and 23,339 (22,764) in other countries.

Breakdown of number of staff

	30.6.2023	31.12.2022
Reinsurance	15,759	15,211
ERGO	26,302	26,178
Total	**42,061**	**41,389**

Contingent liabilities, other financial commitments

Contingent liabilities and other financial commitments (unless these involve loan commitments affected by remeasurement at fair value and reclassification to the consolidated balance sheet under IFRS 9) that are important for assessing the Group's financial position have not changed materially since 31 December 2022.

Earnings per share

There were no diluting effects to be disclosed separately for the calculation of earnings per share, neither in the current reporting period nor 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 2023	Q2 2023	Q1–2 2022	Q2 2022
Net result attributable to Munich Reinsurance Company equity holders	€m	2,428	1,153	3,060	1,585
Weighted average number of outstanding shares		136,806,961	136,422,373	140,082,846	140,066,937
Earnings per share	**€**	**17.75**	**8.45**	**21.84**	**11.32**

Events after the balance sheet date

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

Drawn up and released for publication,
Munich, 9 August 2023

The Board of Management

Review report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

We have reviewed the condensed interim consolidated financial statements of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich – which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement and selected notes to the consolidated financial statements – and the interim management report of the Group for the period from 1 January to 30 June 2023, which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The Company's management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim management report of the Group in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim management report of the Group based on our review.

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

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

Munich, 9 August 2023

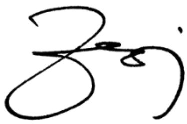
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ott	**Dr. Kagermeier**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

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

Munich, 9 August 2023


Dr. Joachim Wenning

Dr. Thomas Blunck

Nicholas Gartside

Stefan Golling

Dr. Christoph Jurecka

Dr. Achim Kassow

Michael Kerner

Clarisse Kopff

Mari-Lizette Malherbe

Dr. Markus Rieß

Supervisory Board

Dr. Nikolaus von Bomhard
(Chair)

Board of Management

Dr. Joachim Wenning
(Chair)
Dr. Thomas Blunck
Nicholas Gartside
Stefan Golling
Dr. Christoph Jurecka
Dr. Achim Kassow
Michael Kerner
Clarisse Kopff
Mari-Lizette Malherbe
Dr. Markus Rieß

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Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107
80802 München
Germany
www.munichre.com

LinkedIn: https://de.linkedin.com/company/munich-re
Twitter: @MunichRe

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

Service for private investors
Shareholder service team:
Alexander Rappl, Ute Trenker
Tel.: +49 89 3891-2255
shareholder@munichre.com

Service for institutional investors and analysts
Christian Becker-Hussong
Tel.: +49 89 3891-3910
ir@munichre.com

Service for media
Stefan Straub
Tel.: +49 89 3891-9896
presse@munichre.com

Important dates 2023

8 November 2023
Quarterly Statement as at 30 September 2023

Important dates 2024

27 February 2024
Balance sheet media conference for 2023 consolidated financial statements (preliminary figures)

14 March 2024
Publication of the Group Annual Report 2023

25 April 2024
Annual General Meeting

8 May 2024
Quarterly Statement as at 31 March 2024

8 August 2024
Half-Year Financial Report as at 30 June 2024

7 November 2024
Quarterly Statement as at 30 September 2024

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Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107, 80802 München, Germany