

Corporate news

Hannover Re beats earnings guidance for 2020 and raises ordinary dividend

- **Gross premium grows by 12.0% adjusted for exchange rate effects**
- **Major loss expenditure higher than anticipated for fourth year in succession**
- **Group net income amounts to EUR 883 million (previous year: EUR 1.3 billion)**
- **Return on equity reaches 8.2% (13.3%)**
- **Proposed ordinary dividend of EUR 4.50 (EUR 4.00) per share**
- **Payment of a special dividend omitted in light of currently available market opportunities**
- **Guidance for 2021 confirmed – Group net income in the range of EUR 1.15 billion to EUR 1.25 billion**

Hannover, 11 March 2021: Hannover Re grew strongly again in the 2020 financial year and generated a solid Group profit despite considerable Covid-19-related losses. An increased ordinary dividend of EUR 4.50 per share is proposed for the 2020 financial year.

"The coronavirus has had an enormous impact on all our lives and I would like to express our sympathies to those who have endured personal suffering as a result of the virus," Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re, said. "We are playing our part in overcoming the consequences of this pandemic and are contributing our expertise to the development of coverage concepts for future extreme events. As one of the largest and most financially robust reinsurers, we continue to be a reliable partner at our customers' side. In the pandemic year 2020 Hannover Re achieved a very good result, thereby again demonstrating its superb risk-carrying capacity and its broad diversification. We are benefiting particularly strongly from the sustained improvement in prices and conditions on our market. With a view to maximising the available business opportunities, we have decided to omit payment of a special dividend for 2020 and instead to slightly raise the ordinary dividend."

In view of the good business development in the financial year just ended, the Executive Board and Supervisory Board will propose to the Annual General Meeting that an ordinary dividend of EUR 4.50 (EUR 4.00) per share should be paid for 2020. The resulting payout ratio – at 61% of Group net income – is clearly above the target range of 35% to 45% that Hannover Re normally aims for. Based on the share's year-end closing price, this produces a dividend yield of 3.5%.

Contact

Corporate Communications:
Karl Steinle
tel. +49 511 5604-1500
karl.steinle@hannover-re.com

Media Relations:
Oliver Suess
tel. +49 511 5604-1502
oliver.suess@hannover-re.com

Investor Relations:
Axel Bock
tel. +49 511 5604-1736
axel.bock@hannover-re.com

www.hannover-re.com

Gross premium sharply higher in the 2020 financial year

Hannover Re's gross premium rose by 9.6% in the 2020 financial year to EUR 24.8 billion (EUR 22.6 billion); growth would have reached 12.0% adjusted for exchange rate effects. Net premium earned increased by 8.2% to EUR 21.4 billion (EUR 19.7 billion). Growth would have come in at 10.6% at constant exchange rates.

The operating profit (EBIT) contracted by 34.5% to EUR 1,214.1 million (EUR 1,853.2 million). Group net income was down 31.2% on the previous year at EUR 883.1 million (EUR 1,284.2 million). Hannover Re thus outperformed the Group profit guidance of more than EUR 800 million issued in November. Earnings per share amounted to EUR 7.32 (EUR 10.65).

The capital adequacy ratio, which measures Hannover Re's risk-carrying capacity, stood at 235.2% as at 31 December 2020. This figure is comfortably above the limit of 180% and the internal threshold of 200%.

Property and casualty reinsurance: Result significantly impacted by Covid-19

Worldwide property and casualty reinsurance was materially affected by the impacts of the pandemic and the associated heavy losses in the financial year just ended.

Prices and conditions for reinsurance protection steadily improved in the various rounds of treaty renewals during 2020.

The gross premium volume in property and casualty reinsurance grew by 13.3% to EUR 16.7 billion (EUR 14.8 billion). At constant exchange rates the increase would have reached 15.8%. Net premium earned climbed by 11.0% to EUR 14.2 billion (EUR 12.8 billion). Growth would have been 13.5% at unchanged exchange rates.

Large losses in 2020 surpassed expectations for the fourth year in succession. Purely for Covid-19-related losses, Hannover Re paid out or reserved an amount of EUR 950.1 million for its customers in property and casualty reinsurance. Of this, EUR 330.9 million was attributable to reported claims and EUR 619.2 million to claims that have been incurred but not yet reported (IBNR).

"We substantially reduced the risk of additional reserving in property and casualty reinsurance by further strengthening our IBNR reserves for Covid-19-related losses at the end of the year," Henchoz said. "Provided large losses remain within our expectations, this should be reflected in sharply improved profitability in 2021."

Along with the pandemic-related losses, the most severe major claims for the year included a storm that swept across eastern parts of the United States at a net cost of EUR 111.0 million, Hurricane Laura with expenditure of EUR 87.5 million and the explosion at the Port of Beirut in an amount of EUR 86.6 million. Total net major loss expenditure in

2020 came to EUR 1,594.9 million (EUR 956.1 million) and was thus substantially above the large loss budget of EUR 975 million for the full year.

The underwriting result including interest on funds withheld and contract deposits fell to EUR -223.5 million (EUR 235.4 million). The combined ratio stood at 101.6% (98.2%). The most notable factor here was the aforementioned expenditures incurred in connection with Covid-19. The operating profit (EBIT) decreased by 35.3% to EUR 831.3 million (EUR 1,285.8 million).

Life and health reinsurance:

Sustained strong demand worldwide for financial solutions

In life and health reinsurance, too, the pandemic was a dominant topic in the 2020 financial year. The expenditures were, however, appreciably lower than in property and casualty reinsurance. Altogether, paid losses and reserves relating to Covid-19 came to EUR 261.1 million. The bulk of this amount was attributable to sickness and death benefits in the United States.

In addition to the pandemic, the further exacerbation of the low interest rate environment was another of the challenges facing life and health reinsurance. Against this backdrop, demand for financial solutions continues to surge. In this segment Hannover Re offers its customers individual reinsurance solutions designed to improve their solvency, liquidity and capital position.

The gross premium volume in life and health reinsurance increased by 2.6% year-on-year to EUR 8.0 billion (EUR 7.8 billion). Growth would have reached 4.7% at constant exchange rates. Net premium earned rose by 3.2% to EUR 7.2 billion (EUR 6.9 billion); the growth would have been 5.3% adjusted for exchange rate effects. The operating result (EBIT) declined to EUR 384.8 million (EUR 569.9 million).

Investments:

Return on investment of 3.0% beats target

Given the extreme volatility seen at times on financial markets, Hannover Re is thoroughly satisfied with its investment income. The investment portfolio delivered gratifyingly stable income that played a major part in the good overall result for the financial year.

Hannover Re's portfolio of assets under own management grew by 3.3% to EUR 49.2 billion (EUR 47.6 billion). Ordinary investment income excluding interest on funds withheld and contract deposits proved pleasingly robust at EUR 1,243.1 million (EUR 1,380.8 million) and hence came in within the bounds of expectations. Income from investments under own management fell short of the previous year at EUR 1,466.4 million (EUR 1,550.6 million). The resulting net return was 3.0%, beating the target return of around 2.7%. Net investment income including interest on funds withheld and contract deposits contracted by 3.9% to EUR 1,688.1 million (EUR 1,757.1 million).

Shareholders' equity:**Return reaches 8.2%, shareholders' equity rises to EUR 11.0 billion**

Hannover Re's equity position, measured by a capital adequacy ratio that remains above the limit and threshold levels, continues to be very solid. The shareholders' equity of Hannover Rück SE increased to EUR 11.0 billion (EUR 10.5 billion) as at 31 December 2020. The return on equity stood at 8.2% (13.3%). The book value per share reached EUR 91.17 (EUR 87.30). The total policyholders' surplus (including non-controlling interests and hybrid capital) amounted to EUR 14.1 billion (EUR 13.6 billion).

Guidance 2021:**Group net income in the range of EUR 1.15 billion to EUR 1.25 billion**

The further course of the pandemic and the associated increased mortality remain difficult to predict. Particularly in the United States, additional loss expenditures are to be expected in life and health reinsurance. The added strains anticipated to date should, however, be mitigated by positive one-time income from a restructuring measure in US mortality business.

"Even though the pandemic remains an element of uncertainty, I am confident that we shall achieve all our targets for the 2021 financial year and return to the very good level of profitability recorded in 2019," Henchoz said. "This will be supported by the sustained improvement in prices and conditions seen in property and casualty reinsurance."

For 2021 Hannover Re expects to grow its gross premium in total business by around 5% based on constant exchange rates. Group net income should be in the range of EUR 1.15 billion to EUR 1.25 billion. This is conditional on major loss expenditure not significantly exceeding the budgeted level of EUR 1.1 billion and assumes that there are no exceptional distortions on capital markets.

The asset portfolios should continue to grow – assuming constant exchange and interest rates – in view of the anticipated positive cash flow. The return on investment should reach a level of around 2.4%.

In terms of the ordinary dividend for the current financial year, Hannover Re envisages an unchanged payout ratio in the range of 35% to 45% of its IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend subject to a consistently comfortable level of capitalisation and Group net income within the expected bounds.

Hannover Re, with gross premium of more than EUR 24 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with more than 3,000 staff. Established in 1966, the Hannover Re Group today has a network of more than 170 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most

relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

Please note the disclaimer:

<https://www.hannover-re.com/535917>