

Corporate news

Hannover Re confirms profit guidance for 2022 with sustained profitable growth in the first half-year

- **Gross premium up by 19.9%**
- **Major losses in property and casualty reinsurance higher than expected in the first half-year**
- **Provisions for possible losses from the war in Ukraine totalling altogether EUR 316 million**
- **Lower pandemic-related expenditures in life and health reinsurance**
- **Return on investment beats target at 3.0%**
- **Group net income reaches EUR 649 million**
- **Capital adequacy ratio under Solvency II remains on very high level at 235.1%**
- **Return on equity clearly above minimum target at 12.4%**
- **Profit guidance for 2022 confirmed**
- **Targets for gross premium growth and return on investment raised**

Hannover, 4 August 2022: Hannover Re is confirming its earnings guidance for 2022 after generating Group net income of EUR 649 million in the first six months in a challenging market environment. At the same time, gross premium recorded further double-digit growth.

"Our consistently strong and profitable growth shows how highly sought-after Hannover Re's reinsurance protection is among our clients during difficult times," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "We delivered a satisfactory result in the first half-year, not least thanks to our superlative risk and capital management. We were able to do this despite setting aside reserves for impacts of the war launched against Ukraine in contravention of international law, despite considerable large loss expenditures and despite further pandemic-related payments."

Group performance: Gross premium for the Group grows by 19.9%

The gross written premium booked for the Group rose by 19.9% to EUR 17.3 billion (previous year: EUR 14.5 billion). Growth would have come in at 13.0% adjusted for exchange rate effects. Net premium earned grew by 19.6% to EUR 13.8 billion (EUR 11.5 billion). The increase would have been 12.9% at constant exchange rates.

The operating profit (EBIT) declined on the Group level by 3.9% to EUR 919 million (EUR 956 million). Group net income fell by 3.3% to EUR

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649 million (EUR 671 million). Earnings per share stood at EUR 5.38 (EUR 5.56).

Shareholders' equity: Annualised return on equity remains clearly above minimum full-year target

The shareholders' equity of Hannover Re reached EUR 9.0 billion at the end of the first half-year (31 December 2021: EUR 11.9 billion). The decrease was due to the rise in the interest rate level, which significantly reduced the prices of fixed-income securities in the investment portfolio.

The annualised return on equity thus stood at 12.4% (31 December 2021: 10.8%) and clearly exceeded the minimum target of 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 74.37 (31 December 2021: EUR 98.55).

The capital adequacy ratio under Solvency II, which measures Hannover Re's risk-carrying capacity, stood at 235.1% at the end of June (31 December 2021: 243.1%) and thus shows considerable stability. Furthermore, the figure is well above the limit of 180% and the internal threshold of 200%.

Property and casualty reinsurance: Sustained price improvements; major loss expenditure higher than expected

In property and casualty reinsurance, the demand for coverage from financially robust reinsurers remained high. Consequently, Hannover Re was again able to significantly increase its premium income and secure improved prices and conditions in the various rounds of renewals during the year.

Gross written premium surged by 25.9% to EUR 12.9 billion (EUR 10.3 billion). The increase would have been 18.2% adjusted for exchange rate effects. Net premium earned came in 25.1% higher at EUR 9.8 billion (EUR 7.8 billion). At constant exchange rates, it would have grown by 17.8%.

Net expenditure for large losses in the first half-year came to EUR 850 million (EUR 326 million), a figure in excess of the previous year's comparatively modest level and higher than the expectation of EUR 611 million for the first six months. This was due to the reserve established for possible losses in connection with the war in Ukraine in the amount of EUR 316 million.

The largest individual losses were the floods in Australia caused by heavy rainfall with net expenditure of EUR 186 million and winter storm Ylenia, which impacted Central Europe in February at a cost of EUR 126 million.

Additional IBNR reserves of EUR 130 million were also established for last year's drought in Brazil due to late claims reporting.

The underwriting result in property and casualty reinsurance including interest on funds withheld and contract deposits dropped to EUR 96 million (EUR 317 million). The combined ratio increased to 99.0% (96.0%), surpassing the maximum level of 96% envisaged for the 2021-2023 strategy cycle on account of the aforementioned developments.

The operating profit (EBIT) in property and casualty reinsurance totalled EUR 586 million (EUR 778 million). Net income amounted to EUR 399 million (EUR 592 million).

Life and health reinsurance: Pandemic-related expenditures decreasing as expected

Life and health reinsurance presented opportunities to grow the book of business, especially for solutions to protect against longevity risks and in the area of financial solutions – where Hannover Re offers its customers individual reinsurance solutions designed to improve their solvency, liquidity and capital position.

The pandemic led to further expenditures, especially under mortality covers. As anticipated, however, these were altogether lower thanks to the milder variants of the virus. Altogether, Hannover Re incurred pandemic-related losses of EUR 194 million (EUR 263 million) in the first six months. Of this total amount, EUR 72 million was attributable to the second quarter.

Hannover Re posted positive income of EUR 88 million from its extreme mortality cover, layers of which Hannover Re has placed on the capital market on a regular basis since 2013. This was booked under the investments recognised at fair value associated with life and health reinsurance. In addition, Hannover Re generated a one-time recapture fee of EUR 40 million.

Gross written premium in life and health reinsurance rose by 5.3% to EUR 4.4 billion (EUR 4.2 billion). The increase would have been 0.3% adjusted for exchange rate effects. Net premium earned climbed by 7.6% to EUR 3.9 billion (EUR 3.7 billion). Growth would have reached 2.3% at constant exchange rates.

The operating result (EBIT) in life and health reinsurance improved by 86% to EUR 334 million (EUR 179 million). Net income was sharply higher at EUR 280 million (EUR 105 million).

Investments: Annualised return on investment remains above full-year target

The portfolio of assets under own management was stable at EUR 56.2 billion (31 December 2021: EUR 56.2 billion).

Global political and economic tensions led to sometimes sharp price declines on equity markets in the first six months of the year. Following a partial disposal at the beginning of the year, Hannover Re sold its remaining equity holdings as the second quarter got underway and

thereby realised a positive profit contribution overall of EUR 95 million. Further positive profit contributions were booked from the portfolio of index-linked bonds. Net investment income from assets under own management consequently increased by 23% to EUR 853 million (EUR 694 million). The resulting annualised return amounted to 3.0% and thus beat the full-year target of at least 2.3%. Total investment income improved by 13.2% to EUR 980 million (EUR 866 million).

Outlook for 2022: Full-year profit guidance confirmed; targets for gross premium income and return on investment raised

The treaty renewals in property and casualty reinsurance as of 1 June and 1 July 2022 passed off successfully for Hannover Re with in some instances significant price increases. At this time of year parts of the North American portfolio are traditionally renewed, especially natural catastrophe risks, as well as business from Australia and New Zealand and in the credit and surety lines.

For the 2022 financial year Hannover Re expects gross premium for the Group to grow by more than 7.5% adjusted for exchange rate effects, a return on investment of more than 2.5% and Group net income of EUR 1.4 billion to EUR 1.5 billion. This is conditional on large loss expenditure not significantly exceeding the budgeted level of EUR 1.4 billion and assumes that the Covid-19 pandemic does not have a major unexpected influence on the result in life and health reinsurance and that there are no unforeseen downturns on capital markets.

Hannover Re also continues to aim for an ordinary dividend at least on the level of the previous year or higher. This will be supplemented by a special dividend, provided the capitalisation exceeds the capital required for future growth and the profit target is achieved.

"Our success is grounded on our considerable underwriting discipline, the cost efficiency of our business model and our agile capital management," said Jean-Jacques Henchoz. "On this basis we are ideally placed to tackle the numerous challenges in our market. Against this backdrop, and thanks to our strong customer relationships, I am confident that we will achieve our ambitious goals for 2022. With the result for the first six months we have laid vital groundwork to this end."

Hannover Re, with gross premium of more than EUR 27 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".

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