

Corporate news

Hannover Re continues profitable premium growth and confirms guidance for 2021

- **Gross premium grows by 14.2% adjusted for exchange rate effects**
- **Combined ratio of 96.0% in line with expectation**
- **Life and health reinsurance records losses of EUR 263.4 million from the pandemic in the first half-year**
- **Return on investment ahead of full-year target**
- **Group net income rises by 66.7% despite Covid-19-related strains in life and health reinsurance**
- **Return on equity of 12.2% comfortably above minimum target**
- **Guidance for 2021 financial year confirmed**

Hannover, 5 August 2021: Hannover Re substantially increased its Group net income in the first half of 2021 and considers itself well on track to achieve the targets set for the current financial year. At the same time, gross premiums saw further double-digit growth.

"We achieved a thoroughly satisfactory half-year result that is broadly in line with our expectations and another testament to our robust market position and excellent risk management," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "As shown by our sustained strong growth, our risk covers are highly valued by our clients in times of crisis and beyond."

Group net income: Profitability returns to pre-pandemic level

Gross written premium for the Group increased by 10.0% to EUR 14.5 billion (EUR 13.1 billion). Growth would have reached 14.2% adjusted for exchange rate effects. Net premium earned rose by 11.0% to EUR 11.5 billion (EUR 10.4 billion). At constant exchange rates growth of 14.9% would have been recorded.

The operating profit (EBIT) on the Group level improved substantially to EUR 956.1 million (EUR 503.5 million) and was back to the level generated before the pandemic despite further Covid-19-related strains in life and health reinsurance. This was also true of Group net income, which increased to EUR 670.6 million (EUR 402.4 million). Earnings per share climbed to EUR 5.56 (EUR 3.34).

Property and casualty reinsurance: Combined ratio of 96.0% in line with expectation

In property and casualty reinsurance Hannover Re was again able to significantly boost its premium income. The profitable growth was driven by unchanged strong demand for covers from primarily highly

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capitalised reinsurers. These market players were able to secure considerably improved prices and conditions in the renewals during the first six months.

The gross written premium in property and casualty reinsurance showed corresponding vigorous growth of 11.9% to reach EUR 10.3 billion (EUR 9.2 billion). The increase would have amounted to 17.2% adjusted for exchange rate effects. Net premium earned climbed by 14.2% to EUR 7.8 billion (EUR 6.9 billion). Growth would have amounted to 19.2% at constant exchange rates.

The net major loss expenditure of EUR 325.9 million (EUR 737.0 million) in the first half-year was appreciably lower than in the previous year and below the budgeted level for the first six months of EUR 476 million. No further reserves were required in property and casualty reinsurance for the Covid-19 pandemic in the first half of the year. In accordance with past practice, the unutilised large loss budget within the year is allocated to the IBNR reserve, thereby creating an additional cushion for large losses in the second half of the year.

The largest individual losses were the outbreak of extreme winter weather in the US state of Texas with net expenditure of EUR 136.4 million in the first six months, an industrial loss in Germany costing EUR 34.8 million and a credit loss of EUR 20.7 million.

The underwriting result including interest on funds withheld and contract deposits amounted to EUR 316.8 million (EUR -160.7 million) for property and casualty reinsurance. The combined ratio improved sharply to 96.0% (102.3%) and was thus within the expectation of no more than 96%.

The operating profit (EBIT) in property and casualty reinsurance surged to EUR 777.9 million (EUR 290.0 million). Net income improved to EUR 592.1 million (EUR 244.7 million).

Life and health reinsurance: Losses from the pandemic total EUR 263.4 million

Gross written premium in life and health reinsurance rose by 5.7% to EUR 4.2 billion (EUR 4.0 billion). The increase would have been 7.3% adjusted for exchange rate effects. Net premium rose by 4.5% to EUR 3.7 billion (EUR 3.5 billion). Growth would have reached 6.4% at constant exchange rates.

Particularly attractive opportunities for business growth were offered by covers for longevity risks and in the area of financial solutions, where Hannover Re offers its clients individually tailored reinsurance solutions to improve their solvency, liquidity and capital position.

On the earnings side, the impacts of the pandemic continued to be a dominant factor in life and health reinsurance, especially in the area of mortality covers. The expenditures incurred by Hannover Re in relation to Covid-19 amounted to EUR 263.4 million in the first half of the year.

While the bulk of the pandemic-related losses in the first six months were attributable to the United States, clients in Latin America and South Africa were also affected by Covid-19 claims. It is Hannover Re's expectation that the strains will diminish as vaccination rates increase.

As already reported, the expenditures associated with the pandemic were opposed in the first quarter by positive one-time income from a restructuring measure in the book of US mortality business amounting to EUR 129.3 million.

The operating result (EBIT) in life and health reinsurance declined by 16.4% to EUR 179.1 million (EUR 214.2 million) owing to the further pandemic-related strains. Net income contracted by 44.4% to EUR 104.8 million (EUR 188.4 million).

Investments: Annualised return on investment ahead of full-year target

The portfolio of assets under own management increased as at 30 June 2021 to EUR 52.8 billion (31 December 2020: EUR 49.0 billion). Decreases in the fair value of fixed-income securities were more than offset by, among other things, positive exchange rate effects and the inflow of cash from issuance of a subordinated bond. Driven primarily by the rise in interest rates, the unrealised gains in the fixed-income portfolio as at the end of June contracted to EUR 1.8 billion (31 December 2020: EUR 2.6 billion).

Income from assets under own management increased by 5.6% to EUR 693.7 million (EUR 656.8 million). The resulting annualised return amounted to 2.7% and was thus ahead of the full-year target of around 2.4%. Total investment income improved on the previous year by 9.2% to EUR 865.8 million (EUR 793.1 million).

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

The shareholders' equity of Hannover Re reached EUR 11.1 billion as at the end of the first half-year (31 December 2020: EUR 11.0 billion). The annualised return on equity thus amounted to 12.2% (31 December 2020: 8.2%), clearly surpassing the minimum target of 900 basis points above the risk-free interest rate. The book value per share stood at EUR 91.63 (31 December 2020: EUR 91.17).

The capital adequacy ratio under Solvency II, which measures Hannover Re's risk-carrying capacity, amounted to 250% as at the end of June. This figure is comfortably above the limit of 180% and the internal threshold of 200%.

"We offer our customers the high-quality reinsurance protection they really need in challenging times like these," Henchoz said. "This has been further underscored by the rating agencies Standard & Poor's and A.M. Best, which again confirmed our financial strength ratings of AA- ("Very Strong") and A+ ("Superior")."

Outlook for 2021: Hannover Re confirms all full-year guidance after successful first half-year

On the Group level Hannover Re continues to expect net income in the range of EUR 1.15 billion to EUR 1.25 billion for the 2021 financial year, together with a return on investment of around 2.4% and gross premium growth for the Group in the upper single-digit percentages adjusted for exchange rate effects.

Hannover Re envisages an unchanged payout ratio for the ordinary dividend 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 continued comfortable level of capitalisation and Group net income within the bounds of expectations.

Achievement of the earnings guidance is dependent 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.

Following the end of the second quarter parts of Germany, Belgium, the Netherlands, Switzerland and Austria were devastated by heavy rainfall and flooding. Following an initial analysis of the damage Hannover Re's net expenditure is expected at EUR 200 million to EUR 250 million. For the second half of the year indications are also already emerging of losses from the riots in South Africa.

"The catastrophic flood events in Germany and other European regions have once again shown that the climate is changing at a tremendous pace. We shall continue to progressively expand our sustainability measures and thereby play our part in addressing climate change and limiting its impacts," said Henchoz. "Despite all the challenges we are well on track to achieve our ambitious goals in the current financial year. Based on the figures for the first six months, I am optimistic for the development of Hannover Re's business over the remainder of the year."

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".

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