

Corporate news

Hannover Re reports significantly higher earnings and pays dividend on record level

- **Gross premium grows by 12.1%**
- **Group net income improves by 39% to EUR 1.23 billion and reaches upper end of guidance**
- **Major loss expenditure above expectations**
- **Life and health reinsurance incurs pandemic losses of EUR 582 million**
- **Return on equity beats target at 10.8%**
- **Proposed dividend distribution: EUR 5.75 per share**
- **Guidance for 2022 confirmed – Group net income of EUR 1.4 billion to EUR 1.5 billion**

Hannover, 10 March 2022: Despite considerable losses in property and casualty reinsurance as well as in life and health reinsurance, Hannover Re generated Group net income of EUR 1.23 billion for the 2021 financial year and thus achieved its profit target.

The Executive Board and Supervisory Board will propose to the Annual General Meeting a dividend of altogether EUR 5.75 per share, comprised of an unchanged ordinary dividend of EUR 4.50 per share and a special dividend of EUR 1.25 per share. This puts the distribution to Hannover Re's shareholders on a record level.

"In 2021 we once again demonstrated Hannover Re's profitability and risk-carrying capacity," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "The above-average expenditure for natural catastrophe events in property and casualty reinsurance as well as considerable pandemic-related losses in life and health reinsurance were challenging. That said, thanks in part to our exceptionally good investment income we were able to significantly increase our Group net income and we are in a position to offer our shareholders the prospect of an attractive dividend."

Group gross premium delivers further double-digit growth

The Group gross premium booked by Hannover Re increased by 12.1% to EUR 27.8 billion (EUR 24.8 billion); adjusted for exchange rate effects, growth would have come in at 12.8%. Net premium earned climbed by 13.0% to EUR 24.1 billion (EUR 21.4 billion). Growth would have reached 13.7% at unchanged exchange rates.

The operating profit (EBIT) improved substantially by 43% to EUR 1.7 billion (EUR 1.2 billion). Group net income surged by 39% to EUR 1.23 billion (EUR 883 million). Hannover Re thus achieved the upper end of its Group earnings guidance of EUR 1.15 billion to EUR 1.25 billion.

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Earnings per share amounted to EUR 10.21 (EUR 7.32).

The capital adequacy ratio under Solvency II, which measures Hannover Re's risk-carrying capacity, stood at 243.1% as at 31 December 2021 (31 December 2020: 235.2%). It therefore remained comfortably above the limit of 180% and the internal threshold of 200%.

Return on equity of 10.8% beats minimum target

Shareholders' equity rose to EUR 11.9 billion (EUR 11.0 billion) as at 31 December 2021. The return on equity increased to 10.8% (8.2%), beating the minimum target of 900 basis points above the risk-free interest rate.

The book value per share reached EUR 98.55 (EUR 91.17). The total policyholders' surplus (including non-controlling interests and hybrid capital) increased to EUR 15.7 billion (EUR 14.1 billion), in part due to issuance of a subordinated bond.

Property and casualty reinsurance delivers double-digit growth at improved prices and conditions

The various rounds of treaty renewals in property and casualty reinsurance during 2021 passed off favourably for Hannover Re. Business showed pleasing growth on the back of sometimes markedly better prices and conditions. This trend was sustained in the renewals as at 1 January 2022.

The gross written premium in property and casualty reinsurance rose by 14.8% in the 2021 financial year to EUR 19.2 billion (EUR 16.7 billion). Growth would have reached 16.3% at constant exchange rates. Net premium earned grew by 17.0% to EUR 16.6 billion (EUR 14.2 billion). The increase would have been 18.4% at unchanged exchange rates. Particularly significant gains were booked in structured reinsurance, in facultative business and in North America.

Major losses in the 2021 financial year once again surpassed expectations. The largest single losses were hurricane Ida with net expenditure of EUR 305 million, the flood damage caused in Europe by the low-pressure system Bernd amounting to EUR 208 million, the extreme cold snap in the United States in February at a cost of EUR 156 million as well as the unrest in South Africa in an amount of EUR 100 million. The total net major loss expenditure incurred by Hannover Re came to EUR 1.3 billion (EUR 1.6 billion). This was above the budgeted level of EUR 1.1 billion.

The combined ratio improved to 97.7% (101.6%) on the back of lower large loss expenditure than in the previous year. The underwriting result including interest on funds withheld and contract deposits totalled EUR 384 million (-EUR 224 million) in property and casualty reinsurance. The operating profit (EBIT) surged by 84% to EUR 1.5 billion (EUR 823 million). The contribution made by property and casualty reinsurance to Group net income improved by 76% to EUR 1.1 billion (EUR 615 million).

Life and health reinsurance incurs pandemic losses of EUR 582 million

The pandemic continued to be a defining issue in life and health reinsurance. Hannover Re incurred losses here that were directly related to Covid-19 in an amount of EUR 582 million (EUR 261 million). The bulk of this expenditure was attributable to the United States and South Africa.

This contrasted with positive one-time income of EUR 132 million from a restructuring measure in US mortality business as well as a positive special effect of EUR 122 million in business with longevity covers.

In addition, Hannover Re booked positive income of EUR 44 million from its extreme mortality cover in the investments associated with life and health reinsurance.

Leaving aside the pandemic-related losses and the positive one-time effects, life and health reinsurance developed in line with expectations.

The pandemic further stimulated what was already generally strong demand for reinsurance covers, including in the area of financial solutions. 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 grew by 6.4% to EUR 8.5 billion (EUR 8.0 billion). At constant exchange rates the increase would have been 5.5%. Net premium earned rose by 5.1% to EUR 7.5 billion (EUR 7.2 billion); adjusted for exchange rate effects, growth would have reached 4.4%. The operating result (EBIT) contracted by 43% to EUR 223 million (EUR 393 million).

Return on investment significantly better than planned at 3.2%

Hannover Re's portfolio of assets under own management was substantially larger than in the previous year at EUR 56.2 billion (EUR 49.0 billion).

Ordinary investment income excluding interest on funds withheld and contract deposits rose by 25% to EUR 1.6 billion (EUR 1.2 billion) and thus came in clearly higher than in the previous year. Investment income from assets under own management grew by 14.4% to reach EUR 1.7 billion (EUR 1.5 billion). The resulting net return of 3.2% comfortably beat the guidance of more than 2.4%.

The improved performance was driven by strong earnings from inflation-linked bonds and from alternative investments such as private equity funds, among other factors.

Net investment income including interest on funds withheld and contract deposits grew by 15.3% to EUR 1.9 billion (EUR 1.7 billion).

Guidance 2022: Group net income of EUR 1.4 billion to EUR 1.5 billion

For 2022 Hannover Re expects to grow its gross premium in total business by at least 5% based on constant exchange rates.

Group net income should be in the range of EUR 1.4 billion to EUR 1.5 billion. This is conditional on major loss expenditure not significantly exceeding the budgeted level of EUR 1.4 billion and on the Covid-19 pandemic having no substantial effect on the result in life and health reinsurance, and it also assumes that there are no exceptional distortions on capital markets.

The asset portfolios should continue to grow – assuming stable exchange and interest rates. The return on investment should reach a level of at least 2.3%.

It remains Hannover Re's aim to pay an ordinary dividend that is at least stable compared to the previous year. This will be supplemented by a special dividend provided the capital resources exceed the capital required for future growth and the profit target is achieved.

"With our very solid capital base, our profitable growth and our successful risk and asset management, we are optimally placed to master the challenges of 2022," Henchoz said. "The sustained positive pricing momentum in property and casualty reinsurance and the improving state of the pandemic give me confidence that we will achieve our goals for the current financial year."

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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