

## Corporate news

### Hannover Re raises dividend after double-digit increases in earnings and premium

- **Gross premium for the Group up by 19.9% to EUR 33.3 billion**
- **Group net income improves by 14.2% to EUR 1.41 billion**
- **Major loss expenditure including reserve established for possible losses in connection with the war in Ukraine higher than budgeted**
- **Combined ratio increases to 99.8%**
- **Life and health reinsurance with result on record level**
- **Return on investment clearly above target at 3.2%**
- **Capital adequacy ratio under Solvency II remains on very high level at 251.9%**
- **Return on equity clearly beats target at 14.1%**
- **Proposed dividend distribution of EUR 6.00 per share including special dividend**
- **Outlook for 2023 confirmed – Group net income of at least EUR 1.7 billion expected under IFRS 17**

Hannover, 9 March 2023: Hannover Re increased its Group net income by 14.2% in the 2022 financial year to the record level of EUR 1.41 billion (previous year: EUR 1.23 billion) and thereby achieved the guidance that had been detailed more closely in November 2022.

In view of the good business development it is envisaged that the dividend will continue to rise at the same time. The Executive Board and Supervisory Board will propose to the Annual General Meeting a dividend distribution of altogether EUR 6.00 (EUR 5.75). This is composed of an increased ordinary dividend of EUR 5.00 (EUR 4.50) per share and a special dividend of EUR 1.00 (EUR 1.25) per share.

"In the 2022 financial year we once again demonstrated Hannover Re's resilience," said Jean-Jacques Henchoz, Chief Executive Officer of Hannover Re. "The environment in which we are operating remains challenging. Property and casualty reinsurance, in particular, saw heavy losses in 2022 from natural catastrophes, the war in Ukraine and the pandemic. Thanks to good profit contributions from the investments and from life and health reinsurance, we were nevertheless able to deliver a pleasing Group net income. Building on this success, we can offer our shareholders the prospect of an even more attractive dividend."

#### Group gross premium posts further double-digit growth

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The Group gross premium booked by Hannover Re grew by 19.9% to EUR 33.3 billion (EUR 27.8 billion); adjusted for exchange rate effects, the increase would have been 12.7%. Net premium earned climbed by 22.9% to EUR 29.7 billion (EUR 24.1 billion). Growth would have reached 15.7% at constant exchange rates.

The operating profit (EBIT) improved by 20.3% to EUR 2.1 billion (EUR 1.7 billion). Group net income rose by 14.2% to EUR 1.41 billion (EUR 1.23 billion). Hannover Re thus achieved the more detailed profit guidance provided in November, under which it had anticipated Group net income at the lower end of the range from EUR 1.4 billion to EUR 1.5 billion. Earnings per share reached EUR 11.66 (EUR 10.21).

### **Return on equity of 14.1% clearly beats minimum target**

The shareholders' equity of Hannover Rück SE amounted to EUR 8.1 billion (EUR 11.9 billion) as at 31 December 2022. The decrease was driven by the rise in interest rates, which substantially reduced the prices of fixed-income securities in the investment portfolio.

The return on equity increased to 14.1% (10.8%) on account of the higher profit and lower shareholders' equity. It thus clearly beat the minimum target of 900 basis points above the risk-free interest rate, which would have been 9.4% for 2022.

The book value per share reached EUR 67.09 (EUR 98.55). The total policyholders' surplus (including non-controlling interests and hybrid capital) stood at EUR 12.5 billion (EUR 15.7 billion).

The capital adequacy ratio under Solvency II, which measures Hannover Re's risk-carrying capacity, amounted to 251.9% as at 31 December 2022 (31 December 2021: 243.1%) and thus remained comfortably above the limit of 180% and the internal threshold of 200%.

"In the 2022 financial year we further improved our already very robust capital adequacy ratio," said Chief Financial Officer Clemens Jungsthöfel. "At the same time, we are looking back on several financial years with above-average loss expenditures and will therefore adhere even more closely to our prudent reserving policy going forward in 2023."

### **Property and casualty reinsurance: Gross premium shows significant growth**

The various rounds of treaty renewals in property and casualty reinsurance during 2022 passed off favourably for Hannover Re. Business showed gratifying growth, with significantly improved prices and conditions in some areas. The clear improvement in prices and conditions was also sustained in the renewals as at 1 January 2023.

The gross written premium in property and casualty reinsurance increased by 26.1% in the 2022 financial year to EUR 24.2 billion (EUR

19.2 billion). Growth would have reached 17.9% at constant exchange rates. Net premium earned was up by 30.2% at EUR 21.6 billion (EUR 16.6 billion). Growth of 22.0% would have been booked at unchanged exchange rates.

The net expenditures from large losses in the 2022 financial year surpassed expectations for the sixth year in succession. They added up to EUR 1.7 billion (EUR 1.3 billion) and thus clearly exceeded the budgeted level of EUR 1.4 billion. The largest individual losses were Hurricane Ian with a net strain of EUR 322 million, the severe flooding in Australia at a cost of EUR 233 million as well as winter storm Ylenia in Central Europe in an amount of EUR 107 million. Furthermore, Hannover Re constituted an IBNR reserve of EUR 331 million for possible losses from the war in Ukraine.

Losses from the previous year, including amounts of EUR 106 million for the drought in Brazil and EUR 54 million for floods in Malaysia, took an additional toll on the result.

The losses incurred from the pandemic can now also be better quantified for property and casualty reinsurance. Among other things, a positive run-off was recorded in the credit, surety and political risks line. On the other hand, the pandemic-related losses in accident and health insurance in the Asia-Pacific region were substantially higher than expected. All in all, the developments described above gave rise to a charge of EUR 269 million in the year under review.

The combined ratio increased to 99.8% (97.7%) on account of the considerable loss expenditure and the provision made for possible losses from the war in Ukraine. The underwriting result including interest on funds withheld and contract deposits totalled EUR 46 million (EUR 383 million) in property and casualty reinsurance. The operating profit (EBIT) declined by 10.6% to EUR 1.4 billion (EUR 1.5 billion). The contribution made by property and casualty reinsurance to Group net income fell by 18.7% to EUR 880 million (EUR 1.1 billion).

## **Life and health reinsurance: Result reaches record level**

In life and health reinsurance the expenditures connected to the Covid-19 pandemic were halved in the 2022 financial year to EUR 276 million (EUR 582 million). The bulk of this amount was attributable to mortality covers in the United States, the largest market for mortality insurance products.

The pandemic-related strains contrasted with positive income of EUR 87 million. This derived from an extreme mortality cover that Hannover Re has placed on the capital market in regular tranches since 2013.

Hannover Re further expanded its portfolio of financial solutions business in numerous markets. In this segment Hannover Re offers its worldwide clients covers that vary widely in structure and are designed to deliver capital and solvency relief and assist with prefinancing.

The gross premium volume in life and health reinsurance rose by 5.8% to EUR 9.0 billion (EUR 8.5 billion). The increase would have been 1.0% at constant exchange rates. Net premium earned was up by 6.9% at EUR 8.0 billion (EUR 7.5 billion); growth would have amounted to 1.7% adjusted for exchange rate effects. The operating result (EBIT) tripled to EUR 737 million (EUR 223 million). The contribution made by life and health reinsurance to Group net income reached a record level of EUR 588 million (EUR 197 million).

## **Return on investment comfortably beats target at 3.2%**

Hannover Re's portfolio of assets under own management grew to a slightly higher volume than in the previous year at EUR 56.9 billion (EUR 56.2 billion).

Ordinary investment income excluding interest on funds withheld and contract deposits rose sharply to EUR 2.0 billion (EUR 1.6 billion). Investment income from assets under own management grew by 8.9% to EUR 1.8 billion (EUR 1.7 billion). The resulting average return of 3.2% comfortably outperformed the guidance of more than 2.5%.

This was driven above all by considerably stronger earnings booked from the portfolio of inflation-linked bonds due to higher inflation expectations, with Hannover Re reporting income here of altogether EUR 458 million in the 2022 financial year.

Net gains on disposals amounted to EUR 99 million (EUR 281 million). Positive effects here derived from, among other things, the sale of the equity portfolio and the contribution of participating interests in the private equity sector to a joint venture. They were opposed by losses realised from the regrouping of fixed-income investments into higher-yielding instruments, which made it possible to boost the return from new investments and reinvesting activities.

Net investment income including interest on funds withheld and contract deposits was higher than in the comparable period at EUR 2.1 billion (EUR 1.9 billion).

## **Outlook 2023: Net income of at least EUR 1.7 billion**

The consolidated financial statement for 2023 will be drawn up for the first time in accordance with the new accounting standards IFRS 17 and IFRS 9.

For 2023, Hannover Re expects to grow its reinsurance revenue in total business by at least 5% assuming constant exchange rates. Based on the treaty renewals as at 1 January 2023, the currency-adjusted growth in reinsurance revenue should again be stronger in property and casualty reinsurance than in life and health reinsurance.

Hannover Re anticipates a contribution of around EUR 1.6 billion to the

operating result (EBIT) from property and casualty reinsurance in 2023, with life and health reinsurance set to contribute around EUR 750 million.

Group net income should reach at least EUR 1.7 billion. This is conditional on major loss expenditure not significantly exceeding the budgeted level of EUR 1.725 billion and also assumes that there are no exceptional distortions on capital markets and the Covid-19 pandemic has no further material effect on the result in life and health reinsurance.

The asset portfolios should continue to show moderate growth – assuming stable exchange rates and interest rate levels. The return on investment from assets under own management should reach at least 2.4%.

Hannover Re's dividend policy remains unchanged. It is envisaged that the ordinary dividend will at least be on the level of 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.

"In view of advancing climate change, considerable expenditures for large losses and protracted geopolitical conflicts, the risk situation worldwide will remain challenging for the foreseeable future," Henchoz said. "Against this backdrop, Hannover Re's solid and reliable reinsurance protection will continue to be highly sought-after among our clients. At the same time, though, our own resilience will be called on even more than it has to date. With the significant improvements in prices and conditions obtained in the 1 January renewals, we have put in place a crucial basis for meeting these challenges. My assessment of Hannover Re's sustained earning power is correspondingly upbeat. This optimism is reflected not least in another increase in the ordinary dividend."

**Hannover Re**, with gross premium of more than EUR 33 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 around 3,500 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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