somewhat different

Half-yearly Financial Report 2021

hannover re®

Key figures

in EUR million	2021					2020		
	1.1.– 31.3.[1]	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.	31.12.[1]
Results								
Gross written premium	7,809.3	6,655.3	+7.9%	14,464.6	+10.0%	6,170.8	13,146.1	
Net premium earned	5,692.7	5,822.6	+10.1%	11,515.3	+11.0%	5,287.2	10,378.1	
Net underwriting result[2]	25.4	98.9		124.3		(285.5)	(330.4)	
Net investment income	441.1	424.7	+32.1%	865.8	+9.2%	321.4	793.1	
Operating profit (EBIT)	403.8	552.3		956.1	+89.9%	76.9	503.5	
Group net income	305.9	364.7		670.6	+66.7%	101.5	402.4	
Balance sheet								
Policyholders' surplus	14,822.2			14,859.2	+5.6%		13,715.1	14,071.0
Equity attributable to shareholders of Hannover Rück SE	11,043.0			11,050.6	+0.5%		10,687.7	10,995.0
Non-controlling interests	803.3			831.7	-1.5%		791.6	844.4
Hybrid capital	2,976.0			2,976.9	+33.4%		2,235.8	2,231.6
Investments (excl. funds withheld by ceding companies)	52,282.9			52,847.7	+7.8%		48,768.1	49,001.6
Total assets	77,038.8			78,099.2	+9.3%		73,307.1	71,437.5
Share								
Earnings per share (basic and diluted) in EUR	2.54	3.02		5.56	+66.7%	0.84	3.34	
Book value per share in EUR	91.57			91.63	+0.5%		88.62	91.17
Share price at the end of the period in EUR	155.80			141.10	-8.0%		153.40	130.30
Market capitalisation at the end of the period	18,789.0			17,016.3	-8.0%		18,499.6	15,713.8
Ratios								
Combined ratio (property and casualty reinsurance)[2]	96.2%	95.7%		96.0%		104.8%	102.3%	
Large losses as percentage of net premium earned (property and casualty reinsurance)[3]	5.0%	3.3%		4.2%		12.8%	10.7%	
Retention	91.5%	89.2%		90.4%		90.4%	90.8%	
Return on investment (excl. funds withheld by ceding companies)	2.5%	2.9%		2.7%		2.2%	2.7%	
EBIT margin[4]	7.1%	9.5%		8.3%		1.5%	4.9%	
Return on equity (after tax)	11.1%	13.2%		12.2%		3.8%	7.6%	

[1] Restated pursuant to IAS 8
[2] Including interest on funds withheld and contract deposits
[3] Hannover Re Group's net share for natural catastrophes and other major losses in excess of EUR 10 million gross as a percentage of net premium earned
[4] Operating result (EBIT)/net premium earned

Jean-Jacques Henchoz,
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

Our robust market position and superlative risk management were once again on show in the first six months of the financial year and we delivered a thoroughly satisfactory business performance. Hannover Re generated Group net income of EUR 671 million in the first half of 2021, marking a return to the earnings level achieved prior to the pandemic.

With vaccination rates rising around the world and case numbers falling in many places, we are seeing the cautious restoration of some degree of normalcy. Although we are looking to the future with optimism and economic activity is opening up step by step in many countries, this pandemic is not yet behind us. We are still facing an epidemic situation and the health and safety of our employees is our number one priority. The Covid-19 crisis has called many things into question and led to lasting changes in how we work together. The switch to working from home passed off smoothly for Hannover Re and demonstrated once again that our team spirit is not defined by spatial proximity alone.

The devastating floods in Germany and neighbouring parts of Europe serve as a reminder that we have no time to lose in our efforts to address climate change and minimise its impacts. As a reinsurer, we are at our customers' side as we help them to navigate the consequences of such catastrophic events. We are playing our part in the development of joint solutions for future coverage concepts. Not only that, we intend to progressively realign all areas of our business towards a more sustainable footing. In a reflection of this shift, Hannover Re has signed the Principles for Sustainable Insurance and the Principles for Responsible Investment supported by the United Nations. Furthermore, we are actively reducing the carbon intensity of our investments in accordance with the Paris Agreement on climate change.

In addition, our sustainability strategy attaches importance to the need for the private sector and governments as well as public institutions to work together. Hannover Re is involved in a number of public-private partnerships. The latest example is our cooperation with Willis Towers Watson and the international development and humanitarian aid organisation Global Communities to design an insurance product for communities in Colombia at risk from natural disasters such as floods and earthquakes. By means of innovative parametric covers we want to play our part in further reducing the protection gap, especially in developing and emerging countries. Similarly, when it comes to accumulation risks such as pandemics – in other words risks that scarcely lend themselves to diversification – public-private partnerships offer a promising solution roadmap.

Turning now to a brief summary of the development of your company's business in the first half-year 2021, Hannover Re can look back on a highly satisfactory first six months that were in line with our expectations overall. Group net income in the first half-year is also back to pre-crisis levels, as is true of the return on equity. At the same time, our reinsurance coverage continues to enjoy strong demand, as is evident from the profitable growth in Group gross premium. The treaty renewals in property and casualty reinsurance in April, June and July similarly bore this out in impressive numbers. Pricing momentum has been sustained. With a capital adequacy ratio under Solvency II of 250% as at 30 June 2021, Hannover Re's financial position remains extremely robust. It continues to be the case that we offer our customers the high-quality reinsurance protection they need in times like these. Our excellent financial strength was also underlined recently by the rating agency Standard & Poor's, which confirmed our rating of AA- ("Very Strong"). Based on the results for the first six months, I am optimistic for the development of Hannover Re's business over the remainder of the year. We are well on track to achieve our ambitious goals in the current financial year.

On behalf of the entire Executive Board I would like to thank you, our valued shareholders, for the trust that you place in us. I would further like to thank our employees, whose considerable dedication is vital to our success. My thanks also go out to all our business partners and clients for their trusting and positive cooperation – in times of crisis and beyond.

Yours sincerely,

Jean-Jacques Henchoz
Chairman of the Executive Board

Interim management report

Report on economic position

Business development

- Gross premium for the Group grows by 14.2% adjusted for exchange rate effects
- Losses due to the pandemic totalling EUR 263.4 million in life and health reinsurance
- Return on investment reaches 2.7% and surpasses target of around 2.4%
- Group net income surges by 66.7% to EUR 670.6 million
- Return on equity above minimum target at 12.2%

The first six months of 2021 for Hannover Re passed off broadly in line with our expectations. We booked further vigorous profitable growth in gross premium, especially in property and casualty reinsurance. Gross written premium on the Group level climbed by 10.0% to EUR 14.5 billion (previous year: EUR 13.1 billion). The increase would have been 14.2% at constant exchange rates. Our retention fell to 90.4% (90.8%). Net premium earned rose by 11.0% to EUR 11.5 billion (EUR 10.4 billion). Growth would have reached 14.9% adjusted for exchange rate effects.

The 1 January 2021 treaty renewals in **property and casualty reinsurance** passed off thoroughly satisfactorily overall. The positive momentum in terms of both pricing and conditions carried over to further rounds of renewals as the year progressed, albeit in somewhat more muted form. The segment result improved sharply after the heavy losses from the pandemic in the previous year. Large losses in property and casualty reinsurance came in below expectations. No further strains were incurred for net account from Covid-19-related losses.

In **life and health reinsurance,** on the other hand, further loss expenditures were incurred in connection with the elevated mortality resulting from the Covid-19 pandemic, most notably in the United States. Altogether, the additional strains from the pandemic added up to EUR 263.4 million in the first half-year. This was opposed by positive one-time income of EUR 129.3 million in the first quarter from a restructuring measure in US mortality business. Thanks also to pleasing demand in the area of financial solutions, the first six months therefore passed off satisfactorily on the whole in life and health reinsurance. The segment result fell by 44.4% in view of the losses associated with the pandemic.

Our portfolio of **investments** totalled EUR 52.8 billion at the end of June, an increase of 7.8% compared to the position as at 31 December 2020. Investment income improved on the previous year by 9.2%. The annualised average return on investment reached 2.7% and was thus higher than the target of around 2.4%.

Other income and expenses declined by 22.0% to EUR 138.2 million (EUR 177.1 million). This was driven primarily by movements in exchange rates, which particularly affected the result in property and casualty reinsurance.

The operating profit (EBIT) generated on the Group level improved by 89.9% to EUR 956.1 million (EUR 503.5 million). Group net income surged by 66.7% to EUR 670.6 million (EUR 402.4 million). Earnings per share thus came in at EUR 5.56 (EUR 3.34).

In March Hannover Rück SE issued subordinated debt in a nominal amount of EUR 750 million. The bond has a maturity date of 30 June 2042 and a first scheduled call option on 30 December 2031. In an attractive market environment it enables us, among other things, to act on additional market opportunities that emerge from the current favourable pricing trend on global reinsurance markets.

Hannover Re's shareholders' equity increased by 0.5% as at 30 June 2021 to EUR 11.1 billion (31 December 2020: EUR 11.0 billion). The annualised return on equity stood at 12.2% (31 December 2020: 8.2%), thereby clearly outperforming the minimum target of 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 91.63 (31 December 2020: EUR 91.17).

Going forward, the issue of **sustainability** will have an even greater influence on the selection and composition of our investments and on our business. Most recently, we have taken further concrete steps by becoming a signatory to the United Nations-supported Principles for Responsible Investment and Principles for Sustainable Insurance.

In our investments, and especially in the fixed-income portfolio, we conduct active screening and we are regrouping step by step into more sustainable investments. By 2025, for example, we aim to reduce the carbon footprint of our investments by 30%. Furthermore, among other things, we are stepping up our investing activities in sustainable infrastructure investments and impact investment funds, which are intended to deliver not only a favourable financial return but also – most notably – measurably positive effects on the environment and society.

In addition, we shall support the expansion of climate-friendly technologies both on the underwriting side and in our investments and progressively scale back our exposure to technologies harmful to the climate. This has been enshrined in our sustainability strategy, where we have also set ourselves the goal of redoubling our efforts to reduce the protection gap in developing countries and thereby enable more people to access adequate insurance protection.

Results of operations, financial position and net assets

Property and casualty reinsurance

- Gross premium up by 17.2% adjusted for exchange rate effects
- No additional net strains from the pandemic in the first half of the year
- Combined ratio improves sharply to 96.0%
- Prices and conditions show sustained positive momentum
- Operating profit for the first half-year improves substantially on previous year

In property and casualty reinsurance no further net strains were incurred from Covid-19-related losses in the first half of the year. We had already boosted our corresponding IBNR reserves at the end of the 2020 financial year in order to substantially reduce the risk of additional reserving in property and casualty reinsurance.

Against the backdrop of the continued tense risk situation around the world, the main renewal season in traditional property and casualty reinsurance as at 1 January 2021 passed off thoroughly satisfactorily overall for Hannover Re. The pricing momentum of the previous year was sustained and we again generated pleasing growth in our renewed portfolio at significantly improved prices and conditions. Some 67% of Hannover Re's traditional property and casualty reinsurance portfolio (excluding facultative reinsurance, ILS activities and structured reinsurance) was up for renewal on 1 January. We grew the premium volume here by 8.3%. The average price increase amounted to 5.5%, reflecting further improvements in prices and conditions that varied in scope across all lines and regions.

The treaty renewals as at 1 April 2021, the date when we traditionally renew our business in Japan as well as to a lesser extent in Australia, New Zealand, the other Asian markets and North America, also concluded on a positive note for Hannover Re. The total renewed premium volume grew by 7.4%, while the price increase stood at 5.0%.

Gross written premium in property and casualty reinsurance climbed by 11.9% in the first half-year to EUR 10.3 billion (previous year: EUR 9.2 billion). At constant exchange rates the increase would have reached 17.2%. Net premium earned grew by 14.2% to EUR 7.8 billion (EUR 6.9 billion). Adjusted for exchange rate effects, it would have grown by 19.2%.

The burden of large losses in the first six months of EUR 325.9 million (EUR 737.0 million) for net account came in considerably lower than the figure for the comparable period and below our budgeted expectation of EUR 476 million. 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 half-year, an industrial loss in Germany totalling EUR 34.8 million and a credit loss of EUR 20.7 million. In the category of large losses we include catastrophic events that are expected to result in gross loss payments of more than EUR 10 million for our company.

The underwriting result for total property and casualty reinsurance including interest on funds withheld and contract deposits closed with a profit of EUR 316.8 million (EUR -160.7 million). The combined ratio improved significantly to 96.0% (102.3%) and was thus in line with our expected level of no more than 96%.

The income from assets under own management booked for property and casualty reinsurance surged by 31.5% to EUR 569.7 million (EUR 433.2 million).

The operating profit (EBIT) for the Property & Casualty reinsurance business group improved considerably to EUR 777.9 million (EUR 290.0 million). The EBIT margin consequently reached 9.9% (4.2%). The net income generated in property and casualty reinsurance more than doubled to EUR 592.1 million (EUR 244.7 million).

Key figures for property and casualty reinsurance

in EUR million	2021					2020	
	1.1.– 31.3.[1]	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.
Gross written premium	5,692.9	4,573.7	+9.2%	10,266.5	+11.9%	4,188.1	9,174.2
Net premium earned	3,863.1	3,983.6	+12.8%	7,846.6	+14.2%	3,531.1	6,869.1
Underwriting result[2]	147.3	169.4		316.8		(167.9)	(160.7)
Net investment income	268.5	315.8	+94.6%	584.4	+27.4%	162.3	458.7
Operating result (EBIT)	312.1	465.8		777.9	+168.2%	(14.7)	290.0
Group net income	261.1	331.0		592.1	+141.9%	37.5	244.7
Earnings per share in EUR	2.17	2.74		4.91	+141.9%	0.31	2.03
EBIT margin[3]	8.1%	11.7%		9.9%		-0.4%	4.2%
Combined ratio[2]	96.2%	95.7%		96.0%		104.8%	102.3%
Retention	92.6%	89.8%		91.3%		90.9%	91.4%

[1] Restated pursuant to IAS 8
[2] Including interest on funds withheld and contract deposits
[3] Operating result (EBIT)/net premium earned

Life and health reinsurance

- Growth of 7.3% in gross premium adjusted for exchange rate effects
- Sustained customer interest in tailor-made financial solutions and longevity covers
- Losses due to the pandemic amount to EUR 263.4 million in the first half-year
- Operating profit for the first six months down by 16.4%

The impacts of the pandemic continued to be the dominant issue in life and health reinsurance, particularly in the area of mortality covers. The strains incurred in life and health reinsurance in connection with Covid-19 amounted to EUR 263.4 million in the first half-year.

At EUR 166.8 million, the bulk of the pandemic-related losses in the first six months were attributable to the United States, the largest market for mortality covers. Of this total amount, roughly EUR 60 million was allocable to the second quarter. Clients in Latin America and South Africa were also hard hit by Covid-19 losses, while strains were similarly incurred in European countries such as France and Spain. While further loss expenditures are to be anticipated in life and health reinsurance, we expect them to decline as vaccination programmes continue to progress.

With a view to protecting ourselves against extreme mortality such as that which can result from pandemics like Covid-19, we successfully placed another layer of our extreme mortality cover on the capital market. Since 2013 Hannover Re has brought layers of this extreme mortality cover to the capital market on a regular basis.

As already reported, the pandemic-related losses were opposed by positive one-time income in the first quarter from a restructuring measure in US mortality business amounting to EUR 129.3 million. This one-time income arose because a cedant of Hannover Rück SE disposed of parts of its life insurance portfolio. In this context it was possible to partially liquidate or restructure the collateralisation arrangements put in place by Hannover Rück SE in connection with the reinsurance of this portfolio.

At the same time, we are benefiting from sustained strong demand worldwide for coverage concepts designed for longevity risks as well as in our financial solutions business. While the bulk of new financial solutions business still stems from the United States and China, the lively interest now being shown among customers in other markets gives us grounds for optimism when it comes to generating new business here. The situation is similar when it comes to the longevity segment, where the market has hitherto been focused primarily on the United Kingdom. We closed deals here in the Netherlands and France as well in the first six months. The landscape for life and health reinsurance was satisfactory on the whole in the first half of the year.

The gross premium volume in life and health reinsurance grew by 5.7% as at 30 June 2021 to EUR 4.2 billion (previous year: EUR 4.0 billion). Growth would have reached 7.3% at unchanged exchange rates. Net premium earned rose by

4.5% to EUR 3.7 billion (EUR 3.5 billion). The increase would have been 6.4% adjusted for exchange rate effects.

Investment income from assets under own management in life and health reinsurance declined by 44.5% to EUR 123.2 million (EUR 222.2 million). The underwriting result for life and health reinsurance including interest on funds withheld and contract deposits closed with a loss of EUR 192.9 million (EUR -169.5 million).

The operating result (EBIT) fell by 16.4% to EUR 179.1 million (EUR 214.2 million). The net income for the Life & Health reinsurance business group contracted by 44.4% to EUR 104.8 million (EUR 188.4 million).

Key figures for life and health reinsurance

in EUR million	2021					2020	
	1.1.–31.3.[1]	1.4.–30.6.	+/– previous year	1.1.–30.6.	+/– previous year	1.4.–30.6.	1.1.–30.6.
Gross written premium	2,116.4	2,081.7	+5.0%	4,198.1	+5.7%	1,982.7	3,971.9
Net premium earned	1,829.6	1,838.9	+4.7%	3,668.5	+4.5%	1,756.1	3,508.9
Investment income	172.0	108.7	-31.3%	280.7	-15.7%	158.3	332.9
Operating result (EBIT)	92.0	87.1	-3.2%	179.1	-16.4%	89.9	214.2
Net income after tax	56.8	47.9	-38.7%	104.8	-44.4%	78.2	188.4
Earnings per share in EUR	0.47	0.40	-38.7%	0.87	-44.4%	0.65	1.56
Retention	88.6%	87.8%		88.2%		89.4%	89.4%
EBIT margin[2]	5.0%	4.7%		4.9%		5.1%	6.1%

[1] Restated pursuant to IAS 8

[2] Operating result (EBIT)/net premium earned

Investments

- Interest rates stubbornly remain very low even after rising in the first quarter
- Ordinary investment income up by 12.2%
- Total investment income improves by 9.2%
- Return on investment reaches 2.7% and surpasses target of around 2.4%

The performance of our investments was very pleasing in the first half of the year. In addition to the ongoing Covid-19 pandemic, however, numerous geopolitical and economic challenges remain. On the key fixed-income markets for our company increases in the interest rate level – which in some instances were very appreciable – were observed in the first quarter for our main currency areas, especially in the longer maturity segments. Despite modest retreats subsequently recorded on the US dollar and pound sterling markets, the higher level overall is beneficial both for our new investments and our reinvesting activities. Interest rates nevertheless remain on a very low level.

Equity markets surged sharply higher in the first three months of the year, but increasingly tended to move sideways as the second quarter progressed. It remains the case that we do not share the longer-term inflation concerns of many market players and we anticipate effects primarily of a temporary nature. We no longer see any appreciable implications of the pandemic's economic impacts for our investments.

Going forward, sustainability considerations will exert an even greater influence on the selection and composition of our investments. As part of our sustainability strategy, we are actively scaling back the proportion of securities whose issuers are involved in coal production and converting coal into energy. What is more, we are increasingly making sustainable infrastructure investments and investing in impact investment funds, the goal of which is to generate not only a positive financial return but also measurably positive effects on the environment and society. In accordance with the Paris Agreement on climate change we are actively reducing the carbon intensity of our investments.

Our portfolio of assets under own management increased to EUR 52.8 billion as at 30 June (31 December 2020:

EUR 49.0 billion). With credit spreads only slightly narrower overall, higher interest rates led to declines in the fair values of our fixed-income securities. These were comfortably offset by positive exchange rate effects, primarily from the US dollar and pound sterling. The inflow of cash from issuance of a bond and the one-time reclassification of holdings from the technical account to investments as part of a restructuring measure in US mortality business also had favourable implications for the portfolio. Driven principally by the rise in interest rates, the unrealised gains in our fixed-income portfolio contracted to EUR 1.8 billion (31 December 2020: EUR 2.6 billion) as at the end of June.

In the first quarter we made the most of market opportunities and disposed of parts of our equity holdings. In the area of fixed-income securities we increasingly focused our new investments and reinvestment activities on instruments that offer higher returns – in due consideration of the risk profiles – relative to government bonds. We expanded our portfolio of inflation-linked bonds in response to requirements from the technical account as part of regular portfolio maintenance. The modified duration of our fixed-income portfolio – at 5.8 (previous year: 5.8) – was left unchanged in comparison with the end of the previous year.

Ordinary investment income excluding interest on funds withheld and contract deposits came in at EUR 681.7 million (EUR 607.7 million), a gratifyingly marked improvement on the level of the comparable period that was even slightly stronger than anticipated. While ordinary income from fixed-income securities and the real estate sector was on a par with the corresponding period of the previous year, earnings from alternative investment funds showed appreciable increases. Interest on funds withheld and contract deposits also rose sharply to EUR 172.2 million (EUR 136.3 million).

The net balance of gains realised on disposals totalled EUR 142.0 million (EUR 139.8 million) and can be attributed primarily to regrouping moves as part of portfolio maintenance as well as the aforementioned share sales. The impairments taken in an amount of altogether EUR 38.4 million were appreciably less than in the first half of the previous year (EUR 85.1 million), which was clearly affected by the emerging economic impacts of the Covid-19 pandemic. Of the total amount, EUR 13.9 million (EUR 45.0 million) was attributable to alternative investments and EUR 5.6 million (EUR 9.2 million) to real estate funds. Fixed-income securities accounted for EUR 0.2 million (EUR 11.8 million). The depreciation recognised on directly held real estate was stable at EUR 18.1 million (EUR 18.5 million).

We recognise a derivative for the credit risk associated with special life reinsurance treaties (ModCo) under which securities deposits are held by cedants for our account; the performance of this derivative in the period under review gave rise to unrealised losses of EUR 14.1 million (loss of EUR 9.7 million) recognised in investment income. In economic terms we assume a neutral development for this item, and hence the volatility that can occur in specific quarters provides no insight into the actual business development. Losses were additionally recorded from the performance of another derivative relating to the technical account. Altogether, the unrealised losses in our assets recognised at fair value through profit or loss amounted to EUR 43.1 million (gains of EUR 50.6 million).

The total investment income of EUR 865.8 million (EUR 793.1 million) showed a pleasing improvement on the level of the comparable period despite negative changes in the fair values of assets recognised at fair value through profit or loss. Income from assets under own management accounted for EUR 693.7 million (EUR 656.8 million), producing an annualised average return (including effects from derivatives) of 2.7% and beating our full-year target of around 2.4%.

Net investment income

in EUR million	2021					2020	
	1.1.– 31.3.[1]	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.
Ordinary investment income[2]	310.2	371.5	+32.0%	681.7	+12.2%	281.4	607.7
Result from participations in associated companies	12.2	3.8		16.0	+149.1%	0.0	6.4
Realised gains/losses	90.2	51.8	+36.6%	142.0	+1.6%	38.0	139.8
Appreciation[3]	21.1	17.3	-69.4%	38.4	-54.9%	56.5	85.1
Change in fair value of financial instruments[4]	(49.7)	6.6	-83.2%	(43.1)	-185.2%	39.0	50.6
Investment expenses	31.3	33.3	+6.9%	64.6	+3.1%	31.1	62.7
Net investment income from assets under own management	310.6	383.1	+41.5%	693.7	+5.6%	270.7	656.8
Net investment income from funds withheld	130.5	41.6	-17.8%	172.2	+26.3%	50.7	136.3
Total investment income	**441.1**	**424.7**	**+32.1%**	**865.8**	**+9.2%**	**321.4**	**793.1**

1 Restated pursuant to IAS 8
2 Excluding expenses on funds withheld and contract deposits
3 Including depreciation/impairments on real estate
4 Portfolio at fair value through profit or loss and trading

Opportunity and risk report

Risk report

- Hannover Re continues to have good capital resources in excess of the defined strategic thresholds. The capital position is constantly reviewed against the backdrop of possible changes in the risk profile and the impacts of the Covid-19 crisis.
- Our risk management system continuously monitors newly added and changing risks and is able to respond flexibly to changes in internal and external factors.

The present opportunity and risk report summarises the key risk information for the first half of 2021. For additional information on the opportunities and risks associated with our business please see the Group Annual Report 2020.

Risk landscape of Hannover Re

In the context of its business operations the Hannover Re Group enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored in order to be able to act on the associated opportunities. The parameters and decisions of the Executive Board with respect to the risk appetite of the Hannover Re Group, which are based on the calculations of risk-bearing capacity, are fundamental to the acceptance of risks. Through our business operations on all continents and the diversification between our Property & Casualty and Life & Health reinsurance business groups we are able to effectively allocate our capital in light of opportunity and risk considerations. Along with our principal business operations as a reinsurer of property & casualty and life & health business, we also transact primary insurance in selected niche markets and are active in the securitisation of insurance risks on the capital market. In this context crucial importance attaches to our risk management in order to ensure that, among other things, risks to the reinsurance portfolio remain calculable and even exceptional major losses do not have an unduly adverse impact on the result.

The risk landscape of Hannover Re encompasses:

- underwriting risks in property & casualty and life & health reinsurance which originate from our business activities and manifest themselves inter alia in fluctuations in loss estimates as well as in unexpected catastrophes and changes in biometric factors such as mortality,
- market risks which arise in connection with our investments and also as a consequence of the valuation of sometimes long-term payment obligations associated with the technical account,
- counterparty default risks resulting from our diverse business relationships and payment obligations inter alia with clients, retrocessionaires and banks,
- operational risks which may derive, for example, from deficient processes or systems and
- reputational risks, resulting for example from inadequate consideration of sustainability aspects, liquidity risks, strategic risks and emerging risks.

As a general principle, all risk types are influenced by sustainability considerations, including for example climate change.

At the present time, our most significant individual risks are the default and spread risks within the market risks, the reserving and catastrophe risks within the underwriting risks of property and casualty reinsurance and the mortality and morbidity risks within the underwriting risks of life and health reinsurance.

Strategy implementation

The Group strategy of Hannover Re for the strategy cycle 2021 – 2023 was adopted in the 2020 financial year. Our strategy is based on the interplay between performance drivers, performance enablers and solid fundamentals. Robust governance and risk management, integrated compliance and corporate social responsibility establish the foundation for our growth as a trusted global reinsurance partner.

Our risk strategy is derived from the corporate strategy. It is the core element in our handling of opportunities and risks. The risk strategy, risk register and central system of limits and thresholds – as integral components of our Risk and Capital Management Guideline – are reviewed at least once a year. In this way we ensure that our risk management system is kept up to date.

We manage our total enterprise risk such that we can expect to generate positive IFRS Group net income with a probability of at least 90% p.a. Our solvency ratio must amount to at least 180%, although 200% is already considered to be a threshold; countermeasures would be triggered if the solvency ratio were to fall below this threshold. These indicators are monitored using our internal capital model and the Executive Board is informed at least quarterly about adherence to these key parameters as part of regular risk reporting. The necessary equity resources are determined according to the requirements of our economic capital model, regulatory parameters, the expectations of rating agencies with respect to our target rating and the expectations of our clients.

Major external factors influencing risk management

This section describes and evaluates external factors and events from the first half of 2021 that had a particularly significant impact on risk management or could do so in the future.

Covid-19 pandemic: The Crisis Management Team set up in 2020 took various decisions to maintain regular business operations, including in response to official measures. These decisions encompassed an extensive reduction in travel, a broad-based changeover to teleworking and the use of videoconferences. These measures have proven successful and we have not so far identified any material impacts of the Covid-19 pandemic on our operations. Initial planning is underway for an orderly phased return to the company's locations.

We continue to evaluate our financial strength and profitability on a regular basis using stress tests and sensitivity analyses and we take steps as needed to reduce risks or strengthen our equity resources. The heaviest losses on the reinsurance side stemmed from the coverage of business interruptions, excess mortality, credit insurance and event cancellations. Given that the pandemic is still ongoing, forecasts remain subject to considerable uncertainty.

Tax reform: At the time of preparing the financial report, the OECD is expected to announce its report on the adoption of a revised framework for the international taxation rules governing multinational enterprises (MNEs). The package consists of two pillars. Pillar One envisages an allocation of taxing rights to markets where companies that meet certain size and profitability requirements – which Hannover Re will likely fulfil – have business activities and earn profits, although it is anticipated that financial services providers will be exempted from the application of Pillar One. Pillar Two contains rules governing the introduction of a global minimum corporate tax rate. This includes the so-called Subject to Tax Rule (STTR) governing the taxation of certain related party payments. In some instances this may present a risk for Hannover Re because we own subsidiaries in countries where the tax rate is lower than the agreed minimum rate. Further risks may be associated with the (potentially inconsistent and/or further-reaching) national implementation of these rules.

Regulatory developments: Of considerable importance to Hannover Re is the published proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend and heavily expand our non-financial reporting obligations under the Non-Financial Disclosure Regulation (NFRD). The CSRD requires companies to make available the data needed by financial institutions to meet their obligations under the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation.

Just as important are the technical standards relating to the Taxonomy Regulation, which clarify the information that must be disclosed about our Taxonomy-aligned business. In connection with the Taxonomy Regulation the EU has adopted a Delegated Act defining the Technical Screening Criteria (TSCs) for economic activities that can make a material contribution to climate change mitigation and climate change adaptation. The (so-called) Article 8 of the Taxonomy Regulation elaborates in detail how the reporting duties of companies under the Taxonomy will work within the current framework of non-financial reporting (NFRD —> CSRD) – in particular, how the KPIs are to be calculated. Essentially, companies will have to disclose the proportion of Taxonomy-aligned and non-Taxonomy-aligned activities in their total investments and total activities. For Hannover Re, this would involve the splitting of underwriting premiums into certain defined categories.

In its work programme for 2021 EIOPA has announced its intention to harmonise the rules for market access to third-country reinsurers as part of its supervisory convergence plan. Should Europe decide in favour of restrictions, there is a risk that this could lead to reciprocal actions by international jurisdictions. This also applies to the United Kingdom, in respect of which a decision on Solvency II equivalence has still to be taken.

EIOPA's position on Solvency II has been communicated to the European Commission, which is currently reviewing the proposals. The Commission is expected to publish a draft legislative package in the third quarter of 2021. This will be followed by trilogue negotiations, the duration of which has still to be determined. Multiple stakeholders are meeting with representatives of the European Commission to discuss EIOPA's proposals and express their concerns regarding the implications for the proposed regulation. At a number of public events the Commission has openly stated its willingness to deviate from EIOPA's recommendations.

In May 2021 EIOPA launched its 2021 insurance stress test, which runs until the middle of August 2021. The 2021 stress test focuses on a prolonged Covid-19 scenario – in a "lower for longer" interest rate environment. The scenario, developed in cooperation with the European Systemic Risk Board (ESRB), will assess the impact of economic consequences of the Covid-19 pandemic. The stress test will evaluate the impacts on both the capital and the liquidity position of the undertakings in scope.

EIOPA conducted and is again conducting over the course of 2021 several comparative studies on internal models in which Hannover Re is participating. Aspects such as diversification, the parameters and results of market risk models as well as those of non-life underwriting risk models are compared. The studies and their findings are intended to harmonise regulatory approaches in the EU and hence refine the supervision of internal models by building on the existing tools. Among other things, there is a systemic risk that the results may excessively restrict undertaking-specific approaches.

Risks from the processing of electronic data: Recent years have seen the increasing emergence of risks relating to electronic data and systems. Hannover Re, in common with other companies, is at risk of outside attacks on its own IT systems and has put in place extensive safeguards. Furthermore, Hannover Re offers reinsurance coverage for risks connected with electronic systems and data. The dynamic pace of developments in the context of digitalisation presents a particular challenge for the assessment of such risks. The mapping of cyber risks in the internal capital model is continuously improved, with the result that more detailed management and assessment of the cyber risk is now possible. The "silent cyber" risk is included, although we have been able to reduce the exposures through additional treaty wordings in the course of 2020 and 2021.

Natural catastrophe risks and climate change: Climate change, defined as naturally occurring or human-caused climatic changes, and the associated impacts pose a significant challenge for risk management. Recognition of a correlation between CO_2 emissions and the warming of the earth's atmosphere/increased moisture in the atmosphere is now supported by scientific evidence. It is likely that the increased storm activity, heatwaves and droughts, severe precipitation events and floods of recent years can be attributed in part to progressive global warming. Hannover Re cooperates with partners to very closely monitor the implications of global warming for extreme weather events so as to be able to factor the insights gained into the models and the management of risks. This already poses a significant macroeconomic risk today and has wide-ranging implications for the (re)insurance industry in common with many other sectors. As a meta-risk, the consequences of climate change can – like other ESG risks – affect various categories of our risk register. At the same time, the implications of climate change represent the most significant ESG risk for our company in relation to financial sustainability and are therefore closely analysed, monitored and controlled. The focus of our climate change risk analysis is currently on changes in the frequency and severity of natural catastrophes (physical risks) and on transitory risks, especially in connection with investments. We also continuously monitor potential liability risks in this regard.

In 2021 Hannover Re was again impacted by natural catastrophe events such as winter storm Uri and other events in various parts of the world (Europe, Australia). Particularly noteworthy in the half-year under review were the aforementioned North American storm and the consequences of the "winter freeze".

Biometric risks: We closely monitor the development of our mortality business (above all in the United States) as well as our worldwide morbidity business at all times, especially with an eye to the impacts of the Covid-19 pandemic.

Capital market environment: The general level of interest rates is a major external influencing factor on the return that can be generated from our investments. In this respect, interest rates rose – in some instances sharply – both in the euro area and in the US dollar and pound sterling markets in the first quarter. Negative yields are being seen on euro area government bonds extending well beyond the 10-year maturity point. Even though the US dollar and sterling markets have since recorded renewed modest declines, we benefit from the overall higher level in our new investments and reinvestment activities. On the whole, though, interest rates remain on a low level. Euro area bond yields, for example, were negative beyond the 10-year maturity point. As a further factor, risk premiums for emerging market bonds and lower-rated issuers have decreased since the turn of the year, while remaining very largely stable or at most showing slight declines in other areas. Broadly speaking, the economic repercussions of the Covid-19 pandemic continued to be substantially cushioned on financial markets through fiscal and monetary policy support. This was reinforced by the progress made so far with vaccination campaigns and a slow easing in pent-up consumption. In our assessment, gross domestic product on a pre-crisis level is well within reach for the United States even in the current year. As for the eurozone, this is our expectation for 2022. This impressive momentum is also reflected in commodity and transportation costs, which in turn serve to increase the general level of prices. Yet we do not share the systematic inflation concerns of other market players because we do not yet see any indications of structural inflation. We are nevertheless tracking the situation closely with an eye to opportunities that may present themselves.

Stock markets followed a steady, yet rather muted upward trajectory – especially in the second quarter. Having partially scaled back our equity allocation to make the most of market opportunities in the first quarter, we therefore did not yet see any adequate signals in the markets to prompt a rebuilding of the equity allocation.

Overall, the expansionary policies pursued by central banks in our main currency areas were absolutely consistent, albeit with differing measures that varied in scope. We continue to view these worldwide interventions by governments and central banks with their enormous money supply as a not inconsiderable challenge because in some ways they divorce the financial world from the natural, reciprocal control mechanisms of the financial markets and it is unclear to what extent the current or future valuation levels are supported by fundamentals. We therefore await the outcome of central bank meetings in the autumn with interest.

We continue to have exposure to the private equity market. Fair value changes here tend to be less influenced by general market conditions and more by company-specific evaluations. The risks are therefore primarily associated with the business model and profitability and to a lesser extent with the interest rate component in a consideration of cash flow forecasts. In the period under review, for example, we again see the need to take write-downs on isolated assets not as a reflection of a generally elevated risk in the market, but rather in the context of the risk profile specific to this asset class and set of company characteristics.

The significance of real estate risks remains substantial for us owing to our consistent participation in this sector. We spread these risks through broadly diversified investments in high-quality markets around the world, with each investment decision being preceded by extensive analyses of the relevant property, manager and market.

As part of our liquidity management we have defined asset holdings that have proven to be highly liquid – even in times of financial stress such as the 2008 financial crisis. These consist primarily of unrestricted German, UK and US government bonds and are intended to assure our ability to meet financial obligations even in the unlikely scenario of assumed extreme events coinciding. This liquid asset reserve stood at EUR 5.2 billion (previous year: EUR 5.5 billion) as at the balance sheet date. In addition, we manage the liquidity of the portfolio by checking on each trading day the liquidity of the instruments contained therein. These measures serve to effectively reduce the liquidity risk.

As far as our investments are concerned, we anticipate continuing elevated volatility on global capital markets in the immediate future, although we also see this as an opportunity and believe that we are appropriately prepared with our current investment posture. For further information please see the “Investments” section of the management report on page 9 et seq.

Opportunity report

Speed is one of the qualities used to measure a successful knowledge transfer. Quick solutions and staying one step ahead of the competition is the name of the game. Hannover Re searches systematically for new business opportunities in order to generate sustainable growth and strengthen the company’s profitable development. With a view to identifying opportunities and successfully translating ideas into business, Hannover Re adopts a number of closely related approaches in order to achieve holistic opportunity and risk management. Of significance here is the interplay without overlaps of the various functions within opportunity and risk management, which is ensured by defined interfaces.

Key elements in Hannover Re’s business opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups.

Trends affecting these business groups are systematically identified and analysed with the support of external sources and partners and the needs of our clients are anticipated along the entire insurance-related value chain. New business opportunities that promise access to innovative technologies and enhance our appeal in the eyes of customers are specifically pinpointed. With this in mind, Hannover Re cultivates relevant partnerships with accelerators, incubators, company builders, start-ups and research institutes in order to boost our competitiveness in the insurtech sector and the area of digital solutions. Various competence centres have been set up in the Hannover Re Group to evaluate the strategic and technical significance of innovative new digital technologies. They include an organisational unit that provides targeted support for insurtechs as they build their digital business models and develops appropriate reinsurance solutions, thereby also generating new premium potential for the Group.

Closing the protection gap

The economic costs of natural disasters have risen sharply as catastrophes have grown in number and severity. The heightened risk is primarily due to economic development and population growth, a greater concentration of assets in exposed regions and increasingly also to climate change. The gap between uninsured and insured losses is particularly large in emerging and developing countries. Against this backdrop, Hannover Re is stepping up its involvement through cooperation with both the public sector and private enterprise so as to further close the insurance gap for protection against natural disasters – especially those that are climate-related – in developing and emerging countries. By way of example, this is achieved in selected exposed countries in the context of the trilateral agreement between the Insurance Development Forum, the Federal Ministry for Economic Cooperation and Development and the United Nations Development Programme, by providing capacity for the Natural Disaster Fund as well as for regional risk pools against natural perils and through a number of other programmes with a bearing on reinsurance.

Corporate culture and entrepreneurship are increasingly coming into focus as further elements of the innovation landscape.

The dynamic networking of the members of staff active in the field of innovation at Hannover Re gives rise to close links with other projects, working groups and bodies, such as with the working group on "Emerging Risks und Scientific Affairs" in regard to emerging risks and opportunities. This working group carries out qualitative assessments of emerging risks. As a result, however, not only are the potential risks explored but also any available business opportunities. In the first half of 2021, issues such as "Demographics" and "Social Media", among others, were analysed by the working group, which stays in close contact with executive committees on the underwriting side. In this way, analyses can be conducted to counter new types of emerging risks and potential reinsurance solutions can be devised.

If a business idea is translated into reality and a new reinsurance product results, the normal procedure – provided the criteria defined for this purpose by Risk Management are applicable – is to work through the so-called new product process. This process is supported by Risk Management at Hannover Re. The process is always worked through if a contractual commitment is to be entered into in a form not previously used by Hannover Re or if a new type of risk is to be insured. If this is the case, all material internal and external influencing factors are examined beforehand by Risk Management (e. g. implications for the overall risk profile or the risk strategy) and evaluated. Risk Management ensures that before it can be used or sold a new reinsurance product must be approved by the Executive Board.

Overall assessment by the Executive Board

Based on our currently available insights arrived at from a holistic analysis of the opportunities and risks, the Executive Board of Hannover Re cannot discern any risks that could jeopardise the continued existence of the Hannover Re Group in the short or medium term or have a material and lasting effect on its assets, financial position or net income. We are convinced that:

- our established system of risk management affords us a transparent overview of the current risk situation at all times,
- our overall risk profile and the risk management system put in place on this basis are appropriate, and
- our business opportunity management plays an important part in Hannover Re's profitable growth.

As an internationally operating reinsurance group, we move in a highly complex environment. Nevertheless, thanks to our business activities in all lines of reinsurance we are able to achieve optimal risk spreading through geographical and risk-specific diversification while at the same time maintaining a balanced opportunity/risk profile. We consider the described risks to be manageable, particularly because our steering and monitoring measures are effectively and closely interlinked. Despite these diverse mechanisms, individual and especially accumulation risks can decisively affect our assets, financial position and net income. In accordance with our understanding of risk, however, we consider not only risks but also at the same time opportunities. We therefore only enter into those risks that go hand-in-hand with opportunities. Our steering and monitoring tools as well as our organisational and operational structure ensure that we identify risks at an early stage and are able to act on our opportunities. Our central monitoring tool is the system of risk management that we have installed Group-wide, which brings together both qualitative and quantitative information for effective tracking of risks. Most notably, the interplay between domestic and foreign risk management functions affords us a holistic and Group-wide overview.

Our own evaluation of the manageability of existing risks is confirmed by various financial indicators and external assessments. Specific monitoring indicators, notification thresholds and potential escalation steps are defined on a mandatory basis in our central system of limits and thresholds for the material risks of the Hannover Re Group. As a result, the system provides us with a precise overview of potentially undesirable developments in the defined risk tolerances and enables us to react in a timely manner. One testament to our financial stability, for example, is the growth of our shareholders' equity: the total policyholders' surplus (hybrid capital, non-controlling interests and shareholders' equity) stands at 202% of the corresponding figure from 2011. In this context, our necessary equity resources are determined by the requirements of our economic capital model, solvency regulations, the assumptions of rating agencies with respect to our target rating and the expectations of our clients and shareholders. This increase gives us a sufficient capital cushion to be able both to absorb risks and act on business opportunities that may arise. Similarly, our very good financial strength ratings also testify to our financial stability. The quality of our Enterprise Risk Management (ERM), for example, is assessed by Standard & Poor's as a key factor in the rating process. Special consideration is given to our established risk management culture, which promotes the development of appropriate risk monitoring systems and supports strategic risk management. The rating encompasses in particular the areas of risk culture, risk controls, emerging risk management, risk models and strategic risk management. This external appraisal confirms the quality of our holistic approach to risk management.

In addition, the risk trigger mechanism and internal monitoring system are reviewed annually by the independent auditor in relation to the financial reporting.

The Group-wide risk management system is also a regular part of the audits conducted by the internal audit function.

Outlook for 2021

Forecast

- Gross premium for the Group expected to post growth in the upper single-digit percentages at constant exchange rates
- Return on investment of around 2.4% targeted
- Combined ratio not to exceed 96%
- Group net income guidance of EUR 1.15 billion to EUR 1.25 billion for 2021 confirmed

The Covid-19 pandemic continues to set the tone for global reinsurance markets in the current financial year.

In property and casualty reinsurance, however, it is our assumption that the pandemic-related reserves established in 2020 are still adequate overall. We therefore anticipate a combined ratio of no more than 96% in the current financial year. This is further supported by the successful treaty renewals in the current financial year, which to some extent will already be reflected in improved profitability prospects in 2021 as well as in subsequent years.

In life and health reinsurance, the future pandemic-related loss experience will be dependent on the success of ongoing vaccination campaigns around the world, further containment efforts and the possible implications of virus variants. It is our expectation that our additional strains will therefore diminish accordingly in the second half of the year.

All in all, we consider ourselves well placed to achieve our guidance for the current financial year. The anticipated return on investment remains unchanged at around 2.4% and we expect growth in Group gross premium in the upper single-digit percentages adjusted for exchange rate effects. On the Group level we still anticipate net income of EUR 1.15 billion to EUR 1.25 billion for the 2021 financial year.

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 unforeseen downturns 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. For the second half of the year we are also already seeing indications of losses from the riots in South Africa. Further details are provided in section 8.6. "Events after the end of the reporting period".

Our dividend policy remains unchanged. Hannover Re envisages a payout ratio for the ordinary dividend in the range of 35% to 45% of IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend subject to a comfortable level of capitalisation and Group net income within the bounds of expectations.

Consolidated financial statements

Consolidated balance sheet as at 30 June 2021

Assets

in EUR thousand	30.6.2021	31.12.2020[1]
Fixed-income securities – held to maturity	122,502	185,577
Fixed-income securities – loans and receivables	2,417,429	2,312,840
Fixed-income securities – available for sale	42,173,861	38,851,723
Fixed-income securities – at fair value through profit or loss	72,599	105,711
Equity securities – available for sale	294,896	378,422
Other financial assets – at fair value through profit or loss	195,783	234,689
Investment property	1,615,554	1,589,238
Real estate funds	657,817	582,296
Investments in associated companies	378,822	361,617
Other invested assets	3,058,285	2,794,016
Short-term investments	415,046	327,426
Cash and cash equivalents	1,445,138	1,278,071
Total investments and cash under own management	**52,847,732**	**49,001,626**
Funds withheld	10,384,676	9,659,807
Contract deposits	333,651	298,344
Total investments	**63,566,059**	**58,959,777**
Reinsurance recoverables on unpaid claims	1,860,654	1,883,270
Reinsurance recoverables on benefit reserve	198,401	192,135
Prepaid reinsurance premium	269,873	165,916
Reinsurance recoverables on other technical reserves	1,255	1,106
Deferred acquisition costs	3,505,784	3,073,117
Accounts receivable	7,198,300	5,605,803
Goodwill	83,420	80,965
Deferred tax assets	586,779	597,986
Other assets	809,155	859,136
Accrued interest and rent	19,566	18,264
Total assets	**78,099,246**	**71,437,475**

[1] Restated pursuant to IAS 8

Liabilities

in EUR thousand	30.6.2021	31.12.2020[1]
Loss and loss adjustment expense reserve	36,651,416	33,929,230
Benefit reserve	7,434,973	7,217,988
Unearned premium reserve	6,894,663	5,070,009
Other technical provisions	761,063	701,577
Funds withheld	643,216	582,316
Contract deposits	3,571,560	3,255,453
Reinsurance payable	2,067,340	1,777,761
Provisions for pensions	209,726	229,252
Taxes	167,400	132,736
Deferred tax liabilities	2,749,826	2,731,648
Other liabilities	887,991	538,813
Financing liabilities	4,177,745	3,431,276
Total liabilities	**66,216,919**	**59,598,059**
Shareholders' equity		
Common shares	120,597	120,597
Nominal value: 120,597 Conditional capital: 24,119		
Additional paid-in capital	724,562	724,562
Common shares and additional paid-in capital	**845,159**	**845,159**
Cumulative other comprehensive income		
Unrealised gains and losses on investments	1,888,838	2,275,936
Cumulative foreign currency translation adjustment	(25,625)	(330,693)
Changes from hedging instruments	(10,718)	(8,678)
Other changes in cumulative other comprehensive income	(72,502)	(83,792)
Total other comprehensive income	**1,779,993**	**1,852,773**
Retained earnings	8,425,448	8,297,114
Equity attributable to shareholders of Hannover Rück SE	**11,050,600**	**10,995,046**
Non-controlling interests	831,727	844,370
Total shareholders' equity	**11,882,327**	**11,839,416**
Total liabilities	**78,099,246**	**71,437,475**

1 Restated pursuant to IAS 8

Consolidated statement of income as at 30 June 2021

in EUR thousand	1.4.– 30.6.2021	1.1.– 30.6.2021	1.4.– 30.6.2020	1.1.– 30.6.2020
Gross written premium	6,655,335	14,464,599	6,170,847	13,146,136
Ceded written premium	721,499	1,384,543	590,057	1,213,743
Change in gross unearned premium	(155,029)	(1,662,374)	(290,593)	(1,628,703)
Change in ceded unearned premium	43,784	97,616	(2,972)	74,394
Net premium earned	**5,822,591**	**11,515,298**	**5,287,225**	**10,378,084**
Ordinary investment income	371,463	681,701	281,401	607,661
Profit/loss from investments in associated companies	3,807	16,019	5	6,431
Realised gains and losses on investments	51,839	142,021	37,961	139,825
Change in fair value of financial instruments	6,558	(43,141)	39,004	50,648
Total depreciation, impairments and appreciation of investments	17,318	38,372	56,532	85,101
Other investment expenses	33,254	64,578	31,105	62,659
Net income from investments under own management	**383,095**	**693,650**	**270,734**	**656,805**
Income/expense on funds withheld and contract deposits	41,650	172,151	50,691	136,278
Net investment income	**424,745**	**865,801**	**321,425**	**793,083**
Other technical income	50	112	–	–
Total revenues	**6,247,386**	**12,381,211**	**5,608,650**	**11,171,167**
Claims and claims expenses	4,244,768	8,630,539	4,273,343	8,198,297
Change in benefit reserves	(61,214)	(113,501)	(60,693)	(145,482)
Commission and brokerage, change in deferred acquisition costs	1,448,401	2,785,581	1,281,082	2,546,594
Other acquisition costs	1,154	2,243	1,273	2,376
Administrative expenses	132,326	258,435	128,450	242,944
Total technical expenses	**5,765,435**	**11,563,297**	**5,623,455**	**10,844,729**
Other income	134,650	396,181	110,647	399,980
Other expenses	64,328	257,988	18,978	222,909
Other income/expenses	70,322	138,193	91,669	177,071
Operating profit (EBIT)	**552,273**	**956,107**	**76,864**	**503,509**
Financing costs	21,405	40,125	23,643	47,104
Net income before taxes	**530,868**	**915,982**	**53,221**	**456,405**
Taxes	146,296	212,145	(42,688)	51,464
Net income	**384,572**	**703,837**	**95,909**	**404,941**
thereof				
Non-controlling interest in profit and loss	19,913	33,285	(5,566)	2,589
Group net income	**364,659**	**670,552**	**101,475**	**402,352**
Earnings per share (in EUR)				
Basic earnings per share	3.02	5.56	0.85	3.34
Diluted earnings per share	3.02	5.56	0.85	3.34

Consolidated statement of comprehensive income as at 30 June 2021

in EUR thousand	1.4.–30.6.2021	1.1.–30.6.2021	1.4.–30.6.2020	1.1.–30.6.2020
Net income	**384,572**	**703,837**	**95,909**	**404,941**
Not reclassifiable to the consolidated statement of income				
Actuarial gains and losses				
Gains (losses) recognised directly in equity	3,952	18,515	(19,566)	4,384
Tax income (expense)	(1,282)	(6,041)	6,372	(1,418)
	2,670	**12,474**	**(13,194)**	**2,966**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	–	134	(76)	22
	–	**134**	**(76)**	**22**
Income and expense recognised directly in equity that cannot be reclassified				
Gains (losses) recognised directly in equity	3,952	18,649	(19,642)	4,406
Tax income (expense)	(1,282)	(6,041)	6,372	(1,418)
	2,670	**12,608**	**(13,270)**	**2,988**
Reclassifiable to the consolidated statement of income				
Unrealised gains and losses on investments				
Gains (losses) recognised directly in equity	432,621	(418,472)	1,271,588	728,655
Transferred to the consolidated statement of income	(46,627)	(128,818)	1,256	(66,052)
Tax income (expense)	(80,046)	153,403	(326,904)	(126,221)
	305,948	**(393,887)**	**945,940**	**536,382**
Currency translation				
Gains (losses) recognised directly in equity	(120,110)	355,111	(121,505)	(129,466)
Tax income (expense)	12,174	(45,838)	6,758	20,013
	(107,936)	**309,273**	**(114,747)**	**(109,453)**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	(2,562)	(55)	3,785	34
	(2,562)	**(55)**	**3,785**	**34**
Changes from hedging instruments				
Gains (losses) recognised directly in equity	(4,662)	(2,398)	3,145	(4,167)
Tax income (expense)	1,333	388	(1,736)	1,931
	(3,329)	**(2,010)**	**1,409**	**(2,236)**
Reclassifiable income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	305,287	(65,814)	1,157,013	595,056
Transferred to the consolidated statement of income	(46,627)	(128,818)	1,256	(66,052)
Tax income (expense)	(66,539)	107,953	(321,882)	(104,277)
	192,121	**(86,679)**	**836,387**	**424,727**
Total income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	309,239	(47,165)	1,137,371	599,462
Transferred to the consolidated statement of income	(46,627)	(128,818)	1,256	(66,052)
Tax income (expense)	(67,821)	101,912	(315,510)	(105,695)
	194,791	**(74,071)**	**823,117**	**427,715**
Total recognised income and expense	**579,363**	**629,766**	**919,026**	**832,656**
thereof				
Attributable to non-controlling interests	29,004	31,994	32,577	9,707
Attributable to shareholders of Hannover Rück SE	550,359	597,772	886,449	822,949

Consolidated statement of changes in shareholders' equity as at 30 June 2021

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
Balance as at 1.1.2020	**120,597**	**724,562**	**1,287,907**	**385,153**
Net income	–	–	–	–
Total income and expense recognised directly in equity	–	–	528,647	(108,564)
Total recognised income and expense	**–**	**–**	**528,647**	**(108,564)**
Dividends paid	–	–	–	–
Changes in ownership interest with no change of control status	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Balance as at 30.6.2020	**120,597**	**724,562**	**1,816,554**	**276,589**
Balance as at 1.1.2021	**120,597**	**724,562**	**2,275,936**	**(330,693)**
Net income	–	–	–	–
Total income and expense recognised directly in equity	–	–	(387,098)	305,068
Total recognised income and expense	**–**	**–**	**(387,098)**	**305,068**
Dividends paid	–	–	–	–
Changes in ownership interest with no change of control status	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Balance as a 30.6.2021	**120,597**	**724,562**	**1,888,838**	**(25,625)**

Continuation: Other reserves (cumulative other comprehensive income) Hedging instruments	Other	Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
(1,276)	**(66,077)**	**8,077,123**	**10,527,989**	**826,490**	**11,354,479**
–	–	402,352	402,352	2,589	404,941
(2,187)	2,701	–	420,597	7,118	427,715
(2,187)	**2,701**	**402,352**	**822,949**	**9,707**	**832,656**
–	–	(663,284)	(663,284)	(44,560)	(707,844)
–	–	86	86	(19)	67
–	–	–	–	4	4
–	–	–	–	(30)	(30)
–	–	(33)	(33)	–	(33)
(3,463)	(63,376)	7,816,244	10,687,707	791,592	11,479,299
(8,678)	**(83,792)**	**8,297,114**	**10,995,046**	**844,370**	**11,839,416**
–	–	670,552	670,552	33,285	703,837
(2,040)	11,290	–	(72,780)	(1,291)	(74,071)
(2,040)	**11,290**	**670,552**	**597,772**	**31,994**	**629,766**
–	–	(542,687)	(542,687)	(44,817)	(587,504)
–	–	518	518	191	709
–	–	–	–	10	10
–	–	–	–	(21)	(21)
–	–	(49)	(49)	–	(49)
(10,718)	(72,502)	8,425,448	11,050,600	831,727	11,882,327

Consolidated accounts

Consolidated cash flow statement as at 30 June 2021

in EUR thousand		1.1.–30.6.2021	1.1.–30.6.2020
I.	**Cash flow from operating activities**		
	Net income	703,837	404,941
	Appreciation/depreciation	61,580	98,042
	Realised gains and losses on investments	(142,021)	(139,825)
	Change in fair value of financial instruments (through profit or loss)	43,141	(50,648)
	Amortisation	35,037	44,828
	Changes in funds withheld	(380,723)	(277,637)
	Changes in contract deposits	215,689	(169,010)
	Changes in prepaid reinsurance premium	1,564,758	1,554,309
	Change in tax assets/provisions for taxes	227,647	(104,284)
	Change in benefit reserve	(51,556)	(99,525)
	Changes in claims reserves	1,951,805	1,680,458
	Change in deferred acquisition costs	(354,459)	(207,148)
	Change in other technical provisions	44,501	26,237
	Change in accounts receivable/payable	(1,218,145)	(1,062,140)
	Change in other assets and liabilities	(20,702)	(27,477)
	Cash flow from operating activities	**2,680,389**	**1,671,121**

in EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	62,265	5,041
Fixed-income securities – loans and receivables		
Maturities, sales	74,441	82,734
Purchases	(138,170)	(468,755)
Fixed-income securities – available for sale		
Maturities, sales	7,831,443	6,644,095
Purchases	(10,929,425)	(6,760,414)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	37,171	156,016
Purchases	–	(190,588)
Equity securities – available for sale		
Sales	147,337	5,504
Purchases	(17,144)	(268,088)
Other financial assets – at fair value through profit or loss		
Sales	36,360	64,610
Purchases	(24,590)	(63,163)
Other invested assets		
Sales	319,382	826,798
Purchases	(331,550)	(974,110)
Affiliated companies and participating interests		
Sales	5,181	103
Purchases	(12,710)	(30,981)
Real estate and real estate funds		
Sales	27,558	78,580
Purchases	(100,198)	(108,278)
Short-term investments		
Changes	(76,554)	66,229
Other changes (net)	387,269	71,474
Cash flow from investing activities	**(2,701,934)**	**(863,193)**

EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
III. Cash flow from financing activities		
Contribution from capital measures	10	4
Payment on capital measures	(21)	(30)
Structural change without loss of control	709	67
Dividends paid	(587,504)	(707,844)
Proceeds from long-term debts	743,749	869
Repayment of long-term debts	(14,645)	(6,988)
Other changes	(49)	(33)
Cash flow from financing activities	**142,249**	**(713,955)**
IV. Exchange rate differences on cash	**46,363**	**(26,792)**
Cash and cash equivalents at the beginning of the period	**1,278,071**	**1,090,852**
Change in cash and cash equivalents (I. + II. + III. + IV.)	**167,067**	**67,181**
Cash and cash equivalents at the end of the period	**1,445,138**	**1,158,033**
Thereof cash and cash equivalents of the disposal group	–	3,684
Cash and cash equivalents at the end of the period excluding the disposal group	**1,445,138**	**1,154,349**
Supplementary information on the cash flow statement[1]		
Income taxes paid (on balance)	(8,664)	(135,172)
Dividend receipts[2]	141,990	59,173
Interest received	830,814	820,037
Interest paid	(254,234)	(131,979)

[1] The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.
[2] Including dividend-like profit participations from investment funds

Notes to the consolidated financial statements as at 30 June 2021

Notes

1. General reporting principles

Hannover Rück SE and its subsidiaries (collectively referred to as the "Hannover Re Group" or "Hannover Re") are 50.2% (rounded) owned by Talanx AG and included in its consolidated financial statement. Talanx AG is majority-owned by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). Hannover Re is obliged to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB). Furthermore, HDI is required by §§ 341 i et seq. German Commercial Code (HGB) to prepare consolidated annual accounts that include the annual financial statements of Hannover Rück SE and its subsidiaries. Hannover Rück SE is a European Company, Societas Europaea (SE), and its registered office is located at Karl-Wiechert-Allee 50, 30625 Hannover, Germany.

The consolidated financial statement of Hannover Re was drawn up in compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods.

As provided for by IAS 34, in our preparation of the consolidated quarterly financial statement, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and selected explanatory notes, we draw on estimates and assumptions to a greater extent than is the case with the annual financial reporting. This can have implications for items in the balance sheet and the statement of income as well as for other financial obligations. Although the estimates are always based on realistic premises, they are of course subject to uncertainties that may be reflected accordingly in the result. Losses from natural disasters and other catastrophic losses impact the result of the reporting period in which they occur. Furthermore, belatedly reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

The present consolidated quarterly financial statement was prepared by the Executive Board on 30 July 2021 and released for publication.

2. Accounting principles including major accounting policies

The quarterly accounts of the consolidated companies included in the consolidated financial statement were drawn up as at 30 June 2021.

The consolidated half-yearly financial report was compiled in accordance with IAS 34 "Interim Financial Reporting". Consequently, the accounting policies adopted in the period under review were the same as those applied in the preceding consolidated annual financial statement. For more details of the accounting policies please see the Group annual financial report for the previous year.

All standards adopted by the IASB as at 30 June 2021 with binding effect for the period under review have been observed in the consolidated financial statement.

Accounting standards applied for the first time

With the entry into force on 1 January 2021 of "Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9", mandatory initial application of IFRS 9 for insurance and reinsurance undertakings has been deferred by a further year to 1 January 2023. We would refer the reader to our remarks in the following subsection and to the Group annual financial report of the previous year.

In addition, the amendments to existing standards indicated below were applicable for the first time in the reporting period and had no significant implications for the consolidated financial statement:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions

Standards or changes in standards that have not yet entered into force or are not yet applicable

Hannover Re continues to meet the requirements for application of "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)", which was published in September 2016, regarding temporary deferral of IFRS 9. The deferral approach allows for a temporary exemption from recognising financial instruments in accordance with IFRS 9 until probable entry into force of IFRS 17 "Insurance Contracts" on 1 January 2023. For further explanatory remarks on the implications of application of IFRS 9 as well as IFRS 17, we would refer to the Group annual financial report for the previous year.

Furthermore, the IASB has issued the following amendments to existing standards, application of which was not yet mandatory in the reporting period. Hannover Re is refraining from early application of these amendments, which are not expected to have any significant implications for the Group's net assets, financial position or results of operations.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Annual Improvements 2018–2020

Key exchange rates

The individual companies' statements of income prepared in the respective functional currency are converted into euro at the average rates of exchange and transferred to the consolidated financial statement. The conversion of foreign currency items in the balance sheets of the individual companies and the transfer of these items to the consolidated financial statement are effected at the mean rates of exchange on the balance sheet date.

Key exchange rates

	30.6.2021	31.12.2020	1.1.–30.6.2021	1.1.–30.6.2020
1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.5846	1.6030	1.5725	1.6709
BHD	0.4484	0.4634	0.4548	0.4173
CAD	1.4728	1.5704	1.5092	1.5045
CNY	7.6805	8.0199	7.8006	7.7768
GBP	0.8578	0.9041	0.8708	0.8737
HKD	9.2375	9.5286	9.3631	8.5840
INR	88.4115	90.1030	88.5638	81.5606
KRW	1,339.4800	1,335.8500	1,345.9000	1,330.5086
MYR	4.9346	4.9613	4.9342	4.6835
SEK	10.1135	10.0560	10.1333	10.6426
USD	1.1894	1.2291	1.2064	1.1054
ZAR	17.0025	18.0114	17.5632	18.2181

3. Change in accounting policies

In the 2020 consolidated financial statement components of a structured transaction in the life reinsurance segment were presented separately under the investments and the technical items. After fresh, in-depth analysis of the contractual details of the transaction, however, we consider a combined view of the components of the transaction entirely within the technical items of the balance sheet from the perspective of the Hannover Re Group as unified reporting subject matter to be a more appropriate presentation for providing reliable and relevant information with respect to the financial implications of the transaction.

The effects of this change on the individual items of the consolidated balance sheet are shown in the following table. There were no implications for Group net income.

Restatements pursuant to IAS 8

in EUR thousand	31.12.2020
Consolidated balance sheet	
Fixed-income securities – loans and receivables	(219,306)
Deferred acquisition costs	216,046
Other assets	966
Other liabilities	(2,294)

4. Consolidated companies and consolidation principles

Capital consolidation

The capital consolidation is carried out according to the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all entities that identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. Group companies are consolidated from the point in time when Hannover Re gains control over them. Control exists if Hannover Re directly or indirectly has decision-making power over a Group company on the basis of voting rights or other rights, if it has exposure or rights to positive and negative variable returns from its involvement with the Group company and if it can use its power to influence these returns. All of these criteria must be met. Other circumstances may also give rise to control, for example the existence of a principal-agent relationship. In this case a party outside the Group with decision-making powers (agent) acts for Hannover Re, but does not control the company since it merely exercises decision-making powers that have been delegated by Hannover Re (principal). In the context of their operational activities some companies belonging to the Hannover Re Group enter into business relations with structured entities that are also to be examined in accordance with IFRS 10 in conjunction with IFRS 12 with an eye to their implications for consolidation. Structured entities are entities designed in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Consolidation decisions are reviewed as necessary and at least once a year. Group companies are consolidated until the Hannover Re Group loses control over them. The accounting policies of Group companies are adjusted, where necessary, in order to ensure consistent application of the Hannover Re Group's accounting policies. The capital consolidation is based on the acquisition method. In the context of the acquisition method the acquisition costs, measured at the fair value of the consideration rendered by the parent company on the acquisition date, are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 goodwill is not amortised, but instead impairment is taken where necessary on the basis of annual impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence. Costs associated with acquisition are expensed.

Companies over which Hannover Re is able to exercise a significant influence are consolidated as associated companies using the equity method of accounting with the proportion of the shareholders' equity attributable to the Group. A significant influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. We also derive evidence of significant influence over an associated company from representation on a governing body of such company, participation in its policy-making processes – e. g. with respect to dividends or other distributions –, the existence of material inter-company transactions, the possibility of interchanging managerial personnel or the provision of key technical information for the company. Income from investments in associated companies is recognised separately in the consolidated statement of income.

Non-controlling interests in shareholders' equity are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements". The non-controlling interest in profit or loss, which forms part of net income and is shown separately after net income as a "thereof" note, amounted to EUR 33.3 million (EUR 2.6 million) as at 30 June 2021.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2020.

Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement are offset against each other. Profits and expenses from business transactions within the Group are also eliminated.

Transactions between a disposal group and the continuing operations of the Group are similarly eliminated in accordance with IFRS 10.

Major acquisitions and new formations

No major acquisitions and no new formations have taken place in the current financial year.

Major disposals

No major disposals have taken place in the current financial year.

5. Group segment report

Segmentation of assets	Property and casualty reinsurance	
in EUR thousand	30.6.2021	31.12.2020[1]
Assets		
Fixed-income securities – held to maturity	100,109	139,867
Fixed-income securities – loans and receivables	2,071,225	1,998,611
Fixed-income securities – available for sale	32,009,122	29,422,685
Equity securities – available for sale	294,896	378,422
Financial assets at fair value through profit or loss	85,027	110,304
Other invested assets	4,772,830	4,384,139
Short-term investments	273,362	244,474
Cash and cash equivalents	1,027,681	901,989
Total investments and cash under own management	**40,634,252**	**37,580,491**
Funds withheld	3,154,532	2,569,420
Contract deposits	3,216	5,404
Total investments	**43,792,000**	**40,155,315**
Reinsurance recoverables on unpaid claims	1,709,002	1,730,507
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	269,725	165,834
Reinsurance recoverables on other technical reserves	528	562
Deferred acquisition costs	1,613,544	1,169,521
Accounts receivable	5,568,267	4,155,372
Other assets in the segment	3,338,973	2,788,243
Total assets	**56,292,039**	**50,165,354**

Segmentation of liabilities		
in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	31,410,006	29,194,354
Benefit reserve	–	–
Unearned premium reserve	6,487,584	4,709,229
Provisions for contingent commissions	459,268	395,296
Funds withheld	390,599	342,420
Contract deposits	81,218	80,369
Reinsurance payable	1,420,582	1,157,650
Financing liabilities	422,211	420,348
Other liabilities in the segment	2,907,195	2,478,161
Total liabilities	**43,578,663**	**38,777,827**

[1] Restated pursuant to IAS 8

Life and health reinsurance		Consolidation		Total	
30.6.2021	31.12.2020[1]	30.6.2021	31.12.2020[1]	30.6.2021	31.12.2020[1]
22,393	45,710	–	–	122,502	185,577
330,708	299,180	15,496	15,049	2,417,429	2,312,840
10,146,024	9,429,038	18,715	–	42,173,861	38,851,723
–	–	–	–	294,896	378,422
183,355	230,096	–	–	268,382	340,400
934,047	920,960	3,601	22,068	5,710,478	5,327,167
141,152	82,221	532	731	415,046	327,426
414,203	371,972	3,254	4,110	1,445,138	1,278,071
12,171,882	**11,379,177**	**41,598**	**41,958**	**52,847,732**	**49,001,626**
7,230,144	7,090,387	–	–	10,384,676	9,659,807
330,435	292,940	–	–	333,651	298,344
19,732,461	**18,762,504**	**41,598**	**41,958**	**63,566,059**	**58,959,777**
151,652	152,763	–	–	1,860,654	1,883,270
198,401	192,135	–	–	198,401	192,135
305	82	(157)	–	269,873	165,916
727	544	–	–	1,255	1,106
1,892,240	1,903,596	–	–	3,505,784	3,073,117
1,630,033	1,450,628	–	(197)	7,198,300	5,605,803
509,981	470,282	(2,350,034)	(1,702,174)	1,498,920	1,556,351
24,115,800	**22,932,534**	**(2,308,593)**	**(1,660,413)**	**78,099,246**	**71,437,475**

5,241,410	4,734,876	–	–	36,651,416	33,929,230
7,434,973	7,217,988	–	–	7,434,973	7,217,988
407,079	360,780	–	–	6,894,663	5,070,009
301,795	306,281	–	–	761,063	701,577
252,617	239,896	–	–	643,216	582,316
3,490,342	3,175,084	–	–	3,571,560	3,255,453
647,072	620,111	(314)	–	2,067,340	1,777,761
33,964	35,010	3,721,570	2,975,918	4,177,745	3,431,276
3,464,341	2,863,934	(2,356,593)	(1,709,646)	4,014,943	3,632,449
21,273,593	**19,553,960**	**1,364,663**	**1,266,272**	**66,216,919**	**59,598,059**

Segment statement of income	Property and casualty reinsurance	
in EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
Gross written premium	10,266,540	9,174,203
Net premium earned	7,846,643	6,869,071
Net investment income	584,386	458,693
thereof		
Change in fair value of financial instruments	4,133	(1,304)
Total depreciation, impairments and appreciation of investments	38,356	83,273
Income/expense on funds withheld and contract deposits	14,705	25,524
Claims and claims expenses	5,272,484	5,009,822
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	2,146,392	1,934,217
Administrative expenses	125,718	111,286
Other income and expenses	(108,530)	17,577
Operating profit/loss (EBIT)	**777,905**	**290,016**
Financing costs	1,035	1,068
Net income before taxes	**776,870**	**288,948**
Taxes	152,522	42,661
Net income	**624,348**	**246,287**
thereof		
Non-controlling interest in profit or loss	32,261	1,553
Group net income	**592,087**	**244,734**

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2020. It follows the system used for internal reporting purposes, on the basis of which the full Executive Board regularly evaluates the performance of segments and decides on the allocation of resources to them. The "Consolidation" column includes not only the elimination of cross-segment transactions but also, more significantly, companies whose business operations cannot be unambiguously allocated to property and casualty reinsurance or life and health reinsurance. These are principally the service and financing companies belonging to the Group. Since the performance indicators used to steer the segments correspond to the system according to which the consolidated financial statement is prepared, a separate reconciliation of the segment results with the Group result is not provided. We would also refer to the relevant information in the Group annual financial report as at 31 December 2020.

In the current financial year there have been no material changes in the consolidated group.

Life and health reinsurance		Consolidation		Total	
1.1.–30.6.2021	1.1.–30.6.2020	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–30.6.2021	1.1.–30.6.2020
4,198,059	3,971,933	–	–	14,464,599	13,146,136
3,668,500	3,508,896	155	117	11,515,298	10,378,084
280,667	332,940	748	1,450	865,801	793,083
(47,274)	51,952	–	–	(43,141)	50,648
16	1,828	–	–	38,372	85,101
157,446	110,754	–	–	172,151	136,278
3,358,055	3,188,475	–	–	8,630,539	8,198,297
(113,501)	(145,482)	–	–	(113,501)	(145,482)
641,320	614,753	–	–	2,787,712	2,548,970
132,937	131,390	(220)	268	258,435	242,944
248,706	161,451	(1,983)	(1,957)	138,193	177,071
179,062	**214,151**	**(860)**	**(658)**	**956,107**	**503,509**
767	752	38,323	45,284	40,125	47,104
178,295	**213,399**	**(39,183)**	**(45,942)**	**915,982**	**456,405**
72,508	23,958	(12,885)	(15,155)	212,145	51,464
105,787	**189,441**	**(26,298)**	**(30,787)**	**703,837**	**404,941**
1,024	1,036	–	–	33,285	2,589
104,763	**188,405**	**(26,298)**	**(30,787)**	**670,552**	**402,352**

6. Notes on the individual items of the balance sheet

6.1. Investments under own management

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Hannover Re classifies investments according to the following categories: held-to-maturity, loans and receivables, financial assets at fair value through profit or loss and available-for-sale. The allocation and measurement of investments are determined by the investment intent.

The investments under own management also encompass investments in associated companies, real estate and real estate funds (also includes: investment property), other invested assets, short-term investments as well as cash and cash equivalents. Real estate as well as investments held by disposal groups which are intended for sale as defined by IFRS 5 are recognised separately in the consolidated balance sheet. Intentions to sell are substantiated by individual real estate market conditions and specific property circumstances, taking into consideration current and future opportunity/risk profiles.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2020.

The following table shows the regional origin of the investments under own management.

Investments

in EUR thousand	30.6.2021	31.12.2020[1]
Regional origin		
Germany	7,448,435	8,206,449
United Kingdom	3,653,584	3,673,652
France	2,015,542	1,439,647
Other	7,655,432	6,814,913
Europe	**20,772,993**	**20,134,661**
USA	17,791,162	15,621,305
Other	2,652,979	2,364,724
North America	**20,444,141**	**17,986,029**
Asia	5,617,546	5,044,810
Australia	2,930,352	2,982,749
Australasia	**8,547,898**	**8,027,559**
Africa	335,925	335,887
Other	2,746,775	2,517,490
Total	**52,847,732**	**49,001,626**

[1] Restated pursuant to IAS 8

Maturities of the fixed-income and variable-yield securities

in EUR thousand	30.6.2021 Amortised cost[1]	30.6.2021 Fair value	31.12.2020 Amortised cost[1,2,3]	31.12.2020 Fair value[3]
Held to maturity				
due in one year	74,617	75,408	136,693	139,574
due after one through two years	47,542	50,109	–	–
due after two through three years	–	–	48,284	51,684
due after three through four years	–	–	–	–
due after four through five years	–	–	–	–
due after five through ten years	–	–	–	–
due after more than ten years	343	126	600	217
Total	**122,502**	**125,643**	**185,577**	**191,475**
Loans and receivables				
due in one year	328,706	331,339	273,701	277,587
due after one through two years	649,395	665,580	191,024	200,587
due after two through three years	228,907	238,238	597,031	613,668
due after three through four years	90,161	99,763	92,742	99,564
due after four through five years	329,369	371,702	136,620	152,813
due after five through ten years	398,872	455,581	674,921	778,086
due after more than ten years	392,019	422,377	346,801	395,661
Total	**2,417,429**	**2,584,580**	**2,312,840**	**2,517,966**
Available for sale				
due in one year[2]	4,603,098	4,620,539	4,304,412	4,318,468
due after one through two years	3,402,686	3,467,805	3,278,457	3,359,359
due after two through three years	3,098,041	3,197,773	3,294,465	3,413,253
due after three through four years	3,696,654	3,802,945	2,919,887	3,077,189
due after four through five years	3,360,262	3,442,165	3,347,071	3,485,182
due after five through ten years	15,975,331	16,701,488	14,567,732	15,567,648
due after more than ten years	8,286,423	8,801,330	6,397,959	7,236,121
Total	**42,422,495**	**44,034,045**	**38,109,983**	**40,457,220**
Financial assets at fair value through profit or loss				
due in one year	12,336	12,336	29,009	29,009
due after one through two years	9,365	9,365	28,145	28,145
due after two through three years	25,134	25,134	31,446	31,446
due after three through four years	20,557	20,557	9,122	9,122
due after four through five years	845	845	3,757	3,757
due after five through ten years	4,362	4,362	4,232	4,232
due after more than ten years	–	–	–	–
Total	**72,599**	**72,599**	**105,711**	**105,711**

1 Including accrued interest
2 Including short-term investments and cash
3 Restated pursuant to IAS 8

Notes

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

	30.6.2021				
in EUR thousand	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Debt securities issued by semi-governmental entities	15,341	340	98	–	15,439
Corporate securities	47,542	551	2,566	–	50,108
Covered bonds/asset-backed securities	59,619	1,796	694	217	60,096
Total	**122,502**	**2,687**	**3,358**	**217**	**125,643**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

	31.12.2020				
in EUR thousand	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Debt securities issued by semi-governmental entities	23,260	130	554	–	23,814
Corporate securities	48,285	1,292	3,400	–	51,685
Covered bonds/asset-backed securities	114,032	2,627	2,327	383	115,976
Total	**185,577**	**4,049**	**6,281**	**383**	**191,475**

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value

	30.6.2021				
in EUR thousand	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,065,989	16,550	100,001	–	1,165,990
Corporate securities	972,679	22,217	20,156	2,461	990,374
Covered bonds / asset-backed securities	378,761	7,608	50,148	693	428,216
Total	**2,417,429**	**46,375**	**170,305**	**3,154**	**2,584,580**

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value

	31.12.2020				
in EUR thousand	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,117,235	17,285	124,022	–	1,241,257
Corporate securities [1]	817,108	11,836	30,470	8,026	839,552
Covered bonds / asset-backed securities	378,497	6,399	58,660	–	437,157
Total	**2,312,840**	**35,520**	**213,152**	**8,026**	**2,517,966**

[1] Restated pursuant to IAS 8

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

in EUR thousand	30.6.2021				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	4,515,529	17,009	291,591	14,021	4,793,099
US Treasury notes	7,895,612	25,742	382,677	35,573	8,242,716
Other foreign government debt securities	3,986,910	32,278	122,707	19,809	4,089,808
Debt securities issued by semi-governmental entities	6,495,707	46,329	280,312	37,239	6,738,780
Corporate securities	14,800,487	129,802	629,898	68,666	15,361,719
Covered bonds / asset-backed securities	2,741,792	16,165	77,379	10,811	2,808,360
Investment funds	126,112	–	13,795	528	139,379
	40,562,149	**267,325**	**1,798,359**	**186,647**	**42,173,861**
Equity securities					
Shares	1,731	–	414	–	2,145
Investment funds	180,876	–	111,875	–	292,751
	182,607	**–**	**112,289**	**–**	**294,896**
Short-term investments	415,208	1,333	94	256	415,046
Total	41,159,964	268,658	1,910,742	186,903	42,883,803

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

	31.12.2020				
in EUR thousand	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	5,012,966	20,970	380,394	1,540	5,391,820
US Treasury notes	7,260,239	24,856	505,067	11,222	7,754,084
Other foreign government debt securities	3,700,451	31,029	165,774	6,671	3,859,554
Debt securities issued by semi-governmental entities	5,870,954	46,222	400,193	3,523	6,267,624
Corporate securities	12,140,504	116,310	818,711	8,595	12,950,620
Covered bonds/asset-backed securities	2,390,407	18,538	102,621	8,271	2,484,757
Investment funds	128,820	–	14,726	282	143,264
	36,504,341	**257,925**	**2,387,486**	**40,104**	**38,851,723**
Equity securities					
Shares	587	–	36	–	623
Investment funds	267,442	–	110,357	–	377,799
	268,029	**–**	**110,393**	**–**	**378,422**
Short-term investments	327,571	1,655	54	199	327,426
Total	**37,099,941**	**259,580**	**2,497,933**	**40,303**	**39,557,571**

Notes

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets

in EUR thousand	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
	Fair value before accrued interest		Accrued interest		Fair value	
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	72,146	105,007	453	704	72,599	105,711
	72,146	**105,007**	**453**	**704**	**72,599**	**105,711**
Other financial assets						
Derivatives	195,783	234,728	–	(39)	195,783	234,689
	195,783	**234,728**	**–**	**(39)**	**195,783**	**234,689**
Total	**267,929**	**339,735**	**453**	**665**	**268,382**	**340,400**

Information on fair values and fair value hierarchy

The methods and models set out below are used to establish the fair value of financial instruments on the assets and liabilities side of the balance sheet. The fair value of a financial instrument corresponds in principle to the amount that Hannover Re would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial instruments, their bid price is used. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of mathematical finance. Hannover Re uses a number of different valuation models for this purpose. The details are set out in the following table.

Valuation models

Financial instrument	Parameter	Pricing model
Fixed-income securities		
Unlisted plain vanilla bonds, interest rate swaps	Interest rate curve	Present value method
Unlisted structured bonds	Interest rate curve, volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
Unlisted ABS/MBS, CDO/CLO	Risk premiums, default rates, prepayment speed and recovery rates	Present value method
Other invested assets		
Unlisted equities and equity investments	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Capitalised earnings method, discounted cash flow method, multiple-based approaches
Private equity funds, private equity real estate funds	Audited net asset values (NAV)	Net asset value method
Unlisted bond, equity and real estate funds	Audited net asset values (NAV)	Net asset value method
Other financial assets – at fair value through profit or loss		
Currency forwards	Interest rate curves, spot and forward rates	Interest parity model
Inflation swaps	Inflation swap rates (Consumer Price Index), historical index fixings, interest rate curve	Present value method with seasonality adjustment
OTC stock options, OTC stock index options	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
Insurance derivatives	Fair values, actuarial parameters, interest rate curve	Present value method

Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 "Fair Value Measurement", it is necessary to assign financial assets and liabilities to a three-level fair value hierarchy.

The fair value hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets.
- Level 2: Assets or liabilities which are measured using observable market data and are not allocable to level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

If input factors from different levels are used to measure a financial instrument, the level of the lowest input factor material to measurement is determinative.

The operational units responsible for coordinating and documenting measurement are organisationally separate from the operational units that enter into investment risks. All relevant valuation processes and valuation methods are documented. Decisions on fundamental valuation issues are taken by a valuation committee that meets monthly.

In the current reporting period, as in the comparable period of the previous year, no financial assets or liabilities had to be reclassified to a different level of the fair value hierarchy.

The following table shows the breakdown of financial assets and liabilities recognised at fair value into the three-level fair value hierarchy.

Fair value hierarchy of financial assets and liabilities recognised at fair value

	30.6.2021			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	28,914	42,217,546	–	42,246,460
Equity securities	294,896	–	–	294,896
Other financial assets	–	37,065	158,718	195,783
Real estate funds	–	–	657,817	657,817
Other invested assets	–	–	2,230,603	2,230,603
Short-term investments	415,046	–	–	415,046
Total financial assets	**738,856**	**42,254,611**	**3,047,138**	**46,040,605**
Other liabilities	–	71,621	25,081	96,702
Total financial liabilities	**–**	**71,621**	**25,081**	**96,702**

Notes

Fair value hierarchy of financial assets and liabilities recognised at fair value

	31.12.2020			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	22,301	38,935,133	–	38,957,434
Equity securities	378,422	–	–	378,422
Other financial assets	–	80,000	154,689	234,689
Real estate funds	–	–	582,296	582,296
Other invested assets	–	–	1,982,592	1,982,592
Short-term investments	327,426	–	–	327,426
Total financial assets	**728,149**	**39,015,133**	**2,719,577**	**42,462,859**
Other liabilities	–	58,798	26,488	85,286
Total financial liabilities	**–**	**58,798**	**26,488**	**85,286**

The following table provides a reconciliation of the fair values of financial assets and liabilities included in level 3 at the beginning of the period with the fair values as at the balance sheet date.

Movements in level 3 financial assets and liabilities

	1.1. – 30.6.2021			
in EUR thousand	Other financial assets	Real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**154,689**	**582,296**	**1,982,592**	**26,488**
Currency translation at 1 January	5,170	9,315	42,320	885
Net book value after currency translation	**159,859**	**591,611**	**2,024,912**	**27,373**
Income and expenses				
Recognised in the statement of income	14,399	(5,633)	(14,554)	(3,582)
Recognised directly in shareholders' equity	–	23,840	198,195	–
Purchases	15,426	71,280	195,316	794
Sales	33,603	23,965	175,208	–
Transfers to level 3	–	–	–	–
Transfers from level 3	–	–	–	–
Currency translation at 30 June	2,637	684	1,942	496
Closing balance at 30 June of the year under review	**158,718**	**657,817**	**2,230,603**	**25,081**

Movements in level 3 financial assets and liabilities

in EUR thousand	1.1. – 30.6.2020 Other financial assets	Real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**160,418**	**534,739**	**1,841,392**	**30,042**
Currency translation at 1 January	(92)	17,933	(951)	(17)
Net book value after currency translation	**160,326**	**552,672**	**1,840,441**	**30,025**
Income and expenses				
Recognised in the statement of income	19,045	(6,787)	(43,456)	(3,793)
Recognised directly in shareholders' equity	–	3,634	(74,630)	–
Purchases	26,282	38,806	208,071	3,492
Sales	41,012	12,524	56,648	–
Transfers to level 3	–	–	–	–
Transfers from level 3	–	–	–	–
Currency translation at 30 June	(7,901)	(303)	(1,090)	(1,972)
Closing balance at 30 June of the year under review	**156,740**	**575,498**	**1,872,688**	**27,752**

The breakdown of income and expenses recognised in the statement of income in the reporting period in connection with financial assets and liabilities assigned to level 3 is as follows.

Income and expenses from level 3 financial assets and liabilities

in EUR thousand	1.1. – 30.6.2021 Other financial assets	Real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Ordinary investment income	–	–	(56)	–
Realised gains and losses on investments	–	–	(162)	–
Change in fair value of financial instruments	14,399	–	(432)	3,582
Total depreciation, impairments and appreciation of investments	–	(5,633)	(13,904)	–
Thereof attributable to financial instruments included in the portfolio at 30 June of the year under review				
Ordinary investment income	–	–	(56)	–
Change in fair value of financial instruments	(12,341)	–	15	3,582
Total depreciation, impairments and appreciation of investments	–	(5,633)	(13,905)	–

Income and expenses from level 3 financial assets and liabilities

in EUR thousand	1.1. – 30.6.2020			
	Other financial assets	Real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Ordinary investment Income	–	–	(7)	–
Realised gains and losses on investments	–	–	(4)	–
Change in fair value of financial instruments	19,045	–	1,509	3,793
Total depreciation, impairments and appreciation of investments	–	(6,787)	(44,954)	–
Thereof attributable to financial instruments included in the portfolio at 30 June of the year under review				
Ordinary investment income	–	–	(7)	–
Change in fair value of financial instruments	19,045	–	1,509	3,793
Total depreciation, impairments and appreciation of investments	–	(6,787)	(44,954)	–

If models are used to measure financial assets and liabilities included in level 3 under which the adoption of alternative inputs leads to a material change in fair value, IFRS 13 requires disclosure of the effects of these alternative assumptions. Of the financial assets included in level 3 with fair values of altogether EUR 3,047.1 million (EUR 2,719.6 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 2,795.0 million (EUR 2,450.0 million) using the net asset value method. These items consist principally of shares in private equity and real estate funds. Assuming that the present values of the assets and liabilities contained in the funds would be 10% lower than used for measurement as at the balance sheet date, the fair values for these items would amount to EUR 2,515.5 million. The remaining financial assets included in level 3 with a volume of EUR 252.1 million (EUR 269.6 million) relate to financial assets, the valuation of which is based on technical parameters. Derivative financial instruments in connection with the reinsurance business were recognised under the other liabilities included in level 3 in the year under review. Their performance is dependent upon the risk experience of an underlying group of primary insurance contracts with statutory reserving requirements. The application of alternative inputs and assumptions has no material effect on the consolidated financial statement.

6.2. Financing liabilities

Hannover Re recognised altogether five (four) subordinated bonds placed on the European capital market with an amortised cost of EUR 2,976.9 million (EUR 2,231.6 million) as at the balance sheet date.

The subordinated debt from the 2012 financial year in an amount of EUR 500.0 million was issued through Hannover Finance (Luxembourg) S.A. The fair value of the bond as at 30 June 2021 was EUR 548.2 million (EUR 571.1 million).

Four (three) further subordinated debts from the 2014 and 2020 financial years with volumes of EUR 500.0 million each and from the 2019 and 2021 financial years with volumes of EUR 750.0 million each, the combined fair values of which were EUR 2,600.0 million (EUR 1,879.1 million), were issued by Hannover Rück SE.

In April 2018 Hannover Rück SE issued a senior unsecured bond with a volume of EUR 750.0 million. The bond has a maturity of 10 years. The fair value of this bond was EUR 805.1 million (EUR 828.9 million) as at the balance sheet date.

For further information regarding the maturity and coupon of these bonds please see the Group annual financial report for the previous year.

In addition, long-term debt of EUR 372.9 million (EUR 372.7 million), which is principally used for financing real estate transactions, as well as lease liabilities of EUR 83.5 million (EUR 82.8 million) existed as at the balance sheet date.

6.3. Shareholders' equity, non-controlling interests and treasury shares

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The common shares (share capital of Hannover Rück SE) amount to EUR 120,597,134.00. They are divided into 120,597,134 voting and dividend-bearing registered ordinary shares in the form of no-par shares. The shares are paid in in full. Each share carries an equal voting right and an equal dividend entitlement.

Non-controlling interests in the shareholders' equity of the subsidiaries amounted to EUR 831.7 million (EUR 844.4 million) as at the balance sheet date. They were principally attributable to non-controlling interests in the shareholders' equity of E+S Rückversicherung AG in an amount of EUR 723.3 million (EUR 759.7 million).

Conditional capital of up to EUR 24,119,426 is available. It can be used to grant shares to holders of bonds and / or profit-sharing rights with conversion rights and warrants and has a time limit of 4 May 2026.

In addition, authorised capital of up to EUR 24,119,426 is similarly available with a time limit of 4 May 2026.

The subscription right of shareholders may be excluded in each case with the consent of the Supervisory Board under certain conditions.

The Executive Board is authorised, with the consent of the Supervisory Board, to acquire treasury shares – including through the use of derivatives – up to an amount of 10% of the share capital. The authorisation has a time limit of 5 May 2025.

The Executive Board is additionally authorised, with the consent of the Supervisory Board, to use an amount of up to EUR 1,000 thousand of the existing authorised capital to issue employee shares.

The Annual General Meeting of Hannover Rück SE resolved on 5 May 2021 to distribute a gross dividend of EUR 4.50 per share, altogether EUR 542.7 million (EUR 663.3 million), for the 2020 financial year.

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. As part of this year's employee share option plan Hannover Rück SE acquired altogether 15,766 (16,511) treasury shares during the second quarter of 2021 on the legal basis of § 71 Para. 1 No. 2 Stock Corporation Act (AktG) and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 May 2025. This transaction resulted in an expense of EUR 0.5 million (EUR 0.5 million), which was recognised under personnel expenditure, as well as a negligible change in retained earnings recognised in equity. The company was no longer in possession of treasury shares as at the balance sheet date.

The net increase in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 42.5 million (in the previous year a net decrease of EUR 35.3 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

7. Notes on the individual items of the statement of income

7.1. Gross written premium

Gross written premium

in EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
Regional origin		
Germany	1,257,289	1,010,376
United Kingdom	1,808,312	1,648,707
France	556,268	579,149
Other	1,682,672	1,437,192
Europe	**5,304,541**	**4,675,424**
USA	4,436,634	4,071,843
Other	740,126	579,685
North America	**5,176,760**	**4,651,528**
Asia	2,236,158	2,293,020
Australia	891,391	741,774
Australasia	**3,127,549**	**3,034,794**
Africa	293,959	244,118
Other	561,790	540,272
Total	14,464,599	13,146,136

7.2. Investment income

Investment income

in EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
Income from real estate	75,414	78,763
Dividends	4,433	3,107
Interest income	489,634	505,622
Other investment income	112,220	20,169
Ordinary investment income	**681,701**	**607,661**
Profit or loss on shares in associated companies	16,019	6,431
Realised gains on investments	206,914	174,024
Realised losses on investments	64,893	34,199
Change in fair value of financial instruments	(43,141)	50,648
Impairments on real estate	23,762	27,729
Impairments on fixed-income securities	233	11,796
Impairments on participating interests and other financial assets	14,377	45,576
Other investment expenses	64,578	62,659
Net income from assets under own management	**693,650**	**656,805**
Interest income on funds withheld and contract deposits	290,048	174,085
Interest expense on funds withheld and contract deposits	117,897	37,807
Total investment income	865,801	793,083

The impairments totalling EUR 20.2 million (EUR 66.6 million) were attributable in an amount of EUR 13.9 million (EUR 45.0 million) to alternative investments. Impairments of EUR 5.6 million (EUR 9.2 million) were recognised on real estate and real estate funds. The write-downs taken on fixed-income securities totalled EUR 0.2 million

(EUR 11.8 million). Impairments of EUR 0.5 million (EUR 0.6 million) were taken on other invested assets. These write-downs were not opposed by any write-ups.

The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date since overdue securities are written down immediately.

In the first quarter of 2021 a cedant of Hannover Rück SE disposed of parts of its life insurance portfolio. In this context it was possible to partially liquidate or restructure the collateralisation arrangements that had been put in place by Hannover Rück SE in connection with the reinsurance of this portfolio. This restructuring gave rise to a positive earnings contribution overall amounting to EUR 129.3 million before tax in the first quarter of 2021.

Interest income on investments

in EUR thousand	1.1.–30.6.2021	1.1.–30.6.2020
Fixed-income securities – held to maturity	2,750	4,253
Fixed-income securities – loans and receivables	41,018	39,475
Fixed-income securities – available for sale	434,509	446,128
Financial assets – at fair value through profit or loss	1,582	2,339
Other	9,775	13,427
Total	**489,634**	**505,622**

8. Other notes

8.1. Derivative financial instruments and financial guarantees

Derivatives are financial instruments, the fair value of which is derived from an underlying trading instrument such as equities, bonds, indices or currencies. We use derivative financial instruments in order to hedge parts of our portfolio against interest rate and market price risks, optimise returns or realise intentions to buy/sell. In this context we take special care to limit the risks, select first-class counterparties and adhere strictly to the standards defined by investment guidelines.

Hannover Re holds derivative financial instruments to hedge interest rate risks from loans connected with the financing of real estate; these gave rise to recognition of other liabilities in an amount of EUR 3.0 million (EUR 4.2 million).

Hannover Re's portfolio contained forward exchange transactions that gave rise to recognition of other liabilities in an amount of EUR 56.0 million (EUR 46.5 million) and other financial assets at fair value through profit or loss in an amount of EUR 15.2 million (EUR 7.2 million). The decrease in equity from hedging instruments recognised directly in equity pursuant to IAS 39 derived in an amount of EUR 1.2 million (EUR 1.7 million) from the forward exchange transactions taken out to hedge currency risks from long-term investments in foreign operations. These hedging instruments resulted in the recognition of other liabilities of EUR 1.2 million (EUR 1.0 million).

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re took out hedges in 2014 in the form of so-called equity swaps. The fair value of these instruments amounted to EUR 1.4 million (EUR 0.0 million) as at the balance sheet date and was recognised under other liabilities. The hedge gave rise to a decrease in equity from hedging instruments recognised directly in equity in an amount of EUR 1.2 million (EUR 5.9 million); ineffective components of the hedge were recognised in a minimal amount as income.

The net changes in the fair value of the aforementioned instruments resulted in a charge of EUR 7.8 million (EUR 6.3 million) to the result of the period under review.

Derivative financial instruments in connection with reinsurance

A number of treaties in life and health reinsurance meet criteria which require application of the stipulations contained in IFRS 4 "Insurance Contracts" governing embedded derivatives. These accounting regulations require that certain derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract"), reported separately at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and recognised under investments. Fluctuations in the fair value of the derivative components are to be recognised through profit and loss in subsequent periods.

Within the scope of the accounting of "modified coinsurance" and "coinsurance funds withheld" (ModCo) reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of the income

Notes

from certain securities of the ceding company, the interest-rate risk elements are clearly and closely related to the underlying reinsurance arrangements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio.

Hannover Re calculates the fair values of the embedded derivatives in ModCo treaties using the market information available on the valuation date on the basis of a credit spread method. Under this method the derivative has no value on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities. The derivative was recognised in an amount of EUR 1.6 million (EUR 15.2 million) under other financial assets at fair value through profit or loss and in an amount of EUR 0.4 million (EUR 0.3 million) under other liabilities as at the balance sheet date. In the course of the year the change in the fair value of the derivative gave rise in total to a charge of EUR 14.1 million (EUR 9.7 million) before tax.

A derivative financial instrument was also unbundled from another similarly structured transaction in previous years. This gave rise to recognition of other financial assets at fair value through profit or loss in an amount of EUR 20.3 million (EUR 57.6 million). The performance of this derivative has reduced the result by EUR 39.8 million in the financial year to date (improvement of EUR 40.2 million).

A number of transactions concluded in the Life&Health reinsurance business group in previous years, under which Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments, are also to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be categorised and recognised as stand-alone credit derivatives pursuant to IAS 39. These derivative financial instruments were carried in equity on initial recognition. The fair value of these instruments was EUR 28.3 million (EUR 31.6 million) on the balance sheet date and was recognised under other financial assets at fair value through profit or loss. The change in value in subsequent periods is dependent upon the risk experience and has led to an improvement of EUR 17.1 million (EUR 20.2 million) in investment income in the financial year to date.

A retrocession agreement in the area of life and health reinsurance under which the premiums were deposited with Hannover Re and invested in a structured bond was terminated as scheduled. The retrocessionaire furnished a guarantee for its fair value. In accordance with the requirements of IFRS 4 this guarantee was unbundled from the retrocession agreement and carried as a derivative financial instrument at fair value. In the course of the previous year the change in the fair value of the derivative resulted in a charge of EUR 2.6 million. Conversely, the performance of the structured bond, which was also measured at fair value, gave rise to income in the same amount in the previous year.

In the area of life and health reinsurance a reinsurance treaty with a financing component was also written in previous years under which the amount and timing of the return flows are dependent on lapse rates within an underlying primary insurance portfolio. This treaty and a corresponding retrocession agreement, which were classified as financial instruments pursuant to IAS 39, resulted in the recognition of other liabilities of EUR 25.1 million (EUR 26.5 million) and other financial assets at fair value through profit or loss in an amount of EUR 130.4 million (EUR 123.1 million). Altogether, these arrangements have given rise to an improvement in income of EUR 0.9 million (EUR 2.6 million) in the course of the financial year to date.

At the end of the 2017 financial year an index-linked cover was written for longevity risks. The resulting derivative was recognised as at the balance sheet date with a negative fair value of EUR 2.9 million (EUR 2.2 million) under other liabilities. The change in the fair value of the derivative has given rise to income of EUR 2.2 million (expense of EUR 2.7 million) in the course of the financial year to date.

All in all, application of the standards governing the accounting for derivatives in connection with the technical account led to recognition of assets totalling EUR 180.6 million (EUR 227.5 million) as well as recognition of liabilities in an amount of EUR 35.1 million (EUR 33.7 million) from the derivatives resulting from technical items as at the balance sheet date. Improvements in investment income amounting to EUR 20.2 million (EUR 64.6 million) as well as charges to income of EUR 56.0 million (EUR 15.0 million) have been recognised in the current year under review from all separately measured derivatives in connection with the technical account.

Financial guarantees

Structured transactions were entered into in the life and health reinsurance segment in order to finance statutory reserves (so-called Triple-X or AXXX reserves) of US ceding companies. In each case such structures necessitated the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedants above a contractually defined retention and transfer these risks by way of a fixed/floating swap to a member company of the Hannover Re Group. The total amount of the contractually agreed capacities of the transactions is equivalent to EUR 2,529.1 million (EUR 2,447.3 million); an amount equivalent to EUR 1,788.0 million (EUR 1,901.8 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by companies belonging to the Hannover Re Group cover their payment obligations. Under some of the transactions the payments resulting from the swaps in the event of a claim are reimbursed by the parent companies of the cedants by way of compensation agreements. In this case the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision. Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end Hannover Re uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date.

8.2. Related party disclosures

IAS 24 "Related Party Disclosures" defines related parties as group entities of a common parent, associated entities, legal entities under the influence of key management personnel and the key management personnel of the entity itself. Transactions between Hannover Rück SE and its subsidiaries, which are to be regarded as related parties, were eliminated through consolidation and are therefore not discussed in the notes to the consolidated financial statement. In the period under review the following significant business relations existed with related parties.

Talanx AG holds an unchanged majority interest of 50.22% in Hannover Rück SE. For its part, HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI), Hannover, holds a stake of 79.0% in Talanx AG.

The business relationship between Hannover Rück SE and its subsidiary E+S Rückversicherung AG is based on a cooperation agreement. A retrocession by Hannover Rück SE to E+S Rückversicherung AG exists in property and casualty reinsurance. E+S Rückversicherung AG and Hannover Rück SE bear exclusive responsibility for German business and for international markets respectively.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, contractors all risks, group accident and business travel insurance. Divisions of Talanx AG also performed services for the Hannover Re Group in the areas of taxes and general administration. Divisions of Hannover Rück SE performed services in connection with the insurance and reinsurance business of HDI Global Specialty SE, a joint venture of Hannover Rück SE and HDI Global SE.

Talanx Reinsurance Broker GmbH and Talanx AG grant Hannover Rück SE and E+S Rückversicherung AG a preferential position as reinsurers of cedants within the Talanx Group. In addition, Hannover Rück SE and E+S Rückversicherung AG are able to participate in the protection covers on the retention of Group cedants and share in the protection afforded by them. In certain circumstances Hannover Rück SE and E+S Rückversicherung AG are obliged to assume unplaced shares of the reinsurance of Group cedants from Talanx Reinsurance Broker GmbH.

The Hannover Re Group provides reinsurance protection for the HDI Group. To this extent, numerous underwriting business relations exist with related parties in Germany and abroad which are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions.

The reinsurance relationships with related parties in the period under review are shown with their total amounts in the following table.

Business assumed and ceded in Germany and abroad

in EUR thousand	1.1.–30.6.2021			1.1.–30.6.2020		
	Property and casualty reinsurance	Life and health reinsurance	Total	Property and casualty reinsurance	Life and health reinsurance	Total
Material items in the statement of income						
Business assumed						
Premium	991,381	70,474	1,061,855	830,984	65,742	896,726
Underwriting result	7,386	9,889	17,275	(79,216)	10,374	(68,842)
Business ceded						
Premium	(2,327)	(34,702)	(37,029)	6,508	(37,545)	(31,037)
Underwriting result	5,205	(5,183)	22	10,935	(4,979)	5,956
Total						
Premium	989,054	35,772	1,024,826	837,492	28,197	865,689
Underwriting result	12,591	4,706	17,297	(68,281)	5,395	(62,886)

in EUR thousand	30.6.2021			31.12.2020		
	Property and casualty reinsurance	Life and health reinsurance	Total	Property and casualty reinsurance	Life and health reinsurance	Total
Material items in the balance sheet						
Assets						
Funds withheld	127,593	915,304	1,042,897	51,966	784,123	836,089
Deferred acquisition costs	297,451	18,675	316,126	245,179	21,942	267,121
Accounts receivable	663,798	8,172	671,970	521,810	14,566	536,376
Liabilities						
Loss and loss adjustment expense reserve	3,044,215	47,653	3,091,868	2,801,376	46,269	2,847,645
Benefit reserve	–	94,725	94,725	–	95,746	95,746
Unearned premium reserve	1,029,059	163	1,029,222	828,114	98	828,212
Contract deposits	–	792,739	792,739	–	663,479	663,479
Reinsurance payable	33,232	17,742	50,974	24,367	18,676	43,043

In the context of a bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rückversicherung AG invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 47.5 million (EUR 47.5 million) including accrued interest of EUR 0.5 million (EUR 0.5 million).

HDI Lebensversicherung AG, Cologne, participated in a nominal amount of EUR 50.0 million in the subordinated bond issued by Hannover Rück SE in September 2014 with a coupon of 3.375%.

Within the contractually agreed framework Ampega Asset Management GmbH performs investment and asset management services for Hannover Rück SE and some of its subsidiaries. Assets in special funds are managed by Ampega Investment GmbH. Ampega Real Estate GmbH performs services for Hannover Re under a number of management contracts.

Hannover Rück SE has concluded agreements with Ampega Asset Management GmbH, HDI Global Specialty SE, Talanx Reinsurance Broker GmbH and Svedea AB that enable these companies to use software for screening sanctions lists.

Under long-term lease arrangements, companies belonging to the Hannover Re Group rented out business premises in 2015 to HDI Service AG, Hannover.

Furthermore, IT and management services were performed for Talanx Reinsurance Broker AG, Hannover, under service contracts.

Actuarial opinions with respect to the pension commitments given to staff are drawn up for Hannover Rück SE and E+S Rückversicherung AG by HDI Pensionsmanagement AG and HDI Lebensversicherung AG under an actuarial service contract.

Talanx AG performs various services in the area of taxes for a number of investment vehicles of the Hannover Re Group in the asset classes of private equity and real estate. In this regard corresponding agreements have been concluded with altogether nine Hannover Re companies.

Since 2012 a service agreement has existed between Hannover Rück SE and Talanx AG regarding the use of data acquisition software for Group accounting purposes.

Hannover Rück SE has concluded a service contract with HDI Service AG in the area of flight services as well as a contract regarding the reciprocal provision of business continuity management services.

Since 2004 a service agreement has existed between Hannover Rück SE, E+S Rückversicherung AG and Talanx Reinsurance Broker GmbH regarding the receipt of market security services and access to the business partner information system of Hannover Rück SE.

8.3. Staff

As at the balance sheet date altogether 3,308 (3,218) staff were employed by the Hannover Re Group, with 1,443 (1,407) employed in Germany and 1,865 (1,811) working for the consolidated Group companies abroad.

8.4. Earnings per share

Calculation of the earnings per share

	1.1.–30.6.2021	1.1.–30.6.2020
Group net income in EUR thousand	670,552	402,352
Weighted average of issued shares	120,596,871	120,596,859
Basic earnings per share in EUR	5.56	3.34
Diluted earnings per share in EUR	5.56	3.34

The earnings per share is calculated by dividing the net income attributable to the shareholders of Hannover Rück SE by the weighted average number of shares outstanding within the period under review.

Neither in the period under review nor in the previous reporting period were there any dilutive effects.

The weighted average number of issued shares was slightly below the number of shares outstanding as at the balance sheet date. On the basis of this year's employee share option plan Hannover Rück SE acquired treasury shares in the course of the second quarter of 2021 and sold them to eligible employees at a later date.

The weighted average number of shares does not include 15,766 (16,511) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in section 6.3 "Shareholders' equity, non-controlling interests and treasury shares".

There were no other extraordinary components of income which should have been recognised or disclosed separately in the calculation of the earnings per share.

The earnings per share could potentially be diluted in future through the issue of shares or subscription rights from the authorised or conditional capital.

8.5. Contingent liabilities and commitments

Hannover Rück SE has secured by subordinated guarantee the subordinated debt issued by Hannover Finance (Luxembourg) S.A. in the 2012 financial year in an amount of EUR 500.0 million.

The guarantee given by Hannover Rück SE for the subordinated debt attaches if the issuer fails to render payments due under the bond. The guarantees cover the relevant bond volume as well as interest due until the repayment dates. Given the fact that interest on the bond is partly dependent on the capital market rates applicable at the interest payment dates (floating rate), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Rück SE does not have any rights of recourse outside the Group with respect to the guarantee payments.

As security for technical liabilities to our US clients, we have established two trust accounts (master trust and supplemental trust) in the United States. They amounted to EUR 4,070.2 million (EUR 3,939.7 million) and EUR 239.2 million (EUR 208.6 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as available-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 3,734.9 million (EUR 2,814.5 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 2,841.0 million (EUR 2,464.4 million) which was furnished by investors as security for potential reinsurance obligations from ILS transactions.

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 3,160.5 million (EUR 3,065.2 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 1,090.8 million (EUR 1,448.4 million).

We put up own investments with a book value of EUR 49.8 million (EUR 37.3 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 3.3 million (EUR 2.8 million) for existing derivative transactions.

As collateral for commitments in connection with participating interests in real estate companies and real estate transactions, the usual collateral under such transactions has been furnished to various banks, the amount of which totalled EUR 673.6 million (EUR 662.3 million) as at the balance sheet date.

Outstanding capital commitments with respect to alternative investments exist on the part of the Group in an amount of EUR 1,495.5 million (EUR 1,275.6 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

Group companies are members of the association for the reinsurance of pharmaceutical risks and several atomic and nuclear pools. The failure of one of the other pool members to meet its liabilities would result in an additional call according to the quota participation.

Hannover Rück SE has put up a guarantee limited to GBP 10 million (EUR 11.7 million) for an indefinite period in favour of the pension scheme "The Congregational & General Insurance Plc Pension and Life Assurance Scheme" of the liquidated company Congregational & General Insurance Plc., Bradford/UK, at usual market conditions.

The application of tax regulations may not have been resolved at the time when tax items are brought to account. The calculation of tax refund claims and tax liabilities is based on what we consider to be the regulations most likely to be applied in each case. The revenue authorities may, however, take a differing view, as a consequence of which additional tax liabilities could arise in the future.

Hannover Rück SE enters into contingent liabilities as part of its normal business operations. A number of reinsurance treaties concluded by Group companies with outside third parties include letters of comfort, guarantees or novation agreements under which Hannover Rück SE guarantees the liabilities of the subsidiary in question or enters into the rights and obligations of the subsidiary under the treaties if particular constellations materialise.

8.6. Events after the end of the reporting period

Continuous rain caused a severe weather disaster in July with major flooding in parts of Germany, Belgium, Austria and Switzerland. Riots and looting also broke out in South Africa after the end of the second quarter.

The scale of the insured losses for the Hannover Re Group cannot as yet be definitively quantified, although overall we anticipate large loss expenditure in the lower- to mid-triple-digit millions from the aforementioned events which will probably not exceed our budget for such events in Q3.

Despite the major losses already incurred after the end of the reporting period, we are therefore maintaining our previous guidance for the current financial year.

Hannover, 30 July 2021

Executive Board

Henchoz Althoff Chèvre

Jungsthöfel Dr. Miller Dr. Pickel Sehm

Review report by the independent auditors

To Hannover Rück SE, Hannover

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and the notes to the consolidated financial statements – together with the interim Group management report of Hannover Rück SE, for the period from 1 January to 30 June 2021, which are components of the half-yearly financial report pursuant to §115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim management report for the Group in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim management report for the Group based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim management report for the Group in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with our mandate, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hannover, 2 August 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Mathias Röcker
Wirtschaftsprüfer

Dennis Schnittger
Wirtschaftsprüfer

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hannover, 30 July 2021

Executive Board

Henchoz Althoff Chèvre

Jungsthöfel Dr. Miller Dr. Pickel Sehm

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