somewhat different

Half-yearly Financial Report 2022

hannover re®

Key figures

in EUR million	2022					2021		
	1.1.– 31.3.	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.	31.12.
Results								
Gross written premium	9,333.4	8,008.9	+20.3%	17,342.4	+19.9%	6,655.3	14,464.6	
Net premium earned	6,710.2	7,056.5	+21.2%	13,766.7	+19.6%	5,822.6	11,515.3	
Net underwriting result [1]	(102.0)	62.2	-37.1%	(39.8)	-132.0%	98.9	124.3	
Net investment income	483.9	496.1	+16.8%	980.0	+13.2%	424.7	865.8	
Operating profit (EBIT)	396.4	522.9	-5.3%	919.3	-3.9%	552.3	956.1	
Group net income	263.6	385.1	+5.6%	648.7	-3.3%	364.7	670.6	
Balance sheet								
Policyholders' surplus	14,464.9			12,661.1	-19.5%		14,859.2	15,733.6
Equity attributable to shareholders of Hannover Rück SE	10,694.6			8,969.3	-24.5%		11,050.6	11,885.0
Non-controlling interests	792.1			712.6	-18.2%		831.7	871.2
Hybrid capital	2,978.2			2,979.2	+0.1%		2,976.9	2,977.4
Investments (excl. Funds withheld by ceding companies)	56,245.2			56,230.5	+0.0%		52,847.7	56,213.2
Total assets	86,307.1			87,802.8	+5.9%		78,099.2	82,902.3
Share								
Earnings per share (basic and diluted) in EUR	2.19	3.19	+5.6%	5.38	-3.3%	3.02	5.56	
Book value per share in EUR	88.68			74.37	-24.5%		91.63	98.55
Share price at the end of the period in EUR	154.35			138.50	-17.1%		141.10	167.15
Market capitalisation at the end of the period	18,614.2			16,702.7	-17.1%		17,016.3	20,157.8
Ratios								
Combined ratio (property and casualty reinsurance) [1]	99.5%	98.6%		99.0%		95.7%	96.0%	
Large losses as percentage of net premium earned (property and casualty reinsurance) [2]	7.0%	10.2%		8.7%		3.3%	4.2%	
Retention	92.0%	89.7%		90.9%		89.2%	90.4%	
Return on investment (excl. funds withheld by ceding companies)	3.1%	3.0%		3.0%		2.9%	2.7%	
EBIT margin [3]	5.9%	7.4%		6.7%		9.5%	8.3%	
Return on equity (after tax)	9.3%	15.7%		12.4%		13.2%	12.2%	10.8%

[1] Including interest on funds withheld and contract deposits

[2] 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

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

Jean-Jacques Henchoz
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

Russia's attack on Ukraine has left us all appalled and pushed other major issues such as the pandemic or natural disasters and climate change into the background. I continue to express our deep sympathy to the people of Ukraine. The suffering and devastation in their country are hard to comprehend, and this attack in the heart of Europe has shaken the foundation of peaceful togetherness as well as our values of freedom, democracy and human rights. We can only hope that this war will end soon.

As a gesture of solidarity we were quick to make a donation for those who have been impacted, and it fills me with pride to see the selfless engagement shown by so many of our employees through their own efforts. We support them in any way we can.

Despite war, pandemic and other challenges, we were able to generate a satisfactory result in the first half of 2022 thanks to our prudent risk and capital management.

Our consistently strong and profitable growth shows just how sought-after Hannover Re's reinsurance protection is among our clients in difficult times. This year's treaty renewals in property and casualty reinsurance have been an impressive testimony to this. What is more, the positive pricing momentum has been sustained – also in response to rising inflation. Even though it is difficult to assess the direct and indirect impacts of the war at this time and both geopolitical and economic uncertainties have risen overall, we are thus well on track to achieve our ambitious goals for the current financial year.

Permit me, if I may, to briefly shed some light on two aspects of our risk management. In view of the recent sharp surge in inflation rates our investments are currently benefiting from the holding of inflation-linked bonds that we had already built up some years ago. As far as the costs of the excess mortality connected with the Covid-19 pandemic are concerned, we are helped by an extreme mortality cover that we had similarly taken out years ago as partial protection against such events. This prudent approach to risk management that we have put in place for ourselves is something that we also offer our customers.

Along with risk management, capital management is another of Hannover Re's outstanding strengths. In the first half-year we generated a return of 3 percent on our investments, a highly gratifying performance given the turmoil on international financial markets. With a capital adequacy ratio under Solvency II of 235.1 percent at the end of June, our financial position is clearly above the target level as usual and our return on equity of 12.4 percent continues to comfortably outperform our target figure. It remains the case, therefore, that our appeal is not only as a financially robust and reliable reinsurance partner for our clients, but also as a provider of consistent and attractive returns and dividends for our shareholders.

I would also not wish to omit mention of our latest sustainability report, which we published last month. One aspect here, namely the adjustment to climate change, presents a major social and economic challenge that we must all face up to. Our sustainability report offers a detailed account of the progress made by Hannover Re towards achieving net zero and the other goals that we have set ourselves above and beyond this. Among other measures, we have now agreed additional exclusions relating to oil and gas after the coverage exclusions already implemented for thermal coal and we continue to systematically pursue our targets for CO_2 reduction in our business operations. In this context, we intend not only to minimise our emissions but also to act on opportunities arising out of the transformation to a less resource-intensive economy.

In closing, I would like to convey my thanks – also on behalf of the entire Executive Board – to our employees, whose unfailing dedication in these challenging times is the decisive factor in our success. Special thanks also go out to you, our shareholders, for the trust you place in us. Going forward, as we have in the past, we shall do everything in our power to live up to this trust. As one of the most profitable reinsurers in the world, it remains our goal to play an important part in mitigating the financial consequences of catastrophic events in order to make all our lives more secure and to make the unpredictable more manageable.

I would like to end by expressing the hope that I will not have to dwell on any new unwelcome surprises and human tragedies in my next letter to shareholders. Whatever the future may hold in store for us, these are the uncertainties that we – as a reinsurer – must manage through our work so as to make them manageable for our clients.

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 19.9%
- Large losses in property and casualty reinsurance significantly higher than expected
- Provision for possible losses from the war in Ukraine in a net amount of EUR 316.2 million
- Reduced pandemic-related losses in life and health reinsurance
- Return on investment reaches 3.0% and is well ahead of minimum 2.3% target
- Group net income down 3.3% at EUR 648.7 million
- Return on equity remains above minimum target at 12.4%

The first six months of 2022 passed off satisfactorily for Hannover Re in the face of numerous challenges. Russia's war on Ukraine put the political situation and the world economy under considerable strain. Most strikingly, soaring energy prices prompted a sharp uptick in inflation rates around the globe. In addition, the pandemic and the associated deaths and illnesses as well as the related worldwide supply chain disruptions presented further not insignificant challenges for the global economy.

The war in Ukraine remains a dominant issue for insurance markets around the world. The same is true of the pandemic and the potential scenarios for its further progression. With the prevailing virus variants proving less dangerous and given the widespread availability of vaccines, the situation here has improved of late. The pandemic-related losses for Hannover Re consequently came in lower in the second quarter as anticipated. On the other hand, the first half of the year was impacted by a sharply higher burden of large losses in property and casualty reinsurance.

At the same time, the wide range of challenges gave a further boost to demand for high-quality reinsurance protection. Once again, therefore, we enjoyed vigorous profitable growth in our business. Gross written premium on the Group level climbed by 19.9% to EUR 17.3 billion (previous year: EUR 14.5 billion). The increase would have been 13.0% at constant exchange rates. Our retention increased to 90.9% (90.4%). Net premium earned rose by 19.6% to EUR 13.8 billion (EUR 11.5 billion). Growth would have reached 12.9% adjusted for exchange rate effects.

The treaty renewals in our **property and casualty reinsurance** business passed off satisfactorily overall as the year progressed. The positive momentum in terms of both pricing and conditions carried over from 1 January 2022 to subsequent rounds of renewals in the course of the year. Prices for reinsurance protection thus increased for the fifth year in succession. At the same time, major losses in property and casualty reinsurance – including the reserves set aside for the Ukraine war in a net amount of EUR 316.2 million – significantly exceeded our expectations. The segment result therefore declined by 32.7%year-on-year. In **life and health reinsurance**, further loss expenditures were incurred in connection with the elevated mortality resulting from the Covid-19 pandemic, especially in the United States. Nevertheless, the scale of the losses has been declining overall of late from a quarterly perspective. Altogether, the additional strains from the pandemic added up to EUR 194.2 million (EUR 263.4 million) in the first six months. The first quarter accounted for EUR 122.6 million, with EUR 71.6 million allocable to the second quarter. The segment result improved appreciably.

Our portfolio of **investments** was stable at the end of June with a volume of EUR 56.2 billion (31 December 2021: EUR 56.2 billion). Investment income improved on the previous year by 13.2%, thanks in part to the income generated from our inflation-linked bonds. The annualised average return on investment reached 3.0% and was thus higher than the minimum target of 2.3%.

Other income and expenses declined by 23.5% to EUR 105.7 million (EUR 138.2 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 contracted by 3.9% to EUR 919.3 million (EUR 956.1 million). Group net income fell by 3.3% to EUR 648.7 million (EUR 670.6 million). Earnings per share thus came in at EUR 5.38(EUR 5.56).

Hannover Re's shareholders' equity fell to EUR 9.0 billion as at 30 June 2022 (31 December 2021: EUR 11.9 billion). This was driven by the rise in the interest rate level, which significantly reduced the prices of fixed-income securities in the investment portfolio. The annualised return on equity stood at 12.4% (31 December 2021: 10.8%10.8%), thereby beating the minimum target of 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 74.37 (31 December 2021: EUR 98.55).

Results of operations, financial position and net assets

Property and casualty reinsurance

- Gross premium up by 25.9%
- Major loss expenditure significantly higher than expected
- Provision for possible losses from the war in Ukraine amounting to EUR 316.2 million
- Combined ratio rises to 99.0%
- Prices and conditions show sustained positive momentum
- Operating profit for the first half-year reaches EUR 586.1 million

In property and casualty reinsurance Russia's war on Ukraine added a further challenge in the first half of the year to what was already a difficult market environment. Soaring energy prices in connection with the Ukraine war caused inflation to surge even higher. On top of this, the impacts of the pandemic continued to put international flows of goods and supply chains under strain. The resulting supply shortages in world trade were an additional driver of higher prices.

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 2022 passed off satisfactorily for Hannover Re. The pricing momentum of the previous year was sustained and we again delivered growth in our renewed portfolio at significantly improved prices and conditions. Some 62% 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 4.1%. Hannover Re traditionally calculates price changes on a risk-adjusted basis, meaning that allowance has also already been made for higher inflation rates.

The treaty renewals as at 1 April 2022, 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, similarly concluded on a satisfactory note for Hannover Re. The total renewed premium volume grew by 17.4%, while the average, risk-adjusted price increase stood at 3.7%.

Gross written premium in property and casualty reinsurance climbed by 25.9% in the first half-year to EUR 12.9 billion (previous year: EUR 10.3 billion). At constant exchange rates the increase would have reached 18.2%. Net premium earned grew by 25.1% to EUR 9.8 billion (EUR 7.8 billion). Adjusted for exchange rate effects, it would have grown by 17.8%. Hannover Re marginally increased its retention to 91.7% (91.3%) in response to the attractive market conditions.

Net expenditure for large losses in the first six months – including the reserves established for losses from the war in Ukraine – came in considerably higher than the figure for the comparable period at EUR 850.0 million (EUR 325.9 million) and was above our budgeted expectation of EUR 611 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 largest individual losses in the first half-year were the floods in Australia caused by heavy rainfall with net expenditure of EUR 186.1 million and winter storm Ylenia, which impacted Central Europe in February, at a cost of EUR 126.1 million. In addition, Hannover Re set aside an additional IBNR reserve of EUR 186.2 million in the second quarter for possible losses from the war in Ukraine.

While only a few loss advices relating to the war in Ukraine have been received at this point in time and estimates of the potential loss scenarios remain subject to considerable uncertainty, this means that Hannover Re has established IBNR reserves for possible losses of altogether EUR 316.2 million as at the end of the first half-year.

Furthermore, additional reserves of EUR 130 million were constituted in the first six months for last year's drought in Brazil based on corresponding loss advices.

We released an amount of EUR 88 million as at the end of June from our pandemic-related loss reserves established in the 2020 financial year.

The underwriting result including interest on funds withheld and contract deposits contracted by 69.8% to EUR 95.6 million (EUR 316.8 million). The combined ratio climbed to 99.0% (96.0%) and was thus higher than our expected level of no more than 96% across the 2021-2023 strategy cycle.

The income from assets under own management booked for property and casualty reinsurance surged by 14.6% to EUR 652.8 million (EUR 569.7 million).

The operating profit (EBIT) in property and casualty reinsurance decreased by 24.7% to EUR 586.1 million (EUR 777.9 million). The EBIT margin stood at 6.0% (9.9%). The net income generated by the business group declined by 32.7% to EUR 398.6 million (EUR 592.1 million).

Key figures for property and casualty reinsurance

in EUR million	2022					2021	
	1.1.– 31.3.	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.
Gross written premium	7,148.8	5,773.1	+26.2%	12,921.9	+25.9%	4,573.7	10,266.5
Net premium earned	4,782.5	5,036.9	+26.4%	9,819.4	+25.1%	3,983.6	7,846.6
Net underwriting result [1]	26.2	69.3	-59.1%	95.6	-69.8%	169.4	316.8
Net investment income	305.7	387.9	+22.8%	693.5	+18.7%	315.8	584.4
Operating result (EBIT)	283.7	302.4	-35.1%	586.1	-24.7%	465.8	777.9
Group net income	176.6	222.0	-32.9%	398.6	-32.7%	331.0	592.1
Earnings per share in EUR	1.46	1.84	-32.9%	3.30	-32.7%	2.74	4.91
EBIT margin [2]	5.9%	6.0%		6.0%		11.7%	9.9%
Combined ratio [1]	99.5%	98.6%		99.0%		95.7%	96.0%
Retention	93.1%	89.9%		91.7%		89.8%	91.3%

[1] Including interest on funds withheld and contract deposits

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

Life and health reinsurance

- Growth of 5.3% in gross premium
- Sustained strong demand worldwide for longevity covers and financial solutions
- Losses due to the Covid-19 pandemic declining as anticipated
- Operating profit for the first six months up by 86.4%

Throughout the first six months of 2022 the impacts of the pandemic continued to be a dominant issue in life and health reinsurance, particularly in the area of mortality covers.

The strains incurred by Hannover Re in life and health reinsurance in connection with the pandemic amounted to EUR 194.2 million (EUR 263.4 million) in the first half-year. At EUR 108.7 million, the bulk of this expenditure was attributable to the United States, the largest market for mortality covers. Further appreciable losses were recorded from South Africa and Latin America. As already announced in May, the expenditures were on a downward trajectory overall: after EUR 122.6 million in the first quarter, they amounted to EUR 71.6 million in the second quarter.

We booked income of EUR 88 million from our extreme mortality cover, layers of which we have placed on the capital market on a regular basis since 2013, on the investments side in life and health reinsurance under assets recognised at fair value through profit or loss.

Russia's war on Ukraine did not have any direct implications for our Life & Health reinsurance business group because we do not write significant business in either country.

In our financial solutions business we continued to expand our portfolio. Growth was generated in numerous markets, including in China. The first half-year was also notable for sustained growth in demand around the world for solutions designed to protect against longevity risks. The writing of our first longevity reinsurance treaty in Australia was a pleasing development in the first quarter. Demand was also particularly strong again in the United Kingdom, which remains our largest market, as well as in the United States, Canada and Australia. The climate for life and health reinsurance was satisfactory on the whole.

The gross premium volume in life and health reinsurance grew by 5.3% as at 30 June 2022 to EUR 4.4 billion (previous year: EUR 4.2 billion). Growth would have reached 0.3% at unchanged exchange rates. Net premium earned rose by 7.6%

to EUR 3.9 billion (EUR 3.7 billion). The increase would have been 2.3% adjusted for exchange rate effects.

Investment income from assets under own management in life and health reinsurance increased by 62.4% to EUR 200.1 million (EUR 123.2 million). The underwriting result for life and health reinsurance including interest on funds withheld and contract deposits closed with a loss of EUR 135.2 million (EUR -192.9 million). In addition, the restructuring of a treaty with a cedant generated a positive one-time effect of EUR 40 million, which was recognised under other income.

The operating result (EBIT) rose by 86.4% to EUR 333.8 million (EUR 179.1 million). The net income for the Life & Health reinsurance business group improved sharply by 166.9% to EUR 279.6 million (EUR 104.8 million).

Key figures for life and health reinsurance

in EUR million	2022					2021	
	1.1.– 31.3.	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.
Gross written premium	2,184.6	2,235.8	+7.4%	4,420.5	+5.3%	2,081.7	4,198.1
Net premium earned	1,927.7	2,019.6	+9.8%	3,947.3	+7.6%	1,838.9	3,668.5
Investment income	178.0	108.0	-0.6%	286.0	+1.9%	108.7	280.7
Operating result (EBIT)	113.0	220.7	+153.5%	333.8	+86.4%	87.1	179.1
Net income after tax	100.9	178.7		279.6	+166.9%	47.9	104.8
Earnings per share in EUR	0.84	1.48		2.32	+166.9%	0.40	0.87
Retention	88.6%	89.0%		88.8%		87.8%	88.2%
EBIT margin [1]	5.9%	10.9%		8.5%		4.7%	4.9%

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

Investments

- Sharply higher interest rates in main currency areas affect fixed-income securities
- Portfolio of assets under own management remains stable at EUR 56.2 billion
- Ordinary investment income up by 27.6%
- Total investment income improves by 13.2%
- Return on investment reaches 3.0%and beats target of at least 2.3%

Our investments delivered a highly satisfactory performance in the first six months of the year despite numerous geopolitical and economic challenges. Aside from the ongoing pandemic, a particularly adverse factor was the war in Ukraine, which impacted the globalised world on a scale that could not have been foreseen. Our investments benefited from the fact that we had already tended to adopt a more cautious posture from the end of last year onwards with an eye to anticipated central bank moves and inflationary developments.

Our fixed-income portfolio was significantly affected by the monetary policy pursued by central banks, which stopped their bond buying programmes and raised short-term interest rates. Inflation concerns and elevated government debt levels also took a toll. This led to steeper interest rate rises than had been anticipated across virtually all maturity segments in our main currency areas, which was reflected in reduced hidden reserves on our fixed-income securities. At the same time, the higher interest rates had positive implications for new investments and reinvestment activities.

While prices for bonds issued by developing countries and low-quality issuers initially remained relatively stable, risk premiums increased appreciably in the second quarter. The associated declines in fair value were partially offset by our high proportion of foreign currency holdings and the sharp strengthening of some currencies against the euro.

Equity markets posted the poorest performance seen in recent years over the period under review. Through timely liquidation of our positions we generated a positive profit contribution here of EUR 95 million.

Although inflation remains a major preoccupation, we are successfully countering this with our holding of inflation-linked bonds. They delivered a very pleasing contribution to our ordinary investment income.

Our portfolio of assets under own management was stable relative to the end of the previous year at EUR 56.2 billion (31 December 2021: EUR 56.2 billion). Higher interest rates and risk premiums reduced the fair values of our fixed-income securities. These declines were, however, offset by the operating cash flow and positive exchange rate effects. The unrealised losses in our fixed-income portfolio amounted to EUR 3.8 billion as at the end of June. This contrasted with unrealised gains of EUR 1.4 billion as at 31 December 2021.

Leaving aside the liquidation of our holdings of listed equities, we kept our asset allocation broadly stable in the first half of the year. In the real estate sector we acted on market opportunities to strengthen our portfolio in South America and Europe. The modified duration of our fixed-income portfolio – at 5.2 (5.8) – was somewhat lower in comparison with the end of the previous year.

Ordinary investment income excluding interest on funds withheld and contract deposits came in at EUR 869.6 million (EUR 681.7 million), a marked improvement on the level of the comparable period that was even slightly stronger than anticipated. The primary factor here is the higher amortisation on our inflation-linked bonds in an amount of EUR 195.0 million (EUR 49.2 million). In addition, we substantially boosted the income booked from our real estate exposures and fixed-income securities, thereby offsetting the anticipated reduced distributions from alternative investment funds. Interest on funds withheld and contract deposits contracted to EUR 126.6 million (EUR 172.2 million).

The net balance of gains realised on disposals totalled EUR 52.3 million (EUR 142.0 million) and can be attributed primarily to the liquidation of our portfolio of listed equities and regrouping moves in our credit portfolios as well as to general portfolio maintenance. In addition, we sold parts of our holdings of Russian and Ukrainian bonds in the first quarter. Impairments of altogether EUR 51.9 million (EUR 38.4 million) were taken. Of the total amount, EUR 7.9 million (EUR 13.9 million) was attributable to alternative investments and EUR 4.6 million (EUR 5.6 million) to real estate funds. Fixed-income securities accounted for EUR 16.5 million (EUR 0.2 million). The vast majority of issuers involved here were Russian or Ukrainian. The depreciation recognised on directly held real estate was somewhat higher at EUR 22.8 million (EUR 18.1 million), reflecting the further increase in our exposure to this sector .

Income of EUR 88 million was booked from our extreme mortality cover in the investments recognised at fair value through profit or loss. This was opposed by a negative amount of EUR 92 million from a derivative associated with a reinsurance treaty in the United Kingdom.

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 gave rise to unrealised losses of EUR 1.7 million (loss of EUR 14.1 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. Sizeable effects also derived from the performance of two other derivatives relating to the technical account, although their opposing effects virtually offset one another overall. Altogether, the unrealised gains in our assets recognised at fair value through profit or loss amounted to EUR 27.9 million (unrealised losses of EUR 43.1 million).

Thanks to sharply higher ordinary income, the total investment income of EUR 980.0 million (EUR 865.8 million) showed a pleasing improvement on the level of the comparable period despite lower net realised gains and somewhat higher impairments. Income from assets under own management accounted for EUR 853.3 million (EUR 693.7 million), producing an annualised average return (including effects from derivatives) of 3.0% and beating our minimum full-year target of at least 2.3%.

Net investment income

in EUR million	2022					2021	
	1.1.– 31.3.	1.4.– 30.6.	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.	1.1.– 30.6.
Ordinary investment income [1]	396.6	473.0	+27.3%	869.6	+27.6%	371.5	681.7
Result from participations in associated companies	27.0	6.5	+70.6%	33.5	+108.9%	3.8	16.0
Realised gains/losses	41.8	10.5	-79.7%	52.3	-63.2%	51.8	142.0
Appreciation [2]	14.6	37.4	+115.7%	51.9	+35.3%	17.3	38.4
Change in fair value of financial instruments [3]	21.6	6.3	-4.2%	27.9	-164.6%	6.6	(43.1)
Investment expenses	43.3	34.7	+4.3%	78.0	+20.7%	33.3	64.6
Net investment income from assets under own management	429.0	424.3	+10.8%	853.3	+23.0%	383.1	693.7
Net investment income from funds withheld	54.8	71.8	+72.4%	126.6	-26.4%	41.6	172.2
Total investment income	**483.9**	**496.1**	**+16.8%**	**980.0**	**+13.2%**	**424.7**	**865.8**

[1] Including interest on funds withheld and contract deposits

[2] Including depreciation / impairments on real estate

[3] Portfolio measured at fair value through profit or loss and held for 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 external events.
- 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 2022. For additional information on the opportunities and risks associated with our business please see the Group Annual Report 2021.

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 securitise 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 long-term trends, including for example climate change. This means that there is a connection between sustainability considerations and Hannover Re's risk landscape.

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

Strong governance and robust risk management, integrated compliance and corporate social responsibility establish the foundation for our growth as a reliable global reinsurance partner. This is also enshrined in our Group strategy for the 2021-2023 cycle.

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 on an ongoing basis and 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 2022 that had a particularly significant impact on risk management or could do so in the future.

War in Ukraine: The inflation risk and associated measures taken by central banks, the uncertainty around Covid-19 developments and the tensions between Russia and the European Union / United States have led to considerable volatility on financial markets since the beginning of 2022.

The conflict and its impacts have driven up prices for energy and other commodities and hence also inflation, with Europe in particular feeling the effects of higher oil and gas costs.

Global trade was also further disrupted. This led to problems in supply chains and production processes, which were exacerbated by the strict Covid-19 policy in China. Further economic development will ultimately depend on the course and impact of the war. Companies face higher production and logistics costs.

The implications for our reinsured portfolio are continuously monitored, among other things in the context of scenario analyses. Hannover Re constituted a reserve of EUR 316 million in the first half-year for possible losses from the war. The loss estimate is subject to considerable uncertainties because it is dependent on the further course of the war and on the outcome of judicial decisions in the coming years.

The sanctions and countersanctions imposed by various governments are currently being forcefully applied and regularly expanded. Hannover Re has paused the underwriting of new risks or the renewal of treaties with customers in Russia and Belarus until further notice.

In view of the war in Ukraine, the Federal Financial Supervisory Authority (BaFin) sees a greater risk of cyber attacks, including on the German financial sector. Hannover Re is observing an elevated level of activity, but has not currently been subject to any operational losses or successful attacks. The implications for our reinsured portfolio are continuously monitored.

Covid-19 pandemic: The hybrid operations at our locations alternating with staff working from home continue to function smoothly, in part as digital business processes become increasingly established. The heaviest pandemic-related losses on the reinsurance side were attributable primarily to business interruption covers, excess mortality, credit insurance, event cancellations as well as accident and health insurance. Coverage for business interruptions and event cancellations is now largely excluded under the reinsurance treaties. Coverage for credit insurance, life insurance as well as accident and health insurance continue to exist. The future loss expenditure is therefore dependent on the further course of the pandemic and countermeasures taken by individual countries, which means that considerable uncertainty still remains.

Long-term effects following infection continue to be observed. So-called post-Covid syndrome could have negative implications for coverage of sickness costs and disability.

We are continuously monitoring the development of our book of mortality business (especially in the US) as well as our worldwide morbidity business, particularly with an eye to the impacts of the Covid-19 pandemic. It is to be expected that the Covid-19 pandemic will result in further losses in 2022. Mention should be made here of not only the US portfolio but also, most notably, mortality business written in South Africa and Latin America. On the morbidity side we are keeping a particularly close eye on developments in the Australian and Asian markets.

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.

Solvency II is currently under review and the draft report has now been presented to the European Parliament, which is expected to vote at the end of 2022. The trilogue negotiations between the European Parliament, the Commission and the Council will be held in Q1/2023 during Sweden's presidency of the Council of the European Union. While initial application of the revised Solvency II Directive in 2025 is ambitious, it is a possibility.

For more than seven years the International Association of Insurance Supervisors (IAIS) has been working on a globally valid, risk-based capital standard. This Insurance Capital Standard (ICS) is intended to provide an overarching regulatory framework for the largest international insurance groups, with minimum standards for the assessment of risks and resulting requirements for capital resources. A consultation paper on recognition of the aggregation method has recently been published.

The UK finance ministry (HM Treasury) and the country's Prudential Regulation Authority have published their position on the reforms of the insurance regulatory regime. This could result in divergences from Solvency II and competitive advantages for companies domiciled in the UK.

The BaFin has published the revised version of the Supervisory Requirements for IT in Insurance Undertakings (VAIT). The circular supersedes the existing version, with the new rules coming into effect immediately with no transition period.

Natural catastrophe risks and climate change: Natural disasters occurred in various parts of the world in the first half of 2022 with wide-ranging impacts that also left a mark on Hannover Re. Particularly noteworthy in the reporting period were winter storm Ylenia/Zeynep in Europe as well as heavy rain and flooding in Australia and droughts in Brazil.

Natural catastrophes are increasingly shaped by climate change and the associated impacts present a major challenge to risk management. We use both external and internal risk models to simulate the effects of natural disasters. Monitoring of the risks posed by natural perils is rounded off with stress tests as well as scenario and sensitivity analyses.

Inflation on the underwriting side: The higher rates of inflation worldwide have the potential to affect multiple factors in our business activities, including for example the premium calculation, the loss reserves, the large loss budget, the investments and the management expenses. We have developed measures to deal with inflation in all these respects. It should be borne in mind here that the general rise in consumer prices needs to be differentiated from the drivers of claims and cost inflation relevant to our company. The Hannover Re-specific claims inflation index is a blend of different lines of business, regions and currencies. Mention should be made here of wages and salaries for liability business, construction costs for property insurance including natural perils and medical expenses for life and health insurance. Inflation is factored into our reserving process on the basis of average past inflation rates. Adequate reserving processes are especially important in long-tail lines because multiple underwriting years can be affected at the same time. We monitor inflation drivers over the entire course of the business and reduce them by, among other things, making appropriate allowance in the premium calculation and by means of index clauses and sliding-scale commissions. We have hedged parts of our inflation risks through inflation-linked bonds.

Supply chain risks: It has become clear over the course of the Covid-19 pandemic and in the context of the war in Ukraine that global supply chains – especially in combination with lower inventories – as well as oligopolies with respect to the production of goods and commodities pose risks to the continuity of operations in many sectors. This can result in higher claims expenditures on account of increased procurement costs or business interruptions. These constitute an existential risk for many companies. Cyber attacks, which can disrupt or interrupt supply chains in multiple ways, are an additional risk-aggravating factor owing to the increase in their frequency and severity.

Increasingly exacting regulatory requirements governing corporate responsibility for sustainability concerns as they relate to supply chains will continue to grow in importance for the international business community over the coming years.

Capital market environment: In the first half of the year our investments developed in line with our expectations overall, even though the ongoing pandemic and numerous geopolitical and economic challenges, most notably the war in Ukraine, impacted the globalised world on a scale that could not have been foreseen. In this context our investments benefited from the fact that we had already tended to adopt a more cautious posture from the end of last year onwards with an eye to anticipated central bank moves and inflationary developments.

The general level of interest rates is a major external factor influencing the return that can be generated from our investments. In this respect, the reporting period reflected both the interest rate moves made by central banks, which stopped their bond buying programmes and raised short-term interest rates, and inflation concerns as well as elevated government debt levels. This led to steeper interest rate rises than had been anticipated in the first half of the year across virtually all maturity segments both in the euro area and in the US dollar and pound sterling markets. For the first time in years, positive yields are being seen on euro government bonds across all maturities. Although this initially reduces the fair values of our fixed-income securities, we benefit from the overall higher level in our new investments and reinvestment activities. As a further factor, while emerging market bonds and lower-rated issuers have experienced limited volatility since the turn of the year, the second quarter in particular brought appreciable increases in risk premiums. This gave rise to clear declines in the fair values of our fixed-income securities, which were, however, partially offset by our high proportion of foreign currency holdings and the sharp strengthening of these currencies against the euro.

From the fourth quarter onwards we expect a levelling off in the interest rate momentum, which can certainly be accompanied by a slowdown in economic activity. Should this also be reflected in prices on capital markets, we shall watch them closely with an eye to possible opportunities that may open up.

Equity markets posted the poorest performance seen in recent years over the period under review. Through timely liquidation of our positions we nevertheless generated a positive profit contribution here.

Inflation remains a major preoccupation. Even without the war in Ukraine, catch-up effects from the pandemic would come up against tight labour markets and – as can already be observed in the United States – set in motion a spiral of rising wages and prices. Higher energy costs and out-of-synch supply chains are additional factors. In the latter case, it is also important to bear in mind the important – but not easily assessed – role played by China against the backdrop of its Covid-19 policy. The war in Ukraine has further ratcheted up tension around the issues of not only energy and commodities but also the future of the current globalising trend and its trade flows.

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. They 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 7.6 billion (previous year: EUR 6.7 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 10.

Opportunity report

Speed is one of the qualities used to measure a successful knowledge transfer. Quick and effective 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 assure 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. The goal pursued by these innovation units has been underpinned with a strategic footing. The interplay between these units is grounded on a dedicated approach that improves the activities through specific expertise and efficiency. In concrete terms, new accelerator units have been set up in the areas Network, Business (in each case in the P&C and L&H business groups), Technology and Parametrics. The tasks performed by these organisational units include, among others, the global scaling of existing regional products and solutions, the development of new sector- and customer-specific digital assets and the delivery of targeted support to insurtechs for the establishment of their digital business models. This broad scope of tasks is designed to meet the clearly defined goals of generating new premium potential for the Group, entering into new strategic partnerships and acquiring new capabilities in the field of digitalisation and data analytics.

Closing the protection gap

In recent years a clear increase in the number and severity of natural catastrophes can be observed. The heightened risk is primarily due to economic development, general 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 intensifying its involvement through cooperations with both the public sector and private enterprises to further close the insurance gap for protection against catastrophic events – 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 capacities 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. One example of how Hannover Re strengthens resilience in vulnerable regions is the development of a parametric flood and earthquake product in Colombia for the Municipality of Medellin, which also includes protection against landslide.

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 2022, issues such as "Health risks from cannabis" and "Renewable energies", 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 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 is appropriate, and
- our business opportunity management plays an important part in Hannover Re’s sustainable and 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.

Our own evaluation of the manageability of existing risks is confirmed by various financial indicators and by external assessments of rating agencies. Specific monitoring indicators, corresponding 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. 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. We have 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 (see page 63 of the Group Annual Report 2021) 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.

We would also refer to the explanatory remarks on the financial strength ratings of our subsidiaries in the "Financial position" section on page 63 of the Group Annual Report 2021. 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 2022

Forecast

- Guidance for growth in Group gross premium raised to more than 7.5% adjusted for exchange rate effects
- Guidance for return on investment increased to more than 2.5%
- Group net income guidance of EUR 1.4 billion to EUR 1.5 billion for 2022 confirmed

As things currently stand, it is not possible to accurately predict the effects of the war in Ukraine on worldwide insurance markets or the further course of the pandemic. In view of Hannover Re's considerable resilience and strong profitability, we are nevertheless maintaining our full-year targets.

For the full 2022 financial year we expect to grow the gross premium for the Group by more than 7.5% adjusted for exchange rate effects, an increase compared to the original target of at least 5%.

It remains our expectation that the combined ratio in property and casualty reinsurance will be no more than 96% across the 2021-2023 strategy cycle.

The treaty renewals in property and casualty reinsurance as at 1 June and 1 July 2022 passed off successfully for Hannover Re. Against the backdrop of the loss experience and high inflation rates, we secured sometimes significant price increases. At this time of the year parts of the North American portfolio are traditionally renewed, especially natural catastrophe risks, as well as business from Australia and New Zealand and in the credit and surety lines. The North American renewals passed off particularly successfully for Hannover Re.
In life and health reinsurance, we expect further pandemic-related losses that will, however, diminish appreciably as the year progresses.

The return on our investments should reach more than 2.5% in the 2022 financial year. We had previously anticipated a return on investment of at least 2.3%

On the Group level we still anticipate net income of EUR 1.4 billion to EUR 1.5 billion for the 2022 financial year. Achievement of the earnings guidance is dependent on large loss expenditure not significantly exceeding the budgeted level of EUR 1.4 billion and assumes that the Covid-19 pandemic does not have a major unexpected influence on the result in life and health reinsurance and that there are no unforeseen downturns on capital markets.

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

Consolidated financial statements

Consolidated balance sheet as at 30 June 2022

Assets

in EUR thousand	30.6.2022	31.12.2021
Fixed-income securities - held to maturity	47,911	48,632
Fixed-income securities - loans and receivables	2,361,031	2,443,629
Fixed-income securities - available for sale	44,474,943	45,473,677
Fixed-income securities - at fair value through profit or loss	124,087	81,308
Equity securities - available for sale	15,097	314,453
Other financial assets - at fair value through profit or loss	368,786	248,233
Investment property	2,075,041	1,818,754
Real estate funds	940,134	805,912
Investments in associated companies	262,089	238,110
Other invested assets	3,348,059	2,941,633
Short-term investments	682,637	443,793
Cash and cash equivalents	1,530,704	1,355,114
Total investments and cash under own management	**56,230,519**	**56,213,248**
Funds withheld	11,951,384	10,803,071
Contract deposits	727,099	503,412
Total investments	**68,909,002**	**67,519,731**
Reinsurance recoverables on unpaid claims	2,861,945	2,674,107
Reinsurance recoverables on benefit reserve	198,043	192,039
Prepaid reinsurance premium	332,237	204,597
Reinsurance recoverables on other technical reserves	1,660	2,703
Deferred acquisition costs	4,070,482	3,350,633
Accounts receivable	8,884,088	7,207,750
Goodwill	83,400	83,933
Deferred tax assets	1,482,390	676,344
Other assets	958,921	972,167
Accrued interest and rent	20,632	18,248
Total assets	**87,802,800**	**82,902,252**

Liabilities

in EUR thousand	30.6.2022	31.12.2021
Loss and loss adjustment expense reserve	44,782,572	40,777,703
Benefit reserve	7,482,016	7,541,881
Unearned premium reserve	8,701,596	6,195,961
Other technical provisions	1,007,119	841,591
Funds withheld	763,011	632,195
Contract deposits	3,725,248	3,586,740
Reinsurance payable	2,855,331	2,380,681
Provisions for pensions	145,662	208,750
Taxes	135,130	92,023
Deferred tax liabilities	2,522,598	2,836,374
Other liabilities	1,534,750	681,867
Financing liabilities	4,465,876	4,370,255
Total liabilities	**78,120,909**	**70,146,021**
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	(1,823,614)	1,768,312
Cumulative foreign currency translation adjustment	1,050,959	366,231
Changes from hedging instruments	(10,405)	(8,618)
Other changes in cumulative other comprehensive income	(33,855)	(71,851)
Total other comprehensive income	**(816,915)**	**2,054,074**
Retained earnings	8,941,055	8,985,770
Equity attributable to shareholders of Hannover Rück SE	**8,969,299**	**11,885,003**
Non-controlling interests	712,592	871,228
Total shareholders' equity	**9,681,891**	**12,756,231**
Total liabilities	87,802,800	82,902,252

Consolidated statement of income as at 30 June 2022

in EUR thousand	1.4. - 30.6.2022	1.1. - 30.6.2022	1.4. - 30.6.2021	1.1. - 30.6.2021
Gross written premium	8,008,921	17,342,351	6,655,335	14,464,599
Ceded written premium	828,742	1,573,700	721,499	1,384,543
Change in gross unearned premium	(167,334)	(2,115,014)	(155,029)	(1,662,374)
Change in ceded unearned premium	43,658	113,040	43,784	97,616
Net premium earned	**7,056,503**	**13,766,677**	**5,822,591**	**11,515,298**
Ordinary investment income	473,012	869,581	371,463	681,701
Profit / loss from investments in associated companies	6,491	33,467	3,807	16,019
Realised gains and losses on investments	10,538	52,299	51,839	142,021
Change in fair value of financial instruments	6,280	27,854	6,558	(43,141)
Total depreciation, impairments and appreciation of investments	37,350	51,923	17,318	38,372
Other investment expenses	34,670	77,953	33,254	64,578
Net income from investments under own management	**424,301**	**853,325**	**383,095**	**693,650**
Income / expense on funds withheld and contract deposits	71,801	126,642	41,650	172,151
Net investment income	**496,102**	**979,967**	**424,745**	**865,801**
Other technical income	–	–	50	112
Total revenues	**7,552,605**	**14,746,644**	**6,247,386**	**12,381,211**
Claims and claims expenses	5,236,734	10,388,523	4,244,768	8,630,539
Change in benefit reserves	(80,712)	(163,113)	(61,214)	(113,501)
Commission and brokerage, change in deferred acquisition costs	1,764,817	3,422,432	1,448,401	2,785,581
Other acquisition costs	1,300	2,811	1,154	2,243
Administrative expenses	143,966	282,465	132,326	258,435
Total technical expenses	**7,066,105**	**13,933,118**	**5,765,435**	**11,563,297**
Other income	293,924	577,216	134,650	396,181
Other expenses	257,540	471,475	64,328	257,988
Other income and expenses	36,384	105,741	70,322	138,193
Operating profit / loss (EBIT)	**522,884**	**919,267**	**552,273**	**956,107**
Financing costs	21,386	42,498	21,405	40,125
Net income before taxes	**501,498**	**876,769**	**530,868**	**915,982**
Taxes	91,568	184,361	146,296	212,145
Net income	**409,930**	**692,408**	**384,572**	**703,837**
thereof				
Non-controlling interest in profit and loss	24,850	43,724	19,913	33,285
Group net income	**385,080**	**648,684**	**364,659**	**670,552**
Earnings per share (in EUR)				
Basic earnings per share	3.19	5.38	3.02	5.56
Diluted earnings per share	3.19	5.38	3.02	5.56

Consolidated statement of comprehensive income as at 30 June 2022

in EUR thousand	1.4. - 30.6.2022	1.1. - 30.6.2022	1.4. - 30.6.2021	1.1. - 30.6.2021
Net income	**409,930**	**692,408**	**384,572**	**703,837**
Not reclassifiable to the consolidated statement of income				
Actuarial gains and losses				
Gains (losses) recognised directly in equity	39,010	61,982	3,952	18,515
Tax income (expense)	(12,724)	(20,226)	(1,282)	(6,041)
	26,286	**41,756**	**2,670**	**12,474**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	–	–	–	134
	–	**–**	**–**	**134**
Income and expense recognised directly in equity that cannot be reclassified				
Gains (losses) recognised directly in equity	39,010	61,982	3,952	18,649
Tax income (expense)	(12,724)	(20,226)	(1,282)	(6,041)
	26,286	**41,756**	**2,670**	**12,608**
Reclassifiable to the consolidated statement of income				
Unrealised gains and losses on investments				
Gains (losses) recognised directly in equity	(2,723,864)	(5,080,862)	432,621	(418,472)
Transferred to the consolidated statement of income	8,383	(29,683)	(46,627)	(128,818)
Tax income (expense)	700,453	1,332,113	(80,046)	153,403
	(2,015,028)	**(3,778,432)**	**305,948**	**(393,887)**
Currency translation				
Gains (losses) recognised directly in equity	511,411	768,189	(120,110)	355,111
Tax income (expense)	(43,130)	(74,385)	12,174	(45,838)
	468,281	**693,804**	**(107,936)**	**309,273**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	(5)	6	(2,562)	(55)
	(5)	**6**	**(2,562)**	**(55)**
Changes from hedging instruments				
Gains (losses) recognised directly in equity	(1,782)	(3,642)	(4,662)	(2,398)
Tax income (expense)	1,379	1,826	1,333	388
	(403)	**(1,816)**	**(3,329)**	**(2,010)**
Reclassifiable income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(2,214,240)	(4,316,309)	305,287	(65,814)
Transferred to the consolidated statement of income	8,383	(29,683)	(46,627)	(128,818)
Tax income (expense)	658,702	1,259,554	(66,539)	107,953
	(1,547,155)	**(3,086,438)**	**192,121**	**(86,679)**
Total income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(2,175,230)	(4,254,327)	309,239	(47,165)
Transferred to the consolidated statement of income	8,383	(29,683)	(46,627)	(128,818)
Tax income (expense)	645,978	1,239,328	(67,821)	101,912
	(1,520,869)	**(3,044,682)**	**194,791**	**(74,071)**
Total recognised income and expense	**(1,110,939)**	**(2,352,274)**	**579,363**	**629,766**
thereof				
Attributable to non-controlling interests	(79,043)	(129,969)	29,004	31,994
Attributable to shareholders of Hannover Rück SE	(1,031,896)	(2,222,305)	550,359	597,772

Consolidated statement of changes in shareholders' equity as at 30 June 2022

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains / losses	Currency translation
Balance as at 1.1.2021	**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 at 30.6.2021	**120,597**	**724,562**	**1,888,838**	**(25,625)**
Balance as at 1.1.2022	**120,597**	**724,562**	**1,768,312**	**366,231**
Net income	–	–	–	–
Total income and expense recognised in equity	–	–	(3,591,926)	684,728
Total recognised income and expense	**–**	**–**	**(3,591,926)**	**684,728**
Dividends paid	–	–	–	–
Capital increases / additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition / disposal of treasury shares	–	–	–	–
Balance as at 30.6.2022	**120,597**	**724,562**	**(1,823,614)**	**1,050,959**

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
(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
(8,618)	**(71,851)**	**8,985,770**	**11,885,003**	**871,228**	**12,756,231**
–	–	648,684	648,684	43,724	692,408
(1,787)	37,996	–	(2,870,989)	(173,693)	(3,044,682)
(1,787)	**37,996**	**648,684**	**(2,222,305)**	**(129,969)**	**(2,352,274)**
–	–	(693,434)	(693,434)	(28,633)	(722,067)
–	–	–	–	11	11
–	–	–	–	(45)	(45)
–	–	35	35	–	35
(10,405)	(33,855)	8,941,055	8,969,299	712,592	9,681,891

Consolidated cash flow statement as at 30 June 2022

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
I. Cash flow from operating activities		
Net income	692,408	703,837
Appreciation / depreciation	74,912	61,580
Realised gains and losses on investments	(52,299)	(142,021)
Change in fair value of financial instruments (through profit or loss)	(27,854)	43,141
Amortisation	(116,079)	35,037
Changes in funds withheld	(685,833)	(380,723)
Changes in contract deposits	(258,221)	215,689
Change in prepaid reinsurance premium	2,001,836	1,564,758
Change in tax assets / provisions for taxes	55,396	227,647
Change in benefit reserve	(206,720)	(51,556)
Change in claims reserves	1,976,585	1,951,805
Change in deferred acquisition costs	(557,184)	(354,459)
Change in other technical provisions	126,496	44,501
Change in accounts receivable / payable	(1,041,303)	(1,218,145)
Change in other assets and liabilities	137,576	(20,702)
Cash flow from operating activities	**2,119,716**	**2,680,389**

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
II. Cash flow from investing activities		
Fixed-income securities - held to maturity		
Maturities	3	62,265
Fixed-income securities - loans and receivables		
Maturities, sales	141,102	74,441
Purchases	–	(138,170)
Fixed-income securities - available for sale		
Maturities, sales	6,295,107	7,831,443
Purchases	(8,218,436)	(10,929,425)
Fixed-income securities - at fair value through profit or loss		
Maturities, sales	1,670	37,171
Purchases	(37,206)	–
Equity securities - available for sale		
Sales	398,152	147,337
Purchases	(127,656)	(17,144)
Other financial assets - at fair value through profit or loss		
Sales	44,724	36,360
Purchases	(70,888)	(24,590)
Other invested assets		
Sales	296,141	319,382
Purchases	(456,577)	(331,550)
Affiliated companies and participating interests		
Sales	237	5,181
Purchases	(5,659)	(12,710)
Real estate and real estate funds		
Sales	67,635	27,558
Purchases	(345,589)	(100,198)
Short-term investments		
Changes	(203,490)	(76,554)
Other changes	834,916	387,269
Cash flow from investing activities	**(1,385,814)**	**(2,701,934)**

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
III. Cash flow from financing activities		
Contribution from capital measures	11	10
Payment on capital measures	(45)	(21)
Structural change without loss of control	–	709
Dividends paid	(722,067)	(587,504)
Proceeds from long-term debts	96,907	743,749
Repayment of long-term debts	(37,593)	(14,645)
Other changes (net)	35	(49)
Cash flow from financing activities	**(662,752)**	**142,249**
IV. Exchange rate differences on cash	**104,440**	**46,363**
Cash and cash equivalents at the beginning of the period	**1,355,114**	**1,278,071**
Change in cash and cash equivalents (I. + II. + III. + IV.)	**175,590**	**167,067**
Cash and cash equivalents at the end of the period	**1,530,704**	**1,445,138**
Supplementary information on the cash flow statement [1]		
Income taxes paid (on balance)	(102,611)	(8,664)
Dividend receipts [2]	113,391	141,990
Interest received	827,305	830,814
Interest paid	(179,537)	(254,234)

[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 2022

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.

Estimation uncertainties in the reporting period also result from the conflict in Ukraine, which we classify as a significant event pursuant to IAS 34.15 and for which few loss advices had been received at the balance sheet date. We have conducted probability-weighted scenario analyses for all relevant lines of business, taking into account the market insights available to us at the present time and determining our reserves on the basis of own estimates. The lines of business impacted at the balance sheet date encompass primarily political violence and other property covers, political risk, marine and aviation. In the second quarter of the financial year Hannover Re allocated EUR 186.2 million to the reserves, with the result that altogether EUR 316.2 million is reserved at the balance sheet date. The range of possible loss scenarios remains wide and can lead to significantly higher loss payments at a later point in time in the event of adverse developments and/or unfavourable judicial decisions, which are not currently anticipated. Business with Russian cedants has been discontinued in compliance with existing sanctions. In the period under review we scaled back investment holdings of Russian and Ukrainian issuers, and in addition impairments in the low double-digit millions of euros were taken on Russian and Ukrainian fixed-income securities in accordance with IAS 39.

The present consolidated quarterly financial statement was prepared by the Executive Board on 1 August 2022 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 2022.

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 2022 with binding effect for the period under review have been observed in the consolidated financial statement.

Accounting standards applied for the first time

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 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Annual Improvements 2018-2020

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

In May 2017 the IASB published IFRS 17 "Insurance Contracts" and issued further amendments and additions to the standard in June 2020 as well as December 2021. Mandatory initial application of the standard was deferred until 1 January 2023, and it was endorsed by the EU in November 2021.

IFRS 17 replaces the existing transitional arrangements of IFRS 4 and establishes a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. In addition, IFRS 17 requires extensive new disclosures in the notes.

The standard introduces three new measurement models, the basis being the "general measurement model" (GMM). The "variable fee approach" (VFA) is a variant of the general measurement model for contracts with direct participation features and is not applicable to reinsurance business. The "premium allocation approach" (PAA) is a simplified method that can be used by insurers and reinsurers when certain criteria are met. Hannover Re's portfolio contains both contracts that qualify for the premium allocation approach and – predominantly – contracts for which the general measurement model is to be applied. For operational reasons Hannover Re intends to apply the general measurement model to its entire business. The general measurement model consists of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows constitute the risk-adjusted present value of the rights and obligations from a reinsurance treaty and are comprised of the estimates of expected future cash flows, their discounting and an explicit risk adjustment for non-financial risks. The contractual service margin represents the unearned profit from existing contracts that is to be recognised in the statement of income as the service is performed across the period of coverage. Hannover Re will discount all cash flows using currency-specific, risk-free yield curves that are adjusted to reflect the characteristics of the cash flows and the liquidity of the underlying insurance contracts ("bottom-up approach"). The illiquidity premium used in this contact is based on risk-adjusted spreads of corporate and government bonds.

As a general principle, contracts are grouped together and measured on an aggregated level. For this purpose, the first step is to define portfolios containing contracts with similar risks that can be managed together. In a second step, these portfolios are to be split into groups of contracts according to profitability criteria and annual cohorts. Under IFRS 17 there is a requirement to group contracts into such time buckets. In the context of the EU endorsement, however, an option to build annual cohorts was granted for certain types of contracts. Hannover Re does not expect to use this EU exemption.

The application of IFRS 17 will have a number of implications for the consolidated balance sheet. In addition to the changed technical items under the general measurement model, certain items that are currently reported separately will be eliminated and in future recognised under the reinsurance liabilities in accordance with the general model. This is the case, for example, with the deferred acquisition costs and the reinsurance recoverables.

Furthermore, the standard fundamentally changes the consolidated statement of income and differentiates between the underwriting result, which will be composed of the insurance revenue and insurance expense, and the insurance finance income and expenses.

Gross written premium will no longer be disclosed, instead being replaced with insurance revenue that is defined in such a way as to facilitate comparison with the revenue disclosures of other sectors. Neither savings / investment components nor certain ceding commissions can be recognised in the insurance revenue in future. Insurance revenue is instead reported when it is earned by recognising in each period the change in the liabilities for providing coverage for which the insurance entity receives compensation as well as the part of the premiums that covers acquisition costs.

Insurance finance income and expenses result from discounting effects and financial risks. In accordance with the option granted by IFRS 17 they can either be recognised as profit or loss in the statement of income or directly in equity. This "OCI option" can be exercised on the level of individual portfolios and will probably be utilised by Hannover Re for a large part of its business.

Changes in assumptions that do not relate to interest rates or financial risks are not recognised directly in the statement of income but are instead booked against the contractual service margin and hence spread across the remaining coverage period. Recognition in profit or loss is only immediate in the case of those groups of insurance contracts that are expected to be loss-making.

As far as our property and casualty reinsurance business is concerned, the major implications relate to the determination of the ultimate cash flows and their discounting, the increased transparency with respect to loss-making contracts due to the more granular split required by the standard and the adoption of the explicit risk adjustment for non-financial risks. The discounting of the reserves will generally have a positive impact, although in view of the interest rate level at the transition date Hannover Re only anticipates a moderate effect.

In life and health reinsurance Hannover Re expects the application of IFRS 17 to have considerable measurement impacts, among other things because the standard requires regular updating of all assumptions at each balance sheet date. Compared to the current disclosure, it is Hannover Re's expectation that the balance sheet will show an increase in the technical reserves because they have to be discounted with current interest rates in each case and will include an explicit margin for future profits. As for the statement of income, the period-based releases of the contractual service margin to profit or loss and the risk adjustment for non-financial risks will be the main earnings drivers.

Particularly in life and health reinsurance, the adoption of IFRS 17 is expected overall to have equity-reducing effects that will more than offset the positive effect from the discounting of reserves in property and casualty reinsurance. The implications of IFRS 17 for the consolidated financial statement of Hannover Re cannot be reliably quantified at the publication date of the present half-yearly financial report. Parallel to the ongoing preparation of the financial statement in accordance with the currently applicable provisions, the group-wide implementation project continues at Hannover Re for the preparation of the opening balance and the comparative figures for the quarters of the 2022 financial year. In addition, the final financial data will be contingent on both the interdependencies with IFRS 9 "Financial Instruments" – which is to be adopted at the same time – and on the application of the transitional arrangements of IFRS 17. The standard must be applied retrospectively unless this is "impracticable" (IFRS 17.C3). In this case it is possible to apply either a modified retrospective approach or a fair value approach on the level of the group of contracts. Using adequately robust information that is available without unreasonable effort, the modified retrospective approach is intended to arrive at an overall result that approximates retrospective application. Under the fair value approach, the contractual service margin of a group of contracts at the transition date is established as the difference between the fair value of this group calculated according to IFRS 13 and the corresponding fulfilment cash flows calculated according to IFRS 17. It is Hannover Re's expectation that each of the aforementioned transition arrangements will be applied at the transition date, differentiated according to certain groups of contracts.

IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement", which is currently used by Hannover Re. IFRS 9 contains new rules for classifying and measuring financial assets, for recognition of impairment based on a new, forward-looking model of the expected losses and for the accounting of general hedge relationships.

Initial mandatory application of the standard was envisaged for annual reporting periods beginning on or after 1 January 2018. However, the IASB published "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" in September 2016 and "Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9" in June 2020. These amendments extended the temporary deferral of initial application of IFRS 9 "Financial Instruments" that had been granted to insurers and reinsurers ("deferral approach") until 1 January 2023, with the result that IFRS 9 and IFRS 17 will be first applied by Hannover Re at the same time.

In order to be able to take advantage of the temporary deferral, it is necessary to demonstrate that Hannover Re's predominant activity is the issuance of insurance and reinsurance contracts within the scope of IFRS 4. Hannover Re reviewed the application requirements based on the consolidated financial statement as at 31 December 2015 with a positive outcome and decided to make use of the deferral approach. Since the review of the application requirements there has been no change in business activity that would have necessitated a re-evaluation of the predominant activity.

While the retrospective application of IFRS 17 provides for the presentation of comparative information for the 2022 financial year, this is not the case with initial application of IFRS 9. By issuing "Amendment to IFRS 17 Insurance Contracts; Initial Application of IFRS 17 and IFRS 9 – Comparative Information" in December 2021, the IASB therefore introduced a transition option relating to comparative information about financial assets that is presented on initial application of IFRS 17.

This option is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the 2022 comparative year, thereby improving the usefulness of comparative information for users of financial statements. It allows for an overlay in the classification of financial assets in the comparative period that is presented on initial application of IFRS 17 ("overlay approach"). This overlay makes it possible to classify all financial assets, including those not connected with contracts within the scope of IFRS 17, on a case-by-case basis in the comparative period in a way that corresponds to how the entity expects to classify these assets on initial application of IFRS 9. Hannover Re intends to apply this approach, including the provisions of IFRS 9 regarding impairment losses, consistently to all eligible financial assets.

Hannover Re anticipates implications primarily from the classification of financial assets. The classification is guided, on the one hand, by the cash flow characteristics of the financial assets and, on the other, by the business model used to manage the financial assets. It is anticipated that the portfolio of financial assets measured at fair value through profit or loss will increase as a consequence of the new classification rules. This may lead to greater volatility of results.

The Group also expects to be affected by the new impairment model for debt instruments. At the publication date of this half-yearly financial report it was not yet possible to reliably determine the implications of IFRS 9 for the consolidated financial statement of Hannover Re

For further information on the deferred adoption of IFRS 9, which is intended to facilitate some level of comparability with entities already applying IFRS 9, we would refer to our remarks in the Group annual financial report for 2021.

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 (endorsed by the EU in March 2022)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (endorsed by the EU in March 2022)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

	30.6.2022	31.12.2021	1.1. - 30.6.2022	1.1. - 30.6.2021
1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.5106	1.5596	1.5215	1.5725
BHD	0.3918	0.4277	0.4118	0.4548
CAD	1.3427	1.4491	1.3900	1.5092
CNY	6.9657	7.2297	7.0695	7.8006
GBP	0.8581	0.8393	0.8432	0.8708
HKD	8.1531	8.8474	8.5462	9.3631
INR	82.1088	84.3918	83.1438	88.5638
KRW	1,350.0000	1,348.4900	1,341.3286	1,345.9000
MYR	4.5815	4.7381	4.6627	4.9342
SEK	10.7240	10.2351	10.4546	10.1333
USD	1.0392	1.1344	1.0921	1.2064
ZAR	17.0135	18.0275	17.0365	17.5632

3. 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 43.7 million (EUR 33.3 million) as at 30 June 2022.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2021.

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.

4. Group segment report

Segmentation of assets

in EUR thousand	Property and casualty reinsurance 30.6.2022	31.12.2021
Assets		
Fixed-income securities - held to maturity	47,544	48,286
Fixed-income securities - loans and receivables	1,888,289	1,954,457
Fixed-income securities - available for sale	35,004,189	34,837,639
Equity securities - available for sale	15,097	314,453
Financial assets at fair value through profit or loss	140,165	87,403
Other invested assets	5,796,539	5,050,754
Short-term investments	472,628	379,437
Cash	1,158,186	907,873
Total investments and cash under own management	**44,522,637**	**43,580,302**
Funds withheld	4,305,104	3,247,068
Contract deposits	2,936	3,290
Total investments	**48,830,677**	**46,830,660**
Reinsurance recoverables on unpaid claims	2,722,117	2,527,916
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	332,095	204,456
Reinsurance recoverables on other reserves	990	1,446
Deferred acquisition costs	2,073,145	1,474,442
Accounts receivable	7,081,808	5,637,585
Other assets in the segment	4,080,957	3,157,485
Total assets	**65,121,789**	**59,833,990**

Segmentation of liabilities

in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	38,875,127	35,089,423
Benefit reserve	–	–
Unearned premium reserve	8,305,295	5,795,849
Provisions for contingent commissions	647,139	513,280
Funds withheld	514,024	383,106
Contract deposits	29,386	28,221
Reinsurance payable	1,984,476	1,630,320
Financing liabilities	687,858	590,751
Other liabilities in the segment	3,231,724	2,587,905
Total liabilities	**54,275,029**	**46,618,855**

Life and health reinsurance		Consolidation		Total	
30.6.2022	31.12.2021	30.6.2022	31.12.2021	30.6.2022	31.12.2021
367	346	–	–	47,911	48,632
457,246	474,123	15,496	15,049	2,361,031	2,443,629
9,445,162	10,620,228	25,592	15,810	44,474,943	45,473,677
–	–	–	–	15,097	314,453
352,708	242,138	–	–	492,873	329,541
828,784	753,655	–	–	6,625,323	5,804,409
208,628	62,923	1,381	1,433	682,637	443,793
368,015	434,657	4,503	12,584	1,530,704	1,355,114
11,660,910	**12,588,070**	**46,972**	**44,876**	**56,230,519**	**56,213,248**
7,646,280	7,556,003	–	–	11,951,384	10,803,071
724,163	500,122	–	–	727,099	503,412
20,031,353	**20,644,195**	**46,972**	**44,876**	**68,909,002**	**67,519,731**
139,828	146,191	–	–	2,861,945	2,674,107
198,043	192,039	–	–	198,043	192,039
142	141	–	–	332,237	204,597
670	1,257	–	–	1,660	2,703
1,997,337	1,876,191	–	–	4,070,482	3,350,633
1,802,280	1,570,165	–	–	8,884,088	7,207,750
561,890	526,930	(2,097,504)	(1,933,723)	2,545,343	1,750,692
24,731,543	**24,957,109**	**(2,050,532)**	**(1,888,847)**	**87,802,800**	**82,902,252**

5,907,445	5,688,280	–	–	44,782,572	40,777,703
7,482,016	7,541,881	–	–	7,482,016	7,541,881
396,301	400,112	–	–	8,701,596	6,195,961
359,980	328,311	–	–	1,007,119	841,591
248,987	249,089	–	–	763,011	632,195
3,695,862	3,558,519	–	–	3,725,248	3,586,740
870,855	750,361	–	–	2,855,331	2,380,681
34,501	37,787	3,743,517	3,741,717	4,465,876	4,370,255
3,235,027	3,188,682	(2,128,611)	(1,957,573)	4,338,140	3,819,014
22,230,974	**21,743,022**	**1,614,906**	**1,784,144**	**78,120,909**	**70,146,021**

Segment statement of income	Property and casualty reinsurance	
in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
Gross written premium	12,921,898	10,266,540
Net premium earned	9,819,386	7,846,643
Net investment income	693,526	584,386
thereof		
Change in fair value of financial instruments	7,502	4,133
Total depreciation, impairments and appreciation of investments	51,004	38,356
Income / expense on funds withheld and contract deposits	40,771	14,705
Claims and claims expenses	6,852,619	5,272,484
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income / expenses	2,771,434	2,146,392
Administrative expenses	140,546	125,718
Other income and expenses	(162,192)	(108,530)
Operating profit / loss (EBIT)	**586,121**	**777,905**
Financing costs	1,132	1,035
Net income before taxes	**584,989**	**776,870**
Taxes	144,870	152,522
Net income	**440,119**	**624,348**
thereof		
Non-controlling interest in profit or loss	41,549	32,261
Group net income	**398,570**	**592,087**

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2021. 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 2021.

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

Life and health reinsurance		Consolidation		Total	
1.1. - 30.6.2022	1.1. - 30.6.2021	1.1. - 30.6.2022	1.1. - 30.6.2021	1.1. - 30.6.2022	1.1. - 30.6.2021
4,420,453	4,198,059	–	–	17,342,351	14,464,599
3,947,291	3,668,500	–	155	13,766,677	11,515,298
285,964	280,667	477	748	979,967	865,801
20,352	(47,274)	–	–	27,854	(43,141)
919	16	–	–	51,923	38,372
85,871	157,446	–	–	126,642	172,151
3,535,904	3,358,055	–	–	10,388,523	8,630,539
(163,113)	(113,501)	–	–	(163,113)	(113,501)
653,809	641,320	–	–	3,425,243	2,787,712
141,788	132,937	131	(220)	282,465	258,435
268,905	248,706	(972)	(1,983)	105,741	138,193
333,772	**179,062**	**(626)**	**(860)**	**919,267**	**956,107**
723	767	40,643	38,323	42,498	40,125
333,049	**178,295**	**(41,269)**	**(39,183)**	**876,769**	**915,982**
51,272	72,508	(11,781)	(12,885)	184,361	212,145
281,777	**105,787**	**(29,488)**	**(26,298)**	**692,408**	**703,837**
2,175	1,024	–	–	43,724	33,285
279,602	**104,763**	**(29,488)**	**(26,298)**	**648,684**	**670,552**

5. Notes on the individual items of the balance sheet

5.1. 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 2021.

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

Investments

in EUR thousand	30.6.2022	31.12.2021
Regional origin		
Germany	7,323,187	7,520,389
United Kingdom	3,475,864	3,525,675
France	2,036,612	2,113,298
Other	7,196,042	7,888,908
Europe	**20,031,705**	**21,048,270**
USA	20,152,948	19,839,869
Other	3,260,581	2,891,774
North America	**23,413,529**	**22,731,643**
Asia	6,558,050	6,301,135
Australia	3,164,794	3,156,317
Australasia	**9,722,844**	**9,457,452**
Africa	358,208	359,741
Other	2,704,233	2,616,142
Total	**56,230,519**	**56,213,248**

Maturities of the fixed-income and variable-yield securities

in EUR thousand	30.6.2022 Amortised cost [1]	30.6.2022 Fair value	31.12.2021 Amortised cost [1]	31.12.2021 Fair value
Held to maturity				
due in one year	47,545	48,138	–	–
due after one through two years	–	–	48,287	50,020
due after two through three years	–	–	–	–
due after three through four years	–	–	–	–
due after four through five years	–	–	–	–
due after five through ten years	–	–	–	–
due after more than ten years	366	133	345	128
Total	**47,911**	**48,271**	**48,632**	**50,148**
Loans and receivables				
due in one year	707,297	715,937	195,267	198,864
due after one through two years	236,764	241,636	654,345	668,913
due after two through three years	239,662	243,976	348,624	355,108
due after three through four years	298,743	312,299	136,589	147,510
due after four through five years	220,156	228,448	404,066	453,370
due after five through ten years	232,367	232,633	286,294	315,823
due after more than ten years	426,042	384,856	418,444	450,179
Total	**2,361,031**	**2,359,785**	**2,443,629**	**2,589,767**
Available for sale				
due in one year [2]	6,508,709	6,494,846	5,364,684	5,385,051
due after one through two years	3,262,666	3,210,514	3,561,972	3,597,590
due after two through three years	4,229,853	4,111,372	3,545,176	3,604,426
due after three through four years	3,698,888	3,505,351	3,318,090	3,368,832
due after four through five years	5,510,259	5,264,702	5,197,728	5,393,570
due after five through ten years	17,344,295	15,715,722	15,819,565	16,239,970
due after more than ten years	9,939,285	8,385,777	9,166,253	9,683,145
Total	**50,493,955**	**46,688,284**	**45,973,468**	**47,272,584**
Financial assets at fair value through profit or loss				
due in one year	21,606	21,606	8,882	8,882
due after one through two years	26,055	26,055	25,999	25,999
due after two through three years	40,991	40,991	37,144	37,144
due after three through four years	16,329	16,329	3,505	3,505
due after four through five years	4,750	4,750	–	–
due after five through ten years	14,356	14,356	4,606	4,606
due after more than ten years	–	–	1,172	1,172
Total	**124,087**	**124,087**	**81,308**	**81,308**

[1] Including accrued interest

[2] Including short-term investments, cash and cash equivalents

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

	30.6.2022				
in EUR thousand	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Corporate securities	47,545	551	594	–	48,139
Covered bonds / asset-backed securities	366	1	–	234	132
Total	**47,911**	**552**	**594**	**234**	**48,271**

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

	31.12.2021				
in EUR thousand	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Corporate securities	48,287	1,292	1,733	–	50,020
Covered bonds / asset-backed securities	345	1	–	217	128
Total	**48,632**	**1,293**	**1,733**	**217**	**50,148**

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

	30.6.2022				
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	782,227	9,398	26,965	40,119	769,073
Corporate securities	1,201,760	48,349	13,113	11,460	1,203,413
Covered bonds / asset-backed securities	370,427	7,458	16,855	6,600	380,682
Other	6,617	264	–	–	6,617
Total	**2,361,031**	**65,469**	**56,933**	**58,179**	**2,359,785**

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

	31.12.2021				
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	846,636	12,514	80,541	–	927,177
Corporate securities	1,219,874	35,135	26,286	1,325	1,244,835
Covered bonds / asset-backed securities	370,427	6,337	41,646	1,010	411,063
Total	**2,443,629**	**54,064**	**148,473**	**2,335**	**2,589,767**

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	30.6.2022				
	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	5,429,595	17,937	70,246	379,076	5,120,765
US Treasury notes	11,158,269	35,462	32,646	669,168	10,521,747
Other foreign government debt securities	4,658,691	31,988	16,444	285,052	4,390,083
Debt securities issued by semi-governmental entities	7,297,250	56,301	65,829	536,698	6,826,381
Corporate securities	15,987,514	138,846	17,872	1,897,751	14,107,635
Covered bonds / asset-backed securities	3,580,115	19,109	7,779	258,482	3,329,412
Investment funds	169,995	–	10,448	1,523	178,920
	48,281,429	**299,643**	**221,264**	**4,027,750**	**44,474,943**
Equity securities					
Shares	5	–	–	–	5
Investment funds	8,795	–	6,307	10	15,092
	8,800	**–**	**6,307**	**10**	**15,097**
Short-term investments	681,822	636	817	2	682,637
Total	**48,972,051**	**300,279**	**228,388**	**4,027,762**	**45,172,677**

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	31.12.2021				
	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	5,221,089	19,591	341,147	23,036	5,539,200
US Treasury notes	9,198,765	29,293	380,096	11,937	9,566,924
Other foreign government debt securities	4,063,095	29,735	109,036	28,855	4,143,276
Debt securities issued by semi-governmental entities	6,707,198	56,544	238,642	43,138	6,902,702
Corporate securities	15,822,175	140,205	436,579	145,887	16,112,867
Covered bonds / asset-backed securities	3,011,312	20,188	56,351	17,154	3,050,509
Investment funds	150,968	–	9,107	1,876	158,199
	44,174,602	**295,556**	**1,570,958**	**271,883**	**45,473,677**
Equity securities					
Investment funds	183,529	–	130,924	–	314,453
	183,529	**–**	**130,924**	**–**	**314,453**
Short-term investments	443,752	1,375	138	97	443,793
Total	**44,801,883**	**296,931**	**1,702,020**	**271,980**	**46,231,923**

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	30.6.2022	31.12.2021	30.6.2022	31.12.2021	30.6.2022	31.12.2021
	Fair value before accrued interest		Accrued interest		Fair value	
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	123,462	80,696	625	612	124,087	81,308
	123,462	**80,696**	**625**	**612**	**124,087**	**81,308**
Other financial assets						
Derivatives	369,209	248,248	(423)	(15)	368,786	248,233
	369,209	**248,248**	**(423)**	**(15)**	**368,786**	**248,233**
Total	**492,671**	**328,944**	**202**	**597**	**492,873**	**329,541**

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

	30.06.2022			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	35,474	44,563,556	–	44,599,030
Equity securities	15,097	–	–	15,097
Other financial assets	–	213,316	155,470	368,786
Real estate funds	–	–	940,134	940,134
Other invested assets	–	–	2,625,419	2,625,419
Short-term investments	682,637	–	–	682,637
Other assets	–	–	–	–
Total financial assets	**733,208**	**44,776,872**	**3,721,023**	**49,231,102**
Other liabilities	–	174,553	18,391	192,944
Total financial liabilities	**–**	**174,553**	**18,391**	**192,944**

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

	31.12.2021			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	30,051	45,524,934	–	45,554,985
Equity securities	314,453	–	–	314,453
Other financial assets	–	87,209	161,024	248,233
Real estate funds	–	–	805,912	805,912
Other invested assets	–	–	2,297,588	2,297,588
Short-term investments	443,793	–	–	443,793
Other assets	–	2,012	–	2,012
Total financial assets	**788,297**	**45,614,155**	**3,264,524**	**49,666,976**
Other liabilities	–	52,844	22,240	75,084
Total financial liabilities	**–**	**52,844**	**22,240**	**75,084**

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. - 30.06.2022				
in EUR thousand	Equity securities	Other financial assets	Real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**–**	**161,024**	**805,911**	**2,297,589**	**22,240**
Currency translation at 1 January	–	14,743	40,385	135,519	2,036
Net book value after currency translation	**–**	**175,767**	**846,296**	**2,433,108**	**24,276**
Income and expenses					
recognised in the statement of income	1,939	19,343	(4,520)	9,146	(7)
recognised directly in shareholders' equity	–	–	45,877	68,359	–
Purchases	1,198	–	109,430	256,441	–
Sales	3,137	23,698	59,497	146,251	3,425
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 30 June	–	(15,942)	2,548	4,616	(2,453)
Net book value at 30 June of the year under review	**–**	**155,470**	**940,134**	**2,625,419**	**18,391**

Movements in level 3 financial assets and liabilities

	1.1. – 30.06.2021				
in EUR thousand	Equity securities	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 of the year under review	–	2,637	684	1,942	496
Net book value at 30 June for the year under review	**–**	**158,718**	**657,817**	**2,230,603**	**25,081**

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

	1.1. - 30.06.2022				
in EUR thousand	Equity Securties	Other financial assets	Real estate funds	Other invested assets	Other liabilities
Total in the financial year					
Ordinary investment income	–	–	–	–	–
Realised gains and losses on investments	–	–	86	17,756	–
Change in fair value of financial instruments	1,939	19,343	–	(662)	7
Total depreciation, impairments and appreciation of investments	–	–	(4,606)	(7,948)	–
Thereof attributable to financial instruments included in the portfolio at 30 June the year under review					
Ordinary investment income	–	–	–	–	–
Change in fair value of financial instruments	1,939	19,343	–	14	7
Total depreciation, impairments and appreciation of investments	–	–	(4,606)	(7,948)	–

Income and expenses from level 3 financial assets and liabilities

	01.01.- 30.06.2021				
in EUR thousand	Equity Securties	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 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)	–

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 3,721.0 million (EUR 3,264.5 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 3,486.4 million (EUR 3,034.9 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 3,137.8 million. The remaining financial assets included in level 3 with a volume of EUR 234.6 million (EUR 229.7 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.

5.2. Financing liabilities

Hannover Re recognised altogether five (five) subordinated bonds placed on the European capital market with an amortised cost of EUR 2,979.2 million (EUR 2,977.4 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 2022 was EUR 514.4 million (EUR 548.0 million).

Four (four) 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 2,063.0 million (EUR 2,547.9 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 694.6 million (EUR 797.1 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 632.0 million (EUR 535.4 million), which is principally used for financing real estate transactions, as well as lease liabilities of EUR 109.3 million (EUR 112.6 million) existed as at the balance sheet date.

5.3. 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 712.6 million (EUR 871.2 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 559.1 million (EUR 741.4 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 4 May 2022 to distribute a gross dividend of EUR 5.75 per share, altogether EUR 693.4 million (EUR 542.7 million), for the 2021 financial year. The distribution is comprised of a dividend in the amount of EUR 4.50 and a special dividend in the amount of EUR 1.25 per share.

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 26,927 (15,766) treasury shares during the second quarter of 2022 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 2026. This transaction resulted in an expense of EUR 1.6 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 73.8 million (in the previous year a net increase of EUR 42.5 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad..

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

6.1. Gross written premium

Gross written premium

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
Regional origin		
Germany	1,390,934	1,257,289
United Kingdom	2,093,070	1,808,312
France	567,385	556,268
Other	1,778,569	1,682,672
Europe	**5,829,958**	**5,304,541**
USA	6,138,225	4,436,634
Other	937,587	740,126
North America	**7,075,812**	**5,176,760**
Asia	2,547,380	2,236,158
Australia	929,603	891,391
Australasia	**3,476,983**	**3,127,549**
Africa	335,294	293,959
Other	624,304	561,790
Total	17,342,351	14,464,599

6.2. Investment income

Investment income

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
Income from real estate	103,404	75,414
Dividends	3,581	4,433
Interest income	545,724	489,634
Other investment income	216,872	112,220
Ordinary investment income	**869,581**	**681,701**
Profit or loss on investments in associated companies	33,467	16,019
Realised gains on investments	181,422	206,914
Realised losses on investments	129,123	64,893
Change in fair value of financial instruments	27,854	(43,141)
Impairments on real estate	27,421	23,762
Impairments on fixed-income securities	16,512	233
Impairments on participating interests and other financial assets	7,990	14,377
Other investment expenses	77,953	64,578
Net income from assets under own management	**853,325**	**693,650**
Interest income on funds withheld and contract deposits	148,269	290,048
Interest expense on funds withheld and contract deposits	21,627	117,897
Total investment income	979,967	865,801

The impairments totalling EUR 29.1 million (EUR 20.2 million) were attributable in an amount of EUR 7.9 million (EUR 13.9 million) to alternative investments. Impairments of EUR 4.6 million (EUR 5.6 million) were recognised on real estate and real estate funds. The write-downs taken on fixed-income securities totalled EUR 16.5 million (EUR 0.2 million). 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.

Interest income on investments

in EUR thousand	1.1. - 30.6.2022	1.1. - 30.6.2021
Fixed-income securities - held to maturity	732	2,750
Fixed-income securities - loans and receivables	41,235	41,018
Fixed-income securities - available for sale	493,046	434,509
Financial assets - at fair value through profit or loss	2,877	1,582
Other	7,834	9,775
Total	**545,724**	**489,634**

7. Other notes

7.1. 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 0.5 million (EUR 1.8 million) and other financial assets at fair value through profit or loss in an amount of EUR 2.3 million (EUR 0.1 million).

Hannover Re's portfolio contained forward exchange transactions that gave rise to recognition of other liabilities in an amount of EUR 102.7 million (EUR 50.3 million) and other financial assets at fair value through profit or loss in an amount of EUR 75.1 million (EUR 16.4 million).

The increase in equity from hedging instruments recognised directly in equity pursuant to IAS 39 derived in an amount of EUR 2.0 million (decrease in equity of EUR 1.2 million recognised directly in equity) 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 financial assets at fair value through profit or loss in an amount of EUR 2.1 million (other liabilities of EUR 0.3 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 2.6 million as at the balance sheet date (other receivables of EUR 2.0 million) 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 5.6 million (EUR 1.2 million).

The net changes in the fair value of all financial derivatives contained in the portfolio increase the pre-tax result of the period under review by EUR 12.3 million (decrease in the result of EUR 7.8 million).

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 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 2.3 million (EUR 1.0 million) under other financial assets at fair value through profit or loss and in an amount of EUR 3.5 million (EUR 0.4 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 1.7 million (EUR 14.1 million).

A derivative financial instrument was also unbundled from another similarly structured transaction in previous years. This gave rise to recognition of other liabilities in an amount of EUR 65.3 million (other financial assets at fair value through profit or loss of EUR 26.0 million). The performance of this derivative has led to a reduction in the result before tax of EUR 92.3 million (EUR 39.8 million) in the course of the financial year to date.

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 23.0 million (EUR 25.3 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 in investment income before tax of EUR 18.9 million (EUR 17.1 million) in the course of the financial year to date.

The portfolio contains a hedge against an extreme increase in mortality that protects the Hannover Re Group against a rise in mortality rates, for example due to pandemics, natural catastrophes or terrorist attacks. The risk swap is indexed against a weighted combination of US, UK and Australian population mortality. Payment under the cover is triggered proportionately between 110% and 120% of the mortality index. The derivative was recognised with a positive fair value of EUR 127.6 million (EUR 39.2 million) under other financial assets at fair value through profit or loss. The change in the fair value of the derivative has given rise to income of EUR 88.4 million (expense of EUR 2.1 million) in the course of the financial year to date.

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 financial assets at fair value through profit or loss in an amount of EUR 132.5 million (EUR 135.8 million) and other liabilities of EUR 18.4 million (EUR 22.2 million). Altogether, these arrangements have given rise to an improvement in income before tax of EUR 0.4 million (EUR 0.9 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 positive fair value of EUR 3.8 million (EUR 4.6 million) under other financial assets at fair value through profit or loss. The change in the fair value of the derivative has given rise to income of EUR 2.1 million (EUR 2.2 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 289.3 million (EUR 231.7 million) as well as recognition of liabilities in an amount of EUR 87.1 million (EUR 22.6 million) from the derivatives resulting from technical items as at the balance sheet date. Improvements in investment income before tax amounting to EUR 109.9 million (EUR 20.2 million) as well as charges to income before tax of EUR 93.9 million (EUR 56.0 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 1,326.0 million (EUR 2,651.7 million); an amount equivalent to EUR 1,098.5 million (EUR 1,988.1 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.

7.2. 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.

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

	1.1.-30.6.2022			1.1.-30.6.2021		
	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	867,704	68,892	936,596	991,381	70,474	1,061,855
Underwriting result	(65,447)	12,119	(53,328)	7,386	9,889	17,275
Business ceded						
Premium	(5,366)	(33,522)	(38,888)	(2,327)	(34,702)	(37,029)
Underwriting result	(4,529)	(3,219)	(7,748)	5,205	(5,183)	22
Total						
Premium	862,338	35,370	897,708	989,054	35,772	1,024,826
Underwriting result	(69,976)	8,900	(61,076)	12,591	4,706	17,297

	30.6.2022			31.12.2021		
	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	89,927	879,154	969,081	85,289	933,151	1,018,440
Deferred acquisition costs	281,004	17,925	298,929	280,676	17,668	298,344
Accounts receivable	620,255	8,358	628,613	688,885	11,564	700,449
Liabilities						
Loss and loss adjustment expense reserve	3,624,707	47,091	3,671,798	3,371,974	50,233	3,422,207
Benefit reserve	–	93,010	93,010	–	91,708	91,708
Unearned premium reserve	1,000,575	193	1,000,768	972,009	143	972,152
Contract deposits	–	758,727	758,727	–	810,913	810,913
Reinsurance payable	43,292	18,256	61,548	68,401	22,352	90,753

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 48.3 million) including accrued interest of EUR 0.5 million (EUR 1.3 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, 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 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.

7.3. Staff

As at the balance sheet date altogether 3,435 (3,346) staff were employed by the Hannover Re Group, with 1,481 (1,477) employed in Germany and 1,954 (1,869) working for the consolidated Group companies abroad.

7.4. Earnings per share

Calculation of the earnings per share

	1.1.-30.6.2022	1.1.-30.6.2021
Group net income in EUR thousand	648,684	670,552
Weighted average of issued shares	120,596,685	120,596,871
Basic earnings per share in EUR	5.38	5.56
Diluted earnings per share in EUR	5.38	5.56

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 2022 and sold them to eligible employees at a later date.

The weighted average number of shares does not include 26,927 (15,766) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in section 5.3 "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.

7.5. 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 4,293.6 million (EUR 4,305.4 million) and EUR 422.0 million (EUR 295.9 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 4,040.8 million (EUR 3,947.1 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 3,297.7 million (EUR 3,131.8 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 3,155.9 million (EUR 3,210.1 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 1,393.4 million (EUR 1,264.2 million).

We put up own investments with a book value of EUR 89.2 million (EUR 41.9 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 58.2 million (EUR 14.4 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 990.2 million (EUR 922.4 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 1,597.0 million (EUR 1,588.2 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 10.0 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.

7.6. Events after the end of the reporting period

No significant events beyond the scope of ordinary business activities have occurred since the balance sheet date.

Hannover, 1 August 2022

Executive Board

Henchoz Althoff Chèvre

Dr. Miller Dr. Pickel Sehm Jungsthöfel

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 2022, 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 2022

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, 1 August 2022

Executive Board

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