somewhat different

Half-yearly Financial Report 2023

hannover re®

Key figures

in EUR million	2023					2022 [2]		
	1.1.– 31.3.[1]	1.4.– 30.6.[1]	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.[1]	1.1.– 30.6.	31.12.
Results								
Reinsurance revenue (gross)	6,570.2	5,702.5	+9.6%	12,272.7	+3.9%	5,204.5	11,816.1	
Reinsurance service result (net)	568.3	510.4	+87.6%	1,078.7	+55.5%	272.1	693.5	
Net income from investments	380.8	469.9	+8.8%	850.7	+3.2%	431.7	824.6	
Operating profit / loss (EBIT)	720.3	632.3	+21.6%	1,352.6	+21.0%	519.9	1,117.5	
Group net income	484.5	475.6	+22.9%	960.0	+17.8%	387.0	814.9	
Balance sheet								
Policyholders' surplus	14,151.7			13,393.0	-2.1%		13,687.3	13,683.2
Equity attributable to shareholders of Hannover Rück SE	9,531.3			9,256.8	+2.2%		9,750.1	9,059.7
Non-controlling interests	893.3			907.8	+1.2%		957.9	897.2
Hybrid capital	3,727.1			3,228.4	-13.4%		2,979.2	3,726.3
Contractual service margin (net)	7,432.2			7,275.4	+10.9%		7,159.0	6,557.4
Risk adjustment	3,824.6			3,651.2	-1.8%		3,758.3	3,717.1
Investments	56,997.1			56,467.1	+2.1%		54,610.6	55,285.1
Total assets	64,668.8			63,924.0	+1.5%		62,483.2	62,959.2
Ratios								
Combined ratio (property and casualty reinsurance) [3]	92.3%	90.8%		91.7%		92.5%	94.4%	
EBIT margin [4]	12.3%	13.0%		12.6%		11.4%	10.3%	
Return on investment	2.7%	3.3%		3.0%		3.2%	3.0%	
Return on equity	20.8%	20.3%		21.0%		15.5%	16.4%	
Share								
Earnings per share (basic and diluted) in EUR	4.02	3.94	+22.9%	7.96	+17.8%	3.21	6.76	
Book value per share in EUR	79.03			76.76	+2.2%		80.85	75.12
Share price at the end of the period in EUR	180.35			194.35	+4.8%		138.50	185.50
Market capitalisation at the end of the period	21,749.7			23,438.1	+4.8%		16,702.7	22,370.8

[1] Information was not subject to an auditor's review.
[2] Restated pursuant to IAS 8
[3] Reinsurance service result / reinsurance revenue (net)
[4] EBIT / reinsurance revenue (net)

Jean-Jacques Henchoz
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

After years of moderate price increases in property and casualty reinsurance despite above-average loss expenditures, the trend has now picked up considerable pace. The treaty renewals in January and April marked a watershed for our industry in the shift towards more adequate prices and better conditions for reinsurance protection. At the same time, demand for high-quality reinsurance solutions has grown – thereby establishing a cornerstone for further profitable expansion of our business.

Natural catastrophes and other severe loss events have occurred more frequently in recent years, resulting in higher-than-expected payments by insurers and reinsurers to their customers. Inflation, too, has played a part in this development. Demand for reinsurance covers has consequently increased, while the available reinsurance capacities have contracted. Against this backdrop, a selective underwriting policy geared towards profitability continues to be the order of the day for Hannover Re. The increased profitability of our portfolio is reflected in the value of Hannover Re's new business. A measure of the profit expected in new business written, this has risen sharply in property and casualty reinsurance in the first half of the year.

We are therefore highly satisfied with the development of business in the first six months. After all, Group net income was entirely in line with our goals for the first six months and is on track to achieve our full-year target. In this context I would also like to highlight the positive profit contributions made by life and health reinsurance – first and foremost thanks to our tailored solutions for our customers – and our investments. In what is still a volatile market environment, we once again generated very solid investment income and thereby further underscored one of Hannover Re's strengths: top-notch expertise in investment management.

With our capital adequacy ratio under Solvency II of 269.8 percent at the end of June, we stand firmly alongside our customers as a financially robust and reliable reinsurance partner, while at the same time offering our shareholders the basis for reliable and attractive dividends.

While the favourable business development in the first half-year and substantially improved profitability in property and casualty reinsurance give us confidence for the months ahead as well, this is no reason to sit back. The second half of the year normally includes the more eventful months and (geo)political uncertainties also persist. The recent unrest in France shows that even within Europe political risks are continuing to grow, potentially with associated strains for (re)insurance business.

We are therefore challenged to continuously face up to the consequences of the geopolitical and sociopolitical crises triggered by accelerating climate change and newly emerging risks. Yet new risks also open up new business opportunities. I have in mind here the areas of cyber and artificial intelligence, for example.

Despite all the technological advances, it is the human factor – our people – that remains crucial if we are to master the challenges that lie ahead. They continue to serve as a guarantee of our ability to work with our customers to identify their needs and translate them into tailor-made solutions.

On behalf of the entire Executive Board, I would therefore like to extend a special word of thanks to our employees for their commitment, which is what makes Hannover Re's success possible in the first place. I would also like to express my appreciation to you, our shareholders, for the confidence you have shown in our company. You can rest assured that we shall do everything in our power to earn your trust going forward, just as we have in the past.

Yours sincerely,

Jean-Jacques Henchoz
Chairman of the Executive Board

Interim management report

Report on economic position

Business development

- Reinsurance revenue rises by 3.9% to EUR 12.3 billion
- Return on investment of 3.0% beats minimum 2.4% target
- Group net income grows by 17.8% to EUR 960.0 million
- Return on equity reaches 21.0% and is comfortably above minimum target
- Contractual service margin (net) amounts to EUR 7.3 billion

Hannover Re is reporting its business results with effect from 1 January 2023 according to the new financial reporting standards IFRS 17 and IFRS 9. In order to ensure better comparability of the results, the figures for the previous year have also been calculated in accordance with the new standards.

The first half of 2023 passed off satisfactorily for Hannover Re. We are thus still on track to achieve our full-year targets as planned.

The reinsurance revenue (gross) was increased by 3.9% as at 30 June to EUR 12,272.7 million (previous year: EUR 11,816.1 million). Growth would have reached 5.4% at constant exchange rates.

The reinsurance service result, reflecting the profitability of underwriting activity after deduction of business ceded (primarily retrocessions and insurance-linked securities), rose sharply by 55.5% to EUR 1,078.7 million (EUR 693.5 million).

While the expenditures from large losses in property and casualty reinsurance at the mid-year point came in below expectations for the first six months, we nevertheless booked the budgeted large loss expectancy in full as usual.

Adjusted for exchange rate effects, the reinsurance finance result – which includes in particular interest accretion on technical reserves discounted in prior years – amounted to EUR -342.5 million (EUR -205.5 million).

Our investments reached a total volume of EUR 56.5 billion as at the end of June (31 December 2022: EUR 55.3 billion). Net income from investments improved by 3.2% year-on-year, thanks in part to income booked from our portfolio of inflation-linked bonds. The resulting annualised average return on investment stood at 3.0% and was thus ahead of the minimum 2.4% full-year target.

Other income and expenses decreased by 59.9% to EUR -268.4 million (EUR -167.9 million). This was due mainly to positive special effects in the previous year.

The operating profit (EBIT) on the Group level increased by 21.0% to EUR 1,352.6 million (EUR 1,117.5 million). Group net income climbed by 17.8% to EUR 960.0 million (EUR 814.9 million). Earnings per share thus came in at EUR 7.96 (EUR 6.76).

The shareholders‘ equity of Hannover Re as at 30 June 2023 amounted to EUR 9.3 billion (31 December 2022: EUR 9.1 billion). The increase in shareholders' equity derives principally from the Group profit generated in the first half of the year less the dividend distributed to shareholders of Hannover Re for the 2022 financial year. The annualised return on equity reached 21.0% (previous year: 16.4%) and thus comfortably beat the minimum target of 1,000 basis points above the risk-free interest rate. The book value per share stood at EUR 76.76 (31 December 2022: EUR 75.12).

The contractual service margin (net) rose by 10.9% to EUR 7,275.4 million (31 December 2022: EUR 6,557.4 million). The increase can be attributed primarily to new business written. The risk adjustment (net) decreased slightly by 1.8% to EUR 3,651.2 million (31 December 2022: EUR 3,717.1 million).

Results of operations, financial position and net assets

Property and casualty reinsurance

- Reinsurance revenue rises by 6.6% to EUR 8.4 billion
- Large losses in the first half-year within budgeted expectation
- Combined ratio stands at 91.7%
- Sustained positive development in prices and conditions; new business CSM (net) improves accordingly by 45.0%
- Operating profit for the first half-year increases by 28.0% to EUR 829.1 million

The trend towards significantly improved prices and conditions in property and casualty reinsurance has continued undiminished.

In the main renewal season for traditional property and casualty reinsurance (excluding facultative reinsurance, insurance-linked securities and structured reinsurance) as at 1 January we booked an average inflation- and risk-adjusted price increase of 8.0%. Hannover Re routinely reports price changes on a risk-adjusted basis, meaning that the price changes disclosed by us already allow for inflation increases or model adjustments.

The traditional treaty renewals as at 1 April, encompassing primarily our business in Japan and to a lesser extent in Australia, New Zealand, other Asian markets as well as North America, similarly resulted in sharply improved risk-adjusted prices and conditions for Hannover Re. The average risk-adjusted price increase was 6.0%.

Thanks to our quality-focused underwriting approach, the new business CSM (net) improved by 45.0% to EUR 1,828.9 million. The new business LC (net) decreased to EUR 35.2 million (EUR 235.2 million).

Reinsurance revenue (gross) in property and casualty reinsurance rose by 6.6% in the first six months to EUR 8,364.9 million (previous year: EUR 7,850.4 million). Growth would have reached 7.8% at constant exchange rates.

Expenditures from large losses in the first half-year totalled EUR 606.9 million (EUR 850.4 million) and thus came in within our budget of EUR 751 million.

The largest net individual losses in the first half of 2023 were the earthquake in Türkiye and Syria at the start of the year with expenditure of EUR 257.0 million as well as extensive flooding in January and Tropical Cyclone Gabrielle in February that impacted New Zealand at a cost of EUR 45.3 million and EUR 65.4 million respectively. Further expenditures of EUR 41.5 million were incurred from severe storms in Italy in May as well as EUR 35.7 million for losses caused by tornados in the southern United States at the end of March. We also anticipate losses from the recent unrest in France in the order of EUR 50.0 million.

In addition, further pandemic-related losses – albeit as anticipated lower than in 2022 – were incurred in accident and health insurance in the Asia-Pacific region.

The reinsurance service result (net) surged by a considerable 50.7% to EUR 597.6 million (EUR 396.5 million). The result for the previous year had included provisions made for losses from Russia's war of aggression on Ukraine and for additional reserves constituted for prior-year losses. The combined ratio improved to 91.7% (94.4%). The reinsurance finance result (net) amounted to EUR- 284.7 million (EUR -148.6 million).

Income from investments (net) for property and casualty reinsurance rose by 13.9% to EUR 624.6 million (EUR 548.4 million).

The operating profit (EBIT) generated in property and casualty reinsurance surged by 28.0% to EUR 829.1 million (EUR 647.9 million). We thus remain well on track to achieve the year-end target of at least EUR 1.6 billion.

Key figures for property and casualty reinsurance

in EUR million	2023					2022 [2]	
	1.1.– 31.3.[1]	1.4.– 30.6.[1]	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.[1]	1.1.– 30.6.
Reinsurance revenue (gross)	4,600.1	3,764.8	+15.4%	8,364.9	+6.6%	3,261.5	7,850.4
Reinsurance service result (net)	314.8	282.7	+36.2%	597.6	+50.7%	207.6	396.5
Net income from investments	298.1	326.5	-1.9%	624.6	+13.9%	332.9	548.4
Operating result (EBIT)	466.3	362.8	+4.0%	829.1	+28.0%	349.0	647.9
EBIT margin [3]	11.4%	11.8%		11.5%		12.6%	9.1%
Combined ratio [4]	92.3%	90.8%		91.7%		92.5%	94.4%
New business CSM & LC (net)	1,429.0	364.7	+166.8%	1,793.8	+74.9%	136.7	1,025.9

[1] Information was not subject to an auditor's review.
[2] Restated pursuant to IAS 8
[3] EBIT / reinsurance revenue (net)
[4] Reinsurance service result / reinsurance revenue (net)

Life and health reinsurance

- Reinsurance revenue down slightly by 1.5% to EUR 3,907.8 million
- Sustained high demand for longevity covers and financial solutions
- New business CSM (net) amounts to EUR 150.9 million
- Operating profit for the half-year up by 11.3% to EUR 524.5 million

The Life & Health reinsurance business group delivered a pleasing development in the first six months. The new business CSM (net) amounted to EUR 150.9 million (EUR 229.2 million). The new business LC (net) stood at EUR 4.4 million.

The reinsurance revenue (gross) for life and health reinsurance contracted slightly by 1.5% to EUR 3,907.8 million (EUR 3,965.7 million); growth of 0.8% would have been booked at constant exchange rates.

Demand among our clients for financial solutions continued to grow – especially in the United States and China, where we were able to write significant new business in the first half of the year. Similar developments can be observed in business with longevity covers. Along with the United Kingdom, this segment is growing steadily around the world, for example in Canada and Australia.

In the area of traditional reinsurance business involving mortality and morbidity risks, it was particularly pleasing that we were able to enter what is for Germany the relatively new market for group life insurance.

The reinsurance service result improved substantially by 62.0% to EUR 481.1 million (EUR 297.0 million). Mortality covers were a major factor here owing to lower pandemic-related strains than in the previous year. The reinsurance finance result before exchange rate effects amounted to EUR -57.8 million (EUR -56.9 million).

Net income from investments for life and health reinsurance, which in the previous year had benefited from two sizeable special effects, normalised accordingly and was down 18.5% at EUR 224.8 million (EUR 275.7 million).

The operating result (EBIT) climbed by 11.3% to EUR 524.5 million (EUR 471.1 million). We are thus still very much on course to achieve the year-end target of at least EUR 750 million.

Key figures for life and health reinsurance

in EUR million	2023					2022 [2]	
	1.1.– 31.3. [1]	1.4.– 30.6. [1]	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6. [1]	1.1.– 30.6.
Reinsurance revenue (gross)	1,970.1	1,937.7	-0.3%	3,907.8	-1.5%	1,943.0	3,965.7
Reinsurance service result (net)	253.5	227.6		481.1	+62.0%	64.5	297.0
Net income from investments	82.6	142.2	+44.3%	224.8	-18.5%	98.5	275.7
Operating result (EBIT)	253.1	271.5	+58.7%	524.5	+11.3%	171.0	471.1
EBIT margin [3]	14.3%	15.3%		14.8%		9.5%	12.7%
New business CSM & LC (net)	77.4	69.1	-37.5%	146.5	-35.7%	110.6	227.9

[1] Information was not subject to an auditor's review.
[2] Restated pursuant to IAS 8
[3] EBIT / reinsurance revenue (net)

Investments

- Portfolio of investments stands at EUR 56.5 billion despite volatile environment
- Strong ordinary income, primarily from fixed-income securities
- Investment income rises to EUR 850.7 million
- Return on investment reaches 3.0% to stay ahead of minimum 2.4% target

Our investments delivered a pleasing performance in the first half of the year even though numerous geopolitical and economic challenges continued to cause volatility, above all on interest rate markets. Overall, capital markets increasingly found themselves caught between the fight against inflation and fluctuating expectations of recession. Clear macroeconomic signals to counter the volatility were lacking on the interest rate and credit markets of particular relevance to our company.

Despite multiple moves by central banks to raise interest rates, liquidity in the capital markets was only reduced rather hesitantly. Following the very steep rate rises in the previous year, modest interest rate declines – primarily in medium and longer maturity segments – were observed at the end of the reporting period on the euro and US dollar markets. Sterling interest rates surged higher across all maturity segments, although considerably more sharply at the shorter end than for medium- and long-term maturities with the result that here too – as with the euro and US dollar – yield curves inverted. Overall, this dynamic on interest rate markets – combined with regular amortisation – was reflected in a decrease in unrealised losses on our fixed-income securities. At the end of the first quarter, uncertainties in the banking sector additionally led to unease on credit markets. This manifested itself in sometimes highly volatile risk premiums on corporate bonds, although by the reporting date these had largely settled back to the level recorded at the end of the previous year. Higher interest rates and economic uncertainties also left their mark on private equity markets. The market valuations of target investments consequently moved within narrower corridors than in the previous year. Lower distributions were also observed.

Our investments benefited from the fact that we had already tended to adopt a more conservative posture from the beginning of the previous year onwards with an eye to anticipated central bank moves and inflationary developments; as an additional factor, we were not impacted by any failures in our exposure to banks. Furthermore, the well-balanced interest rate positioning of our investments in relation to the technical reserves following initial application of the IFRS 17 and IFRS 9 financial reporting standards in the period under review was reflected in the balance sheet in greater resilience to market volatility.

Our investment portfolio amounted to EUR 56.5 billion as at the end of June (31 December 2022: EUR 55.3 billion). The main positive drivers here were slightly lower euro and US dollar interest rates in medium and long maturity segments since the beginning of the year as well as inflows from operating activities, while currency effects associated primarily with the US dollar, the dividend payment and repayment of a bond issued in 2012 were opposing factors. Given that the sometimes highly volatile risk premiums on corporate bonds had largely reverted by the reporting date to the level seen at the end of the previous year, they scarcely had any implications for the fair values of our fixed-income securities. The unrealised losses on our fixed-income portfolio consequently decreased overall to

EUR 4.5 billion (31 December 2022: EUR 4.9 billion). Furthermore, the higher interest rates also had a clearly positive effect on new investments and reinvesting activities.

We kept our asset allocation broadly unchanged overall in the first six months. It was only with respect to instruments in the credit market that we began to stabilise the allocation – following consistent reductions in previous quarters – on the current level. In Latin America we acted on market opportunities to further strengthen our real estate portfolio. The modified duration of our fixed-income portfolio – at 4.7 (4.8) – remained stable in comparison with the end of the previous year.

The ordinary investment income of EUR 924.8 million was higher than in the comparable period (EUR 871.3 million), principally due to a sharp increase in the income booked from fixed-income securities. This is manifested primarily in the pure coupon earnings. .The amortisation amounts, on the other hand, declined somewhat; this can be attributed to our holdings of inflation-linked bonds, which contributed EUR 74.2 million (EUR 195.0 million) to the result and reflected lower inflation expectations compared to the previous year.

The net balance of gains and losses realised on disposals totalled EUR- 44.4 million (EUR- 56.7 million). This development is due principally to sales in connection with portfolio maintenance. We were able to reduce the provisions established for expected credit losses (ECL) in accordance with IFRS 9 by EUR 8.6 million through profit or loss in the reporting period (expense of EUR -19.7 million). Depreciation recognised on directly held real estate totalled EUR 26.6 million (EUR 22.8 million).

The net changes in the fair value of our assets recognised at fair value through profit or loss amounted to EUR 57.0 million (EUR 122.4 million). Particularly significant here were positive changes in the fair values of two derivatives relating to the technical account and of currency hedges. Fair value changes affecting alternative investment funds had an opposing effect.

The net investment income of EUR 850.7 million (EUR 824.6 million) was above the level of the previous year's corresponding period. This was due primarily to robust income from our fixed-income portfolio and reduced expenditure for expected credit losses, which more than offset the lower income from changes in the fair value of our assets recognised at fair value through profit or loss. Our investments thus delivered an annualised average return of 3.0 %, beating the target of at least 2.4% set for the full financial year.

Net investment income

in EUR million	2023					2022 [2]	
	1.1.– 31.3.[1]	1.4.– 30.6.[1]	+/– previous year	1.1.– 30.6.	+/– previous year	1.4.– 30.6.[1]	1.1.– 30.6.
Ordinary investment income	448.6	476.1	+0.2%	924.8	+6.1%	475.3	871.3
Expected credit losses, impairment, depreciation and appreciation of investments	(9.6)	(8.4)	-164.4%	(18.0)	-57.5%	13.1	(42.5)
Change in fair value of financial instruments	(3.9)	60.9	+71.8%	57.0	-53.4%	35.4	122.4
Profit / loss from investments in associated companies and joint ventures	2.5	14.0	-162.8%	16.5		(22.3)	4.7
Realised gains and losses on investments	(13.8)	(30.5)	-15.3%	(44.4)	-21.8%	(36.1)	(56.7)
Other investment expenses	43.0	42.2	+24.7%	85.2	+14.3%	33.8	74.5
Net income from investments	380.8	469.9	+8.8%	850.7	+3.2%	431.7	824.6

[1] Information was not subject to an auditor's review.
[2] Restated pursuant to IAS 8

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 also continuously monitors new or 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 2023. For additional information on the opportunities and risks associated with our business please see the Group Annual Report 2022.

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 and transact primary insurance on a limited scale. In this context crucial importance attaches to our risk management, among other things to limit the impact of individual large losses and with an eye to reflecting risks in the pricing of reinsurance treaties. 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 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 risks within the underwriting risks of life and health reinsurance.

Strategy implementation

Strong governance and robust risk management, integrated compliance and sustainability 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 ensure a solvency ratio of at least 180%. A ratio of 200% is defined as a threshold, below which countermeasures would be triggered. 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 subsection describes and evaluates external factors and events from the first half of 2023 that had a particularly significant impact on risk management or could do so in the future.

Geopolitical risks

The inflation risk and associated measures taken by central banks and the tensions between Russia and the European Union / United States have led to considerable volatility on financial markets since the outbreak of war between Ukraine and Russia.

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

The implications for our reinsured portfolio are continuously monitored, among other things in the context of scenario analyses. The total loss booked for possible claims from the war in Ukraine amounted to EUR 335.2 million at the reference date of 30 June 2023. 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.

Ongoing developments involve, among other things, court proceedings related to leased aircraft that were located in Russia at the outbreak of the war and have since not been returned. Hannover Re is engaged in intensive dialogue with our customers and with brokers in order to be promptly updated in the event of major developments.

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

Along with the tensions triggered by Russia's invasion of Ukraine, we are also keeping a close eye on strains in relations between China and especially the United States, not least over the status of Taiwan.

Natural catastrophe risks and climate change: Hannover Re was impacted by natural catastrophe events in various parts of the world. Particularly noteworthy in the first half of 2023 were the earthquake in early February in Türkiye as well as floods in late January / early February and Cyclone Gabrielle in mid-February in New Zealand.

Natural disasters – including floods and windstorm events – should be viewed in the context of climate change. The associated impacts present a major challenge for risk management and the adequacy of stochastic models needs to be continuously monitored. We use both external and internal components and data to model the impacts of catastrophic events. The monitoring of risks resulting from natural perils is rounded off with stress tests as well as scenario and sensitivity analyses.

Capital market environment: In the first half of the year our investments developed very largely satisfactorily and in line with our expectations, even though numerous geopolitical and economic challenges led to continued turmoil. This was reflected most strikingly in volatile interest rate markets. Clear macroeconomic signals that could have tempered this volatility were lacking. Our investments benefited from the fact that we had already adopted a more defensive posture with respect to credit risks back at the start of the previous year in anticipation of the repercussions of central bank actions.

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 interest rate moves made in our main currency areas by central banks, which raised their key rates – sometimes substantially – in multiple increments as they constantly found themselves caught between the fight against inflation and fluctuating expectations of a recession. The considerable liquidity in the markets was only reduced rather hesitantly. Following the very steep rate rises in the previous year, modest interest rate declines – primarily in medium and longer maturity segments – were observed at the end of the reporting period on the Euro and US dollar markets. British Pound interest rates surged higher across all maturity segments, although considerably more sharply at the shorter end than for medium- and long-term maturities with the result that here too – as with the Euro and US dollar – yield curves inverted. Even though the continued high level of interest rates compared to the past initially reduces the fair values of our fixed-income securities, we benefit from the overall higher level in our new investments and reinvesting activities. As a further factor and following initial application of the IFRS 17 and IFRS 9 financial reporting standards in the period under review, the well-balanced interest exposure of our investments relative to the technical reserves were reflected in the balance sheet in greater resilience to market fluctuations.
At the end of the first quarter, uncertainties in the banking sector led to unease on credit markets. This manifested itself in sometimes highly volatile risk premiums on corporate bonds, although by the reporting date these had largely settled back to the level recorded at the end of the previous year.

On the whole, our fixed-income securities recorded modest increases in fair values, although these were partially offset by our large US dollar-denominated holding and its slight decrease in value against the Euro.

In contrast to interest rate markets, equity markets were characterised by high valuation levels and low volatility. Due to the liquidation of our positions in the previous year, equity markets currently have no direct implications for our investments.

Inflation remains a major preoccupation, although the measured inflation indices have clearly lost momentum in both the Euro and US dollar area. This is reflected in lower earnings – compared to the exceptionally strong rates of change in the previous year – from realised inflation amortisation in our ordinary investment income. It is our expectation that this trend will be broadly sustained in the second half of the year.

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 less so with the interest rate component as part of cash flow forecasts. We thus similarly view the declines in fair value on isolated assets in the reporting period 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 8.5 billion (previous year: EUR 9.1 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 et seq.

Inflation as it affects underwriting activities:
The higher rates of inflation worldwide have the potential to affect multiple factors in our business activities, including for example the insured values and their premium calculation, the loss reserves, the large loss budget, the investments described in the previous section 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 regions and currencies and is dependent on the line of business. 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. Essentially, this process is based on average past inflation rates; if there are indications of a future rise in inflation, we review the need to apply loadings. This is especially important in long-tail lines because multiple underwriting years can be affected at the same time. In the course of the period under review the effect of inflation on the loss reserves developed in line with our expectations.

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.

In addition, we hedge inflation risks through inflation-linked securities. Overall, the property and casualty reinsurance segment is affected more heavily than life and health reinsurance.

Covid-19 pandemic as it affects underwriting activities:
With the number of illnesses and deaths attributable to infection with the SARS-CoV-2 virus dropping around the world, the loss expenditure for Hannover Re is also decreasing. Uncertainty remains around the claims frequency to be expected in a Taiwanese portfolio of short-term health reinsurance contracts.

Assumptions regarding the future population mortality and both short- and long-term illnesses in connection with the current / past and potential future pandemics are continuously reviewed on the basis of new data.

Opportunity report

Speed is one of the qualities used to measure a successful knowledge transfer. Hannover Re's ambition is to offer quick and effective solutions so as to stay one step ahead of the competition. The company 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.

The focus of Hannover Re's business opportunity management is on various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups (see Forecast in Group Annual Report 2022).

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 external 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.

Internal accelerator units in the areas of Business (in each of the P&C and L&H business groups), Technology and Parametrics focus on the respective specific features and participate in a close exchange of ideas with one another. 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. Intensive dialogue and targeted collaboration with the market departments are crucially important here in order to build on existing networks and expertise. The goal is to spot new business opportunities early on and provide the relevant customers with innovative solutions.

This broad scope of tasks is designed to meet the clearly defined goals of generating potential new profitable premium for the Group, improving risk assessment through innovative tools, 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. In addition, Hannover Re provides capacities for the Natural Disaster Fund, for regional risk pools and for a number of other reinsurance programmes designed to protect against natural perils. One concrete example of how Hannover Re strengthens resilience in vulnerable regions is the development of a parametric cover against flood risks for five cities in Argentina, which is provided in collaboration with various partners.

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 2023, issues such as "Organised crime" and "Per- and polyfluorinated chemicals (PFAS)" were analysed. The working group 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 relevant – is to go through the so-called new product process. This process, which is coordinated by Hannover Re's Risk Management, 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 lucrative business opportunities that may arise. Similarly, our very good financial strength ratings also testify to our financial stability. The quality of our Enterprise Risk Management (ERM), for example, is assessed by Standard & Poor's as a key factor in the rating process. Special consideration is given to our established risk management culture, which promotes the development of appropriate risk monitoring systems and supports strategic risk management. The rating encompasses in particular the areas of risk culture, risk controls, emerging risk management, risk models and strategic risk management. This external appraisal confirms the quality of our holistic approach to risk management.

In addition, the risk early detection system is reviewed annually by the independent auditor in relation to the financial reporting. The Group's risk management system is also subject to regular auditing by the internal audit function.

Outlook

- Reinsurance revenue to grow by at least 5% adjusted for exchange rate effects
- Return on investment of at least 2.4% targeted for the full financial year
- Group net income of at least EUR 1.7 billion

In 2023 geopolitical risks and inflation will likely once again present a number of challenges for insurers and reinsurers. The Covid-19 pandemic, on the other hand, is having far less of an effect on everyday life and our business. This trend should continue throughout 2023.

We are looking to grow the reinsurance revenue by at least 5% for the full year assuming constant exchange rates. The currency-adjusted growth in reinsurance revenue should again be stronger in property and casualty reinsurance than in life and health reinsurance. On the Group level we anticipate net income of at least EUR 1.7 billion for the 2023 financial year. This assumes that large loss expenditure does not materially exceed the budgeted level of EUR 1.725 billion, the Covid-19 pandemic does not have any further significant impact on the result in life and health reinsurance and no unforeseen distortions occur on capital markets.

For 2023 we expect property and casualty reinsurance to contribute at least EUR 1.6 billion to the operating result (EBIT). The contribution made by life and health reinsurance to the operating result (EBIT) should be at least EUR 750 million.

In view of the anticipated positive cash flow generated from the technical account and the investments themselves, our asset portfolio should continue to show moderate growth – assuming roughly stable exchange rates and interest rate levels. The return on investment from the asset portfolio should reach at least 2.4%.

The treaty renewals in property and casualty reinsurance as at 1 June and 1 July 2023 once again brought improved prices and conditions for Hannover Re. 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 inflation- and risk-adjusted price increase for the renewed business amounted to 4.8%.

The dividend strategy remains unchanged. It is envisaged that the ordinary dividend will at least be on the level of the previous year. This will be supplemented by a special dividend provided the capitalisation exceeds the capital required for future growth and the profit target is achieved.

Consolidated financial statements

Consolidated balance sheet as at 30 June 2023

Assets

in EUR million	30.6.2023	31.12.2022 [1]	1.1.2022 [1]
Financial investments – at fair value through OCI	47,179.8	46,941.9	47,836.5
Financial investments – at fair value through profit or loss	3,949.1	3,147.4	4,941.1
Investment property	2,461.7	2,319.3	1,818.8
Investments in associated companies and joint ventures	2,060.8	2,063.0	238.1
Other invested assets	815.7	813.5	336.4
Total investments	**56,467.1**	**55,285.1**	**55,170.9**
Reinsurance recoverables on liability for incurred claims	2,339.5	2,401.5	2,200.1
Reinsurance recoverables on liability for remaining coverage	(311.3)	188.0	269.1
Recoverables on reinsurance contracts retroceded	**2,028.2**	**2,589.6**	**2,469.2**
Reinsurance contracts issued in an asset position	1,215.8	1,448.1	1,550.2
Goodwill	78.4	77.4	83.9
Deferred tax assets	458.0	457.7	492.8
Other assets	2,481.2	1,778.2	1,334.9
Cash and cash equivalents	1,195.2	1,323.2	1,355.1
Total assets	**63,924.0**	**62,959.2**	**62,457.0**

[1] Restated pursuant to IAS 8

Liabilities

in EUR million	30.6.2023	31.12.2022 [1]	1.1.2022 [1]
Liability for incurred claims (LIC)	45,136.7	42,925.4	38,212.9
Liability for remaining coverage (LRC)	(2,643.7)	(1,156.5)	3,882.7
Liabilities from reinsurance contracts issued	**42,493.0**	**41,769.0**	**42,095.6**
Reinsurance contracts retroceded in a liability position	462.6	556.7	654.8
Provisions for pensions	151.4	153.8	208.8
Financing liabilities	4,940.0	5,510.4	4,370.3
Taxes	151.0	172.8	92.0
Deferred tax liabilities	2,287.1	2,178.6	2,325.5
Other liabilities	3,274.2	2,661.1	1,661.1
Total liabilities	**53,759.4**	**53,002.3**	**51,408.0**
Shareholders' equity			
Common shares	120.6	120.6	120.6
Nominal value: 120,6 Conditional capital: 24,1			
Additional paid-in capital	724.6	724.6	724.6
Common shares and additional paid-in capital	**845.2**	**845.2**	**845.2**
Cumulative other comprehensive income			
Unrealised gains and losses on investments	(2,896.7)	(3,154.0)	1,107.6
Cumulative foreign currency translation adjustment	364.9	509.0	338.6
Cumulative reinsurance finance income and expenses	2,720.4	2,871.1	(15.2)
Other changes in cumulative other comprehensive income	(38.1)	(36.4)	(80.5)
Total other comprehensive income	**150.4**	**189.7**	**1,350.5**
Retained earnings	8,261.3	8,024.8	7,901.6
Equity attributable to shareholders of Hannover Rück SE	**9,256.8**	**9,059.7**	**10,097.3**
Non-controlling interests	907.8	897.2	951.7
Total shareholders' equity	**10,164.6**	**9,956.9**	**11,049.0**
Total liabilities	**63,924.0**	**62,959.2**	**62,457.0**

[1] Restated pursuant to IAS 8

Consolidated statement of income as at 30 June 2023

in EUR million	1.4.-30.6.2023 [1]	1.1.-30.6.2023	1.4.-30.6.2022 [1,2]	1.1.-30.6.2022 [2]
Reinsurance revenue (gross)	5,702.5	12,272.7	5,204.5	11,816.1
Reinsurance service expenses (gross)	4,683.1	10,290.6	4,657.9	10,919.9
Reinsurance service result (gross)	**1,019.4**	**1,982.1**	**546.6**	**896.2**
Reinsurance revenue (retroceded)	845.1	1,546.0	636.9	1,014.3
Reinsurance service expenses (retroceded)	336.1	642.6	362.3	811.7
Result from reinsurance contracts (retroceded)	**(509.0)**	**(903.4)**	**(274.5)**	**(202.6)**
Reinsurance service result (net)	**510.4**	**1,078.7**	**272.1**	**693.5**
Net finance income or expenses from reinsurance contracts issued	(265.5)	(145.0)	(978.6)	(1,361.8)
Net finance income or expenses from reinsurance contracts retroceded	28.4	5.7	101.6	108.9
Reinsurance finance result (net)	**(237.1)**	**(139.4)**	**(877.0)**	**(1,252.8)**
thereof: Currency gains/losses from reinsurance finance result (net) [3]	(61.5)	203.1	(793.6)	(1,047.4)
Net reinsurance finance result before currency gains or losses [3]	**(175.6)**	**(342.5)**	**(83.4)**	**(205.5)**
Ordinary investment income	476.1	924.8	475.3	871.3
Expected credit losses, impairment, depreciation and appreciation of investments	(8.4)	(18.0)	13.1	(42.5)
Change in fair value of financial instruments	60.9	57.0	35.4	122.4
Profit / loss from investments in associated companies and joint ventures	14.0	16.5	(22.3)	4.7
Realised gains and losses on investments	(30.5)	(44.4)	(36.1)	(56.7)
Other investment expenses	42.2	85.2	33.8	74.5
Net income from investments	**469.9**	**850.7**	**431.7**	**824.6**
Currency gains / losses on investments	33.9	(204.9)	823.6	1,072.2
Currency gains / losses from reinsurance finance result (net) [3]	(61.5)	203.1	(793.6)	(1,047.4)
Other currency gains/losses	18.9	35.8	(45.4)	(52.2)
Net currency result	**(8.7)**	**34.1**	**(15.4)**	**(27.4)**
Other income	45.8	92.1	63.2	115.3
Other expenses	209.5	360.5	148.3	283.2
Other income / expenses	**(163.7)**	**(268.4)**	**(85.1)**	**(167.9)**
Operating profit / loss (EBIT)	**632.3**	**1,352.6**	**519.9**	**1,117.5**
Financing costs	32.7	64.6	21.4	42.5
Net income before taxes	**599.6**	**1,288.0**	**498.6**	**1,075.0**
Taxes	128.1	298.3	87.3	205.2
Net income	**471.5**	**989.6**	**411.3**	**869.8**
thereof				
Non-controlling interest in profit and loss	(4.1)	29.6	24.3	54.9
Group net income	**475.6**	**960.0**	**387.0**	**814.9**
Earnings per share (in EUR)				
Basic earnings per share	3.94	7.96	3.21	6.76
Diluted earnings per share	3.94	7.96	3.21	6.76

[1] Information was not subject to an auditor's review

[2] Restated pursuant to IAS 8

[3] In order to clarify the matching currency coverage of the technical liabilities by investments, the currency effects are initially eliminated from the reinsurance finance result within the meaning of IFRS 17 and subsequently reported in the net currency result

Consolidated statement of comprehensive income as at 30 June 2023

in EUR million	1.4.-30.6.2023 [1]	1.1.-30.6.2023	1.4.-30.6.2022 [1,2]	1.1.-30.6.2022 [2]
Net income	**471.5**	**989.6**	**411.3**	**869.8**
Not reclassifiable to the consolidated statement of income				
Actuarial gains and losses				
Gains (losses) recognised directly in equity	0.3	2.1	39.0	62.0
Tax income (expense)	(0.1)	(0.7)	(12.7)	(20.2)
	0.2	**1.5**	**26.3**	**41.8**
Investments in equity instruments				
Gains (losses) recognised directly in equity	3.5	2.8	(0.1)	1.7
Tax income (expense)	(0.1)	–	–	–
	3.4	**2.8**	**(0.1)**	**1.7**
Income and expense recognised directly in equity that cannot be reclassified				
Gains (losses) recognised directly in equity	3.8	4.9	38.9	63.7
Tax income (expense)	(0.2)	(0.7)	(12.7)	(20.2)
	3.6	**4.2**	**26.2**	**43.5**
Reclassifiable to the consolidated statement of income				
Unrealised gains and losses on investments				
Gains (losses) recognised directly in equity	(430.7)	349.9	(2,816.1)	(5,256.4)
Transferred to the consolidated statement of income	28.2	44.8	32.2	61.3
Tax income (expense)	95.6	(111.8)	725.0	1,349.7
	(307.0)	**282.8**	**(2,058.9)**	**(3,845.4)**
Currency translation				
Gains (losses) recognised directly in equity	(9.2)	(209.2)	461.1	694.6
Transferred to the consolidated statement of income	(1.7)	0.3	–	–
Tax income (expense)	24.4	63.1	(29.6)	(58.1)
	13.5	**(145.8)**	**431.5**	**636.5**
Changes from insurance contracts				
Gains (losses) recognised directly in equity	421.2	(223.6)	1,915.3	3,762.8
Tax income (expense)	(129.4)	82.4	(551.0)	(1,084.2)
	291.8	**(141.3)**	**1,364.3**	**2,678.6**
Changes from the measurement of associated companies and joint ventures				
Gains (losses) recognised directly in equity	(11.1)	(11.1)	–	–
	(11.1)	**(11.1)**	**–**	**–**
Changes from hedging instruments				
Gains (losses) recognised directly in equity	2.5	(3.3)	(1.8)	(3.6)
Tax income (expense)	(1.2)	0.3	1.4	1.8
	1.3	**(3.1)**	**(0.4)**	**(1.8)**
Reclassifiable income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(27.4)	(97.4)	(441.5)	(802.6)
Transferred to the consolidated statement of income	26.5	45.1	32.2	61.3
Tax income (expense)	(10.6)	34.0	145.8	209.2
	(11.5)	**(18.4)**	**(263.5)**	**(532.2)**

in EUR million	1.4.-30.6.2023 [1]	1.1.-30.6.2023	1.4.-30.6.2022 [1,2]	1.1.-30.6.2022 [2]
Total income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(23.6)	(92.5)	(402.6)	(738.9)
Transferred to the consolidated statement of income	26.5	45.1	32.2	61.3
Tax income (expense)	(10.8)	33.3	133.1	188.9
	(7.9)	**(14.2)**	**(237.3)**	**(488.7)**
Total recognised income and expense	**463.6**	**975.5**	**174.0**	**381.1**
thereof				
Attributable to non-controlling interests	14.5	54.7	3.4	34.9
Attributable to shareholders of Hannover Rück SE	449.2	920.8	170.7	346.2

[1] Information was not subject to an auditor's review

[2] Restated pursuant to IAS 8

Consolidated statement of changes in shareholders' equity as at 30 June 2023

in EUR million	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains / losses	Currency translation
Balance as at 31.12.2021 as reported	**120.6**	**724.6**	**1,768.3**	**366.2**
Effects from initial application of new accounting standards	–	–	(660.7)	(27.6)
Balance as at 1.1.2022 (restated)	**120.6**	**724.6**	**1,107.6**	**338.6**
Net income	–	–	–	–
Total income and expense recognised directly in equity	–	–	(3,643.1)	626.3
Total recognised income and expense	**–**	**–**	**(3,643.1)**	**626.3**
Dividends paid	–	–	–	–
Directly reclassified to retained earnings	–	–	0.2	–
Balance as at 30.6.2022	**120.6**	**724.6**	**(2,535.3)**	**964.9**
Balance as at 1.1.2023	**120.6**	**724.6**	**(3,154.0)**	**509.0**
Net income	–	–	–	–
Total income and expense recognised in equity	–	–	257.3	(144.1)
Total recognised income and expense	**–**	**–**	**257.3**	**(144.1)**
Dividends paid	–	–	–	–
Changes in ownership interest with no change of control status	–	–	–	–
Capital increases / additions	–	–	–	–
Capital repayments	–	–	–	–
Balance as at 30.6.2023	**120.6**	**724.6**	**(2,896.7)**	**364.9**

Continuation: Other reserves (cumulative other comprehensive income)			Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Insurance contracts	Hedging instruments	Other				
–	**(8.6)**	**(71.9)**	**8,985.8**	**11,885.0**	**871.2**	**12,756.2**
(15.2)	–	–	(1,084.2)	(1,787.7)	80.5	(1,707.2)
(15.2)	**(8.6)**	**(71.9)**	**7,901.6**	**10,097.3**	**951.7**	**11,049.0**
–	–	–	814.9	814.9	54.9	869.8
2,512.0	(1.8)	38.0	–	(468.6)	(20.1)	(488.7)
2,512.0	**(1.8)**	**38.0**	**814.9**	**346.2**	**34.9**	**381.1**
–	–	–	(693.4)	(693.4)	(28.6)	(722.1)
–	–	–	(0.2)	–	–	–
2,496.8	**(10.4)**	**(33.9)**	**8,022.9**	**9,750.1**	**957.9**	**10,708.0**
2,871.1	**0.2**	**(36.6)**	**8,024.8**	**9,059.7**	**897.2**	**9,956.9**
–	–	–	960.0	960.0	29.6	989.6
(150.8)	(3.1)	1.4	–	(39.3)	25.1	(14.2)
(150.8)	**(3.1)**	**1.4**	**960.0**	**920.8**	**54.7**	**975.5**
–	–	–	(723.6)	(723.6)	(44.1)	(767.7)
–	–	–	–	–	(0.2)	(0.2)
–	–	–	–	–	0.2	0.2
–	–	–	–	–	(0.1)	(0.1)
2,720.4	**(2.9)**	**(35.2)**	**8,261.3**	**9,256.8**	**907.8**	**10,164.6**

Consolidated cash flow statement as at 30 June 2023

in EUR million	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]
I. Cash flow from operating activities		
Net income	989.6	869.8
Change in insurance contracts (gross)	1,539.4	(2,575.6)
Change in reinsurance contracts held (retroceded)	436.5	(85.0)
Change in other receivables/liabilities	(143.3)	(26.9)
Other non-cash expenses and income	(88.3)	3,823.1
Cash flow from operating activities	**2,733.9**	**2,005.3**
II. Cash flow from investing activities		
Outflows for acquisition of investment property	(206.2)	(236.2)
Inflows from disposal of investment property	0.2	8.1
Outflows for acquisition of investments in affiliated companies and participating interests (not consolidated)	(0.4)	(5.7)
Inflows from disposal of investments in affiliated companies and participating interests (not consolidated)	0.7	1.3
Outflows for acquisition of investments valued at FV through OCI	(4,395.2)	(6,179.1)
Inflows from disposal of investments valued at FV through OCI	3,871.6	4,503.3
Outflows for acquisition of investments valued at FV through P&L	(211.9)	(701.9)
Inflows from disposal of investments valued at FV through P&L	151.9	826.7
Short-term Investments (net)	(424.6)	(203.5)
Outflows for acquisition of other invested assets	(2,995.8)	(261.7)
Inflows from disposal of other invested assets	2,834.7	881.1
Other changes	(44.7)	163.1
Cash flow from investing activities	**(1,419.8)**	**(1,204.2)**
III. Cash flow from financing activities		
Cash inflow from financing liabilities / financial/puttable instruments	34.5	96.9
Cash outflow from financing liabilities / financial/puttable instruments	(670.3)	(104.8)
Cash inflow from capital measures	0.2	–
Cash outflow from capital measures	(0.1)	–
Changes in interests in a subsidiary that do not result in a loss of control	(0.2)	–
Cash outflow from dividends	(767.7)	(722.1)
Cash flow from financing activities	**(1,403.5)**	**(730.0)**
IV. Exchange rate differences on cash	**(38.6)**	**104.4**
Cash and cash equivalents at the beginning of the period	**1,323.2**	**1,355.1**
Change in cash and cash equivalents (I. + II. + III. + IV.)	**(128.0)**	**175.6**
Cash and cash equivalents at the end of the period	**1,195.2**	**1,530.7**
Supplementary information on the cash flow statement		
Income taxes paid (on balance)	(148.3)	(102.6)
Dividend receipts [2]	34.6	113.4
Interest received	912.0	827.3
Interest paid from operating activities	(115.9)	(112.3)
Interest paid from financing activities	(65.0)	(67.2)

[1] Restated pursuant to IAS 8

[2] Including dividend-like profit participations from investment funds

Notes to the consolidated financial statements as at 30 June 2023

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 present consolidated half-yearly financial report of Hannover Re was drawn up in conformity with IAS 34 and in accordance with the International Financial Reporting Standards (IFRS) that are to be used for interim reporting, as adopted by the EU. This also applies to all figures provided in this report for previous periods.

The present consolidated financial statement was prepared by the Executive Board on 4 August 2023 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 2023.

With the exception of the provisions of IFRS 17 and IFRS 9 described below, which were applied for the first time, 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 these other accounting policies, please see the Group annual financial report for the previous year.

All standards adopted by the IASB as at 30 June 2023 with binding effect for the period under review have been observed in the consolidated financial statement.

Accounting standards applied for the first time

With effect from 1 January 2023 Hannover Re applied the accounting standards IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" for the first time. Both standards were initially applied retrospectively in observance of any options or transitional arrangements. The opening balance in consideration of the principles of IFRS 17 and IFRS 9 was drawn up as at 1 January 2022.

IFRS 17 "Insurance Contracts" replaces the existing transitional arrangements of IFRS 4 and establishes a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts. In addition, IFRS 17 requires extensive new disclosures in the notes. The standard is to be applied to insurance contracts issued (including reinsurance contracts issued), reinsurance contracts held ("insurance contracts ceded", retrocessions) as well as investment contracts with discretionary participation features.
Before a contract is recognised pursuant to IFRS 17, we check whether the contract contains components that are to be separated and recognised separately according to the provisions applicable to them. Hannover Re's business largely contains two categories of such components:

- cash flows related to embedded derivatives to be recognised separately under IFRS 9;
- cash flows related to distinct investment components that are similarly to be recognised under IFRS 9.

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 insurance contracts with a direct surplus participation 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 and in order to achieve consistent and comparable presentation and measurement within the portfolio of insurance and reinsurance contracts, Hannover Re is applying the general measurement model to its entire business.

The general measurement model measures receivables and payables from reinsurance business by the fulfilment value plus the contractual service margin.

The fulfilment value constitutes the risk-adjusted present value of the rights and obligations from a reinsurance treaty and is comprised of the estimates of expected future cash flows, their discounting and an explicit risk adjustment for non-financial risks.

If the present value of the expected future cash inflows exceeds the present value of the expected future cash outflows plus the risk adjustment, an expected profit exists that is deferred within the contractual service margin (CSM) and spread across the coverage period. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.

However, for groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognise the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

Hannover Re discounts all cash flows using currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts ("bottom-up approach").

The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour.

The provisions of IFRS 17 open up the option of recognising discounting effects within the non-financial risk adjustment not separately in the insurance finance result but rather together with the release of the risk adjustment within the technical result. This option is exercised in the property and casualty reinsurance segment.

As a general principle, insurance contracts are grouped together and measured on an aggregated level. For this purpose, we define as a first step portfolios containing contracts with similar risks that are managed together. In a second step, we split these portfolios into groups of contracts according to profitability criteria and annual cohorts. With regard to the profitability expected at the time of initial recognition, a distinction is made between

- onerous contracts,
- contracts where there is no significant probability of them becoming onerous in subsequent periods and
- the remaining contracts;

these are allocated to separate groups of contracts. Contracts issued within a calendar year are combined into annual cohorts.

Under IFRS 17 there is a requirement to group contracts into such annual cohorts. In the context of the EU endorsement, however, an option to build annual cohorts was granted for certain types of contracts. Hannover Re is not using this EU exemption.

The standard must be applied retrospectively unless this is impracticable (IFRS 17.C3). In this case, especially if an adequate data basis for full retrospective application is not available, 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. In connection with application of the modified retrospective approach, the following main simplifications were utilised:

- Contracts issued in intervals of more than one year were combined
- No distinction was made between purchased insurance portfolios and directly written business
- Use of a yield curve approximating the estimated yield curve for at least three years directly prior to the date of transition to IFRS 17 that is based on the general approach used for calculating discount rates
- Restatement of the non-financial risk adjustment as at 1 January 2022 by the amount of the release of the non-financial risk adjustment expected prior to the transition date based on comparable contracts
- The OCI for the technical reserves as at 1 January 2022 is determined as the difference between the technical reserves discounted at the interest rate from the year of acquisition of the contracts and at the current rate on the closing date. Overall, the balance of the technical OCI positions and the investment OCI positions produces the OCI from investments not used to cover underwriting liabilities.

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 value calculated according to IFRS 17.

Hannover Re is applying each of the aforementioned transition arrangements, differentiated according to certain groups of contracts.

Measured by their net technical liability, the proportion of contracts for which the full retrospective approach was used was around 36%. The modified retrospective approach and the fair value approach were applied to roughly 26% and roughly 38% of the portfolio respectively.

The application of IFRS 17 has a number of implications for the structure of the consolidated balance sheet. In addition to the changed technical items under the general measurement model, certain items that have been reported separately under IFRS 4 are eliminated and recognised under the reinsurance liabilities in accordance with the general model. This is the case, for example, with the deferred acquisition costs, the reinsurance recoverables and funds withheld.

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

Gross written premium is no longer 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. 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, including the pro rata recognition of the contractual service margin in profit and loss, 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 entirely as profit or loss in the statement of income or in part directly in equity. This “OCI option” can be exercised on the level of individual portfolios and is utilised by Hannover Re for a large part of its business.

Changes in assumptions about future cash flows 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. If this adjustment to the contractual service margin exceeds its carrying amount, a loss component is established analogously to the initial recognition of groups of contracts that are expected to be loss-making and recognised directly in profit or loss. Conversely, it may happen that a contractual service margin is established in the context of subsequent measurement of a group of contracts originally classified as probably loss-making.

At the transition date of 1 January 2022, the initial application of IFRS 17 gave rise to the following changes in the measurement of key items in the balance sheet:

The amount of the technical liabilities and assets changes due to the concepts enshrined in the standard relating to the discounting of future cash flows, the establishment of the contractual service margin, loss components and risk adjustment and other measurement differences compared to IFRS 4, including for example the diverging definition of contract boundaries or the aforementioned grouping of contracts for measurement purposes.

In property and casualty reinsurance there is an overall decline of EUR 743.0 million in the amount of the net technical liability.

An anticipated significant increase of EUR 2,455.6 million was recorded in the technical liabilities in the life and health reinsurance segment. This is due primarily to the measurement of portfolios in the US and Asian markets as well as from the United Kingdom.

The retention – insofar as this is possible under IFRS 17 – of the reserving approach hitherto adopted by Hannover Re results in the recognition of a loss component for some groups of contracts at the time of initial recognition, although this may even out over time and lead to run-off profits.

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains new rules for classifying and measuring financial instruments, 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 are first applied by Hannover Re at the same time.

In order to be able to take advantage of the temporary deferral, it was 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 option of temporary deferral. 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 applied this approach, including the provisions of IFRS 9 regarding impairment losses, consistently to all eligible financial instruments.

The classification of financial instruments according to IFRS 9 is guided, on the one hand, by the cash flow characteristics of the financial instruments and, on the other, by the business model used to manage the financial instruments. On the basis of these two criteria, financial instruments are allocated to one of three measurement categories, namely "amortised cost" (business model "hold"), "fair value through other comprehensive income" (business model "hold and sell") or "fair value through profit or loss" (business model "trading"). In general, the business model "hold" is no longer applicable to Hannover Re, while EUR 2,799.9 million of the investments measured according to IAS 39 were still recognised at amortised cost prior to the transition date. In view of the nature of reinsurance business, the bulk of our portfolio of debt instruments is allocated to the business model "hold and sell". A large portion of the financial instruments shown in the investments is therefore classified in the category "fair value through other comprehensive income". The holding of these financial instruments decreased in the opening balance sheet as at 1 January 2022 to EUR 48,169.2 million (IAS 39: EUR 49,671.8 million).

The new classification rules introduced by IFRS 9 also result in significantly more financial instruments in the investments being measured at fair value through profit or loss. As at 1 January 2022 Hannover Re recognises financial instruments in an amount of EUR 4,944.8 million at fair value through profit or loss (IAS 39: EUR 329.5 million). The bulk of this increase was attributable to units in publicly offered funds, private equity investments and debt instruments that do not pass the SPPI ("solely payment of principal and interest") test due to their cash flow characteristics. This can lead to increased volatility in results in future financial years.

Primarily due to the disclosure of hidden reserves on securities previously measured at amortised cost, the transition to recognition of financial instruments under IFRS 9 gives rise to an increase of EUR 312.8 million in the book values of financial instruments.

Reduced by the mitigating effect of deferred taxes, the transition to the accounting standards IFRS 9 and IFRS 17 as at 1 January 2022 caused the reported shareholders' equity of Hannover Re to decrease by altogether EUR 1,707.2 million. The reduction in the reported shareholders' equity as at 1 January 2022 is opposed by the establishment of the contractual service margin as the present value of expected future earnings. For Hannover Re this amounts to EUR 6,144.1 million before tax at the transition date and is thus far greater than the reduction in the reported shareholders' equity. This decrease was attributable in particular to measurement in the life and health reinsurance segment and was driven principally by the prevailing interest rate level at the transition date of 1 January 2022. In the course of 2022, however, this effect was reversed as interest rates rose, with the result that the shareholders' equity of EUR 9,956.9 million as at 31 December 2022 is EUR 1,209.2 million higher than that reported in the Annual Report 2022 under IAS 39 and IFRS 4.

Along with the changes described in connection with initial application of IFRS 17 and IFRS 9, the following amendments to existing standards were applicable for the first time in the reporting period. These amendments did not have any significant implications for the consolidated financial statement:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

In connection with the introduction of global minimum taxation, the IASB issued "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules" in May 2023 after the OECD had previously released the Pillar Two Model Rules (Global Anti-Base Erosion Proposal, GloBE). In the EU the corresponding directive implementing these rules was unanimously adopted, with EU Member States now required to implement the directive into national law by the end of 2023. The profits of multinational enterprise groups and large-scale domestic groups or companies with combined financial revenues of at least EUR 750 million are to be taxed at a minimum rate of 15% in the future. The amendments to IAS 12 introduce a temporary, mandatory exception to accounting for deferred taxes arising from implementation of the Pillar Two Model Rules together with certain disclosure requirements. The temporary exception applies retrospectively in conformity with IAS 8 and immediately upon publication, while the new disclosure requirements do not have to be fulfilled until year-end 2023. Given that the IAS 12 amendments have still to be endorsed by the EU and the EU directive has not yet been implemented in national law, application for Hannover Re at the balance sheet date does not in any case come into consideration. Hannover Re is currently reviewing the implications of the amendments and has begun preparations for implementation of the complex Pillar Two rules.

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: Non-current Liabilities with Covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

2.1. Summary of major accounting policies

Supplementary to our explanatory remarks in the subsection "Accounting standards applied for the first time", we describe below the major accounting policies changed or newly introduced as a consequence of initial application of IFRS 17 and IFRS 9. For details of all other accounting policies please see the Group annual financial report for the previous year.

Classification of contracts: A contract is to be classified as a reinsurance contract issued or as a reinsurance contract held pursuant to FRS 17 if a significant insurance risk is thereby assumed or transferred. These contract types are treated according to the same rules, irrespective of whether the contracts were issued, acquired in connection with a merger or acquired as part of a transfer of contracts that do not constitute business operations. Contracts that may take the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts follows the rules for the recognition of financial instruments according to IFRS 9.

General measurement model – initial measurement: On initial recognition Hannover Re measures a group of reinsurance contracts as the sum of

- the fulfilment value, which is comprised of estimates of expected future cash flows, an adjustment that reflects the time value of money and the associated financial risks as well as a risk adjustment for non-financial risks, and
- the contractual service margin (CSM).

In the recognition of the corresponding technical reserves a fundamental distinction is made between a pre-claims phase (liability for remaining coverage; LRC) and a claims phase after occurrence of the insured event (liability for incurred claims; LIC).

Fulfilment value – cash flows: Components of the cash flows to be included are, among others, premium payments, payments to cedants, costs for acquisition and management of the contracts as well as for settlement of incurred claims. In this context, the cash flows included in the measurement model at each balance sheet date always constitute Hannover Re's current estimate and expectation in connection with the fulfilment of obligations.

Time value of money – discounting: Hannover Re discounts all cash flows with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach). The illiquidity premium used is based on risk-adjusted spreads of corporate and government bonds. These adjustments, which take the form of a supplementary illiquidity premium per currency, satisfy the following requirements / assumptions:

- The illiquidity of the underlying insurance contracts is defined through the predictability of the resulting cash flows, since the harder it is to predict a cash flow, the less it lends itself to coverage with illiquid assets.
- All characteristics of an insurance contract (or a group of insurance contracts) can be fully described and

measured through the characteristics of its resulting cash flows.
- The uncertainties in cash flows that may be caused by volatility in financial market parameters are captured in the estimation of expected future cash flows, instead of implicitly reflecting them through adjustment of the risk-free and completely illiquid yield curve in the illiquidity premium.
- The illiquidity premiums are estimated on the basis of liquidity premiums for financial assets observable on the market that are adjusted to reflect the illiquidity characteristics of the cash flows on the liabilities side. The illiquidity premiums used in this context are based on risk-adjusted spreads of corporate and government bonds.

Risk adjustment for non-financial risks: The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour. Hannover Re uses a "pricing margin approach" to determine the risk adjustment. The approach refers to the fact that the question of the necessary compensation for the uncertainty of the cash flows is already answered in connection with the premium calculation. The loadings on the cash flows determined here form the risk adjustment pursuant to IFRS 17. Applying this approach and allowing for risk diversification among the companies belonging to the Hannover Re Group, the confidence level for our technical reserves at the balance sheet date is 81.8%.

Contractual service margin (CSM): The contractual service margin defers a profit expected at the time of acquisition and spreads it according to provision of the service across the coverage period. Specifically, this means:
- If the present value of the expected cash inflows exceeds the present value of the expected cash outflows plus the risk adjustment, an expected profit exists that we recognise in the contractual service margin. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.
- Subsequent measurement of the contractual service margin reflects the rendering of a service in the form of insurance contract service. The insurance contract service consists of the coverage in case of occurrence of the insured event and the policyholder's participation in income generated on the capital market through investment of paid insurance premiums. An amount is released from the CSM to profit or loss in the corresponding reporting periods as a service fee for rendering of this service and recognised in the statement of income as part of the insurance revenue. So-called "coverage units" are used to measure this service in a reporting period.
- These coverage units are based on the quantities of benefits provided at the end of the reporting period relative to those expected to be provided over the entire contract duration in order to determine the service rendered for the period. We select the coverage units for each insurance transaction in such a way that they optimally reflect the service provided in each case.

Loss component: For groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognise the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

General measurement model – subsequent measurement: The book value of a group of insurance contracts at each closing date is the sum of the LRC and the LIC.
- The liability for remaining coverage consists of the fulfilment value relating to future payments allocated to the group of contracts at this time as well as the CSM for the group at the closing date.
- The liability for incurred claims consists of the fulfilment value for incurred claims plus expenditures not yet paid, including claims already incurred but not yet reported.

The fulfilment value plus the estimates of current assumptions made by Hannover Re in earlier interim consolidated financial statements is updated at the end of each reporting period based on current estimates of the amount, timing and uncertainty of expected future cash flows and discount rates. Hannover Re splits the insurance finance income and expenses between P&L and OCI. Systematic allocation is ensured through use of the discount rate on initial recognition.

Changes in cash flows: Changes that relate to future payments and adjust the CSM include, among others:
- Changes to estimates of the present value of expected future cash flows in the LRC, with the exception of changes described in the next section;
- Variances between an investment component that is expected to be payable in the period and the investment component that is actually payable in the period. These variances are established through comparison (i) of the investment component actually payable in the period with (ii) the payment in the period that was expected at the beginning of the period, plus any insurance finance income or expenses in relation to the expected payment, before it is payable;
- Changes to the risk adjustment for non-financial risks that relate to future services;
- Experience-based adjustments due to premiums booked in the period that relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The following changes do not result in an adjustment of the CSM and are therefore recognised directly in P&L:

- Changes in the fulfilment value due to the effects of the time value of money, the financial risks and changes in this regard;
- Changes in the fulfilment value in connection with the LIC;
- Experience-based adjustments due to premiums booked in the period that do not relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The CSM of each group of contracts is calculated on each closing date as explained below. This means that the year-end results are not influenced by the treatment of accounting-related estimates made in earlier interim financial statements. The book value of the CSM at the closing date corresponds to the book value at the start of the year, adjusted for:

- the CSM of new contracts added to the group in the financial year;
- the interest accretion on the book value of the CSM with the interest rate determined on initial recognition (locked-in rate);
- changes in the fulfilment value connected with cash flows that relate to the fulfilment of future services. These are recognised through adjustment of the CSM for as long as the CSM is available. If an increase in the fulfilment value exceeds the CSM, the excess amount is recognised in insurance service expenses and a loss component is recognised;
- the impact of any exchange rate differences;
- the release of the CSM through insurance revenue that was calculated after allowance for all adjustments.

Retrocession treaties: The accounting policies described above are also applied to reinsurance contracts held.

Derecognition and contract modification: Contracts are derecognised when they are extinguished or their terms and condition are changed in such a way as to fundamentally impact the economic characteristics of the contractual properties. If this is not the case, the contract modification results in a change in the estimated fulfilment values.

Investment components: The investment component of an insurance contract is defined as the amount that an entity must repay to the policyholder even if the insured event does not occur. Investment components are not included in the insurance revenue or in the insurance service expenses, but rather are recognised in accordance with IFRS 9. Investment components include, for example, the inflows and outflows of savings elements in life primary insurance and certain commissions paid to cedants.

Financial instruments are recognised and derecognised on acquisition or sale at the fulfilment date pursuant to IFRS 9. **Financial assets** are split into one of three categories on acquisition according to their cash flow characteristics and respective purpose: (i) amortised cost (AC), (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit or loss (FVPL). **Financial liabilities** are classified either as financial instruments at fair value through profit or loss or as financial instruments measured at amortised cost. Transaction costs directly connected with acquisition of the financial instrument are added or deducted depending on the classification. Subsequent measurement of financial instruments is either at amortised cost or at fair value. The amortised cost is established from the initial cost of acquisition allowing for repayments, the amortisation of premiums and discounts recognised in income according to the effective interest rate method and any impairment losses and reversals.

Debt instruments held are recognised **at amortised cost (AC)** and measured in subsequent periods at amortised cost using the effective interest rate method if the financial asset is held within a business model whose objective is collecting cash flows and the contractual cash flows consist of solely payments of principal and interest (SPPI). This business model is applied only in exceptional cases in the Hannover Re Group.

Debt instruments are classified as financial instruments at **fair value through other comprehensive income (FVOCI)** if the financial asset is held within a business model whose objective is both collecting contractual cash flows and selling the financial asset and the contractual cash flows meet the SPPI criterion. Financial assets classified in the FVOCI category are measured at fair value, with all changes in fair value recognised in OCI allowing for accrued interest and deferred taxes and disclosed in shareholders' equity under the other reserves. Premiums and discounts are spread across the maturity using the effective interest rate method. A large part of Hannover Re's investments fall under the business model with the objective of collecting cash flows and selling, because the investments are predominantly used to cover underwriting risks and sales are therefore influenced by the servicing of these obligations.

There is an option to designate equity instruments as FVOCI on initial recognition, without recycling to profit or loss. In this case, changes in fair value are recognised directly in OCI and not recycled to P&L even on disposal. Hannover Re exercises this option selectively for equities and unconsolidated participations.

The **financial instruments measured at fair value through profit or loss (FVPL)** include all equity instruments that were not designated as FVOCI without subsequent recycling to profit and loss as well as all debt instruments whose cash flows do not meet the SPPI criteria or are not held within the business models whose objective is collecting contractual cash flows or collecting cash flows and selling the instrument.

This includes first and foremost complex structured products, units in investment funds and private equity investments as well as short-term investments. In addition, all derivative assets are measured at fair value through profit or loss and, provided they have positive fair values, recognised in this category. Derivatives with negative fair values are recognised under the other liabilities. All securities measured at fair value through profit or loss are carried at the fair value on the closing date. If market prices that can be used as fair values are not available, the book values of the relevant financial instruments are determined using recognised measurement methods. All unrealised gains or losses from measurements of this type are recognised in profit or loss just like realised gains and losses and reported in the investment income.

Impairments: The impairment rules set out in IFRS 9 apply to all debt instruments recognised at amortised cost or at fair value through other comprehensive income. Impairments are established under IFRS 9 in accordance with a three-stage model:

- Stage 1 consists of debt instruments in respect of which it is assumed that the credit risk has not significantly increased since initial recognition. The risk provision for such instruments is measured using, among other things, the default probabilities for the next 12 months.
- Stage 2 consists of debt instruments that are not credit-impaired, but whose credit risk has increased significantly since initial recognition. The significant increase in the credit risk is established on the basis of quantitative and qualitative information, a credit risk assessment and forward-looking information. In addition, debt instruments are allocated to this stage for which definitively verifiable information on the default probability is not yet available on acquisition. As soon as the criteria for inclusion in Stage 1 are met, they are transferred to this stage. The risk provision is calculated using the default probabilities for the entre remaining maturities of the instruments.
- Stage 3 consists of all debt instruments that are classified as credit-impaired.

The expected credit loss (ECL), which serves as the basis for recognition of impairments, is calculated either automatically using an IT-supported approach or, in the case of credit-impaired assets (Stage 3), on an individual basis. In both cases the calculations are made separately for each specific debt instrument. The automatic IT-supported approach is used to calculate the expected credit losses for all financial assets belonging to Stage 1 and Stage 2. Impairments on Stage 3 financial instruments are always calculated on a case-by-case basis at each quarterly closing date.

Impairments and reversals in connection with the ECL are recognised in profit or loss irrespective of the measurement model.

Hannover Re primarily uses the following three components to measure the ECL:

- the probability of default (PD),
- the loss given default (LGD) and
- the exposure at default (EAD).

Wherever possible, the ECL is established on the transaction level with the aid of a risk-adjusted cash flow model. The input factors are adjusted as necessary to reflect the requirements of IFRS 9 (e.g. through the use of point-in-time (PIT) factors). The inclusion of forecasts regarding future economic conditions in the ECL measurement has implications for risk provisioning for Stage 1 and Stage 2 assets. Suitable multi-year default probabilities are used to determine the ECL for the remaining maturities of the assets.

Upon acquisition, all financial assets for which sufficiently verifiable information on default probabilities is available are initially allocated to Stage 1. In cases where the credit risk has significantly increased, the financial assets are transferred to Stage 2. Significant deteriorations are established with the aid of rating-specific and process-based indicators. The allocation of financial instruments to Stage 3, on the other hand, is made on the basis of the counterparty's default status.

- Rating-based indicators: Hannover Re uses a dynamic change in the counterparty's default probability to compare the current actual default probability at the closing date with the original default probability at the time of initial recognition. The threshold used is dependent on the debtor's original credit status. Only when the current rating has decreased by at least two rating downgrades compared to the original rating is reclassification between the stages necessary. Hannover Re also elects to use the optional simplification applicable to financial instruments with a low credit risk. In accordance with this option, instruments are not allocated to Stage 2 if they still have an investment grade issuer rating.
- Process-based indicators: The qualitative processes used by Hannover Re are based on the existing risk management indicators used to establish whether the credit risk associated with the financial asset has significantly increased. These indicators encompass obligatory inclusion in a watchlist as well as qualitative evaluation of changes in the risk that have occurred since initial recognition of the assets in the balance sheet.

If the conditions for regrouping between stages are met, but the financial asset was not classified as credit-impaired, the asset in question remains in Stage 2. If none of the indicators apply any longer and the financial asset is not credit-impaired, the asset is allocated to Stage 1. In the event of credit impairment of the financial asset, it is allocated to Stage 3. If a previously credit-impaired financial asset is no longer considered to be credit-impaired, it is reclassified to Stage 2 or Stage 1.

An overview of the impairments on financial instruments is provided in section 5.1 "Investments".

Financial liabilities including long-term debt and notes payable, insofar as they do not involve liabilities from derivatives and the financial obligations from investment contracts measured at fair value through profit or loss, are carried at amortised cost. Hannover Re measures liabilities from derivatives at fair value. Interest accretion on these financial liabilities is reported under the financing costs.

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

	30.6.2023	31.12.2022	1.1. - 30.6.2023	1.1. - 30.6.2022
1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.6397	1.5710	1.6107	1.5215
BHD	0.4092	0.4025	0.4066	0.4118
CAD	1.4404	1.4449	1.4586	1.3900
CNY	7.8901	7.3650	7.5131	7.0695
GBP	0.8582	0.8872	0.8750	0.8432
HKD	8.5070	8.3241	8.4517	8.5462
INR	89.0507	88.3048	88.7591	83.1438
KRW	1,430.6200	1,345.4700	1,401.9114	1,341.3286
MYR	5.0649	4.7017	4.8251	4.6627
SEK	11.8103	11.1118	11.3722	10.4546
USD	1.0855	1.0675	1.0785	1.0921
ZAR	20.6147	18.0975	19.6924	17.0365

2.2. Major discretionary decisions and estimates

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 large 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.

Risks connected with the impacts of climate change are of great significance to a reinsurance company's business model. The estimation of occurrence probabilities and loss amounts for climate-related storms, floods or droughts is a major integral component of our risk management system. It exerts a considerable influence on our underwriting policy for catastrophe-exposed risks and requires appropriate risk capital to be kept available. All in all, the evaluation of climate risks is considered inter alia in the context of the impairment test for non-financial assets, including goodwill pursuant to IAS 36, in the determination of the useful life and residual value of assets pursuant to IAS 16 or IAS 38 as well as in the establishment of provisions and the disclosure of contingent liabilities pursuant to IAS 37 and IFRS 17.

The conflict in Ukraine also gave rise to estimation uncertainties in the reporting period. We conducted probability-weighted scenario analyses for all relevant lines of business, taking into consideration the market insights available to us at the present moment in time and using them to determine our reserves on the basis of our own estimates. The affected lines at the balance sheet date primarily encompass political violence and other property covers, political risk, marine and aviation. Hannover Re recorded minimal loss expenditure in the first half of 2023. The range of potential loss scenarios nevertheless remains considerable and can result in significantly higher loss payments at a later point in time in the event of adverse developments not currently anticipated or unfavourable court decisions. In particular, legal uncertainties continue to surround the status of leased aircraft still in Russia. Business with Russian cedants has been discontinued in conformity with existing sanctions regulations.

The conflict in Ukraine and its impacts had implications for worldwide commodity and energy prices and hence also for inflation rates. Inflation is factored into our reserving process at least on the basis of average inflation rates in past years. Furthermore, premium calculations make allowance for realistic inflation assumptions and additional provisions are established in the reserving for individual underwriting years, thereby also enabling us to offset inflationary trends to some extent. In addition, a substantial part of the business is protected against adverse inflation effects by index clauses. The Hannover Re Group's investment portfolio contains inflation-linked bonds, which protect against some of the negative effects of inflation. A scenario analysis was carried out to ensure that adequate allowance is made for inflation in the technical reserves. The various scenarios for a future inflation trend were compared with historically observed inflation to estimate a possible impact on the technical reserves. Scenarios involving more protracted higher inflation are among those considered. Currently, however, it is our expectation that inflation rates will be elevated for the next three years and remain slightly above the historical average over the long term.

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 or whose relevant activities can only be decided with the unanimous approval of the parties sharing control and in which we only have rights to the net assets are included as associated companies or joint ventures using the equity method of accounting. Under this method, we measure investments in associated companies and joint ventures with the proportion of the equity attributable to the Group. In accordance with the equity method of accounting required by IAS 28 "Investments in Associates and Joint Ventures", the goodwill attributable to associated companies and joint ventures is recognised together the carrying amount of the investments in associated companies and joint ventures. The share of the year-end result of an associated company or joint venture relating to the Group is included in the investment income and recognised separately in the consolidated statement of income. The equity and result are taken from the last available financial statement of the associated company or joint venture.

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 29,6 million (EUR 54,9 million) as at 30 June 2023.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2022.

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 or new formations took place in the period under review.

Major disposals

No major disposals took place in the period under review.

4. Group segment report

Segmentation of assets	Property and casualty reinsurance	
in EUR million	30.6.2023	31.12.2022 [1]
Assets		
Financial investments – at fair value through OCI	37,061.3	36,712.7
Financial investments – at fair value through profit or loss	3,214.8	2,436.9
Investment property	2,461.7	2,319.3
Investments in associated companies and joint ventures	1,967.1	1,972.5
Other invested assets	437.2	434.5
Total investments	**45,142.1**	**43,875.9**
Reinsurance recoverables on liability for incurred claims	1,948.3	2,269.6
Reinsurance recoverables on liability for remaining coverage	(320.1)	(100.9)
Recoverables on reinsurance contracts retroceded	**1,628.2**	**2,168.7**
Reinsurance contracts issued in an asset position	361.8	318.9
Cash and cash equivalents	903.6	1,129.0
Other segment assets	4,126.0	3,756.3
Total segment assets	**52,161.7**	**51,248.8**
Deferred tax assets and tax receivables		
Total assets		

Segmentation of liabilities		
in EUR million		
Liabilities		
Liability for incurred claims (LIC)	36,312.1	34,571.6
Liability for remaining coverage (LRC)	(3,184.5)	(2,162.3)
Liabilities from reinsurance contracts issued	**33,127.6**	**32,409.3**
Reinsurance contracts retroceded in a liability position	188.8	221.0
Financing liabilities	913.1	982.6
Other segment liabilities	2,177.3	1,926.1
Total segment liabilities	**36,406.7**	**35,539.0**
Taxes		
Deferred tax liabilities		
Total liabilities		

[1] Restated pursuant to IAS 8

Life and health reinsurance		Consolidation		Total	
30.6.2023	31.12.2022 [1]	30.6.2023	31.12.2022 [1]	30.6.2023	31.12.2022 [1]
10,089.3	10,200.7	29.1	28.4	47,179.8	46,941.9
733.8	709.9	0.5	0.6	3,949.1	3,147.4
–	–	–	–	2,461.7	2,319.3
93.7	90.5	–	–	2,060.8	2,063.0
378.5	379.0	–	–	815.7	813.5
11,295.4	**11,380.1**	**29.6**	**29.1**	**56,467.1**	**55,285.1**
391.2	131.9	–	–	2,339.5	2,401.5
8.8	289.0	–	–	(311.3)	188.0
399.9	**420.9**	**–**	**–**	**2,028.2**	**2,589.6**
854.0	1,129.2	–	–	1,215.8	1,448.1
286.4	187.9	5.2	6.3	1,195.2	1,323.2
740.5	375.3	(2,476.9)	(2,438.8)	2,389.6	1,692.7
13,576.2	**13,493.3**	**(2,442.0)**	**(2,403.4)**	**63,295.9**	**62,338.6**
				628.1	620.6
				63,924.0	62,959.2

8,824.7	8,353.9	–	–	45,136.7	42,925.4
540.8	1,005.8	–	–	(2,643.7)	(1,156.5)
9,365.4	**9,359.6**	**–**	**–**	**42,493.0**	**41,769.0**
273.8	335.7	–	–	462.6	556.7
33.7	37.5	3,993.3	4,490.3	4,940.0	5,510.4
3,699.3	3,301.3	(2,451.0)	(2,412.5)	3,425.7	2,814.8
13,372.3	**13,034.1**	**1,542.3**	**2,077.7**	**51,321.3**	**50,650.9**
				151.0	172.8
				2,287.1	2,178.6
				53,759.4	53,002.3

Segment statement of income	Property and casualty reinsurance	
in EUR million	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]
Reinsurance revenue (gross)	8,364.9	7,850.4
Reinsurance service expenses (gross)	6,895.6	7,283.3
Reinsurance service result (gross)	**1,469.3**	**567.1**
Reinsurance revenue (retroceded)	1,181.7	746.0
Income from reinsurance contracts (retroceded)	310.0	575.4
Reinsurance service expenses (retroceded)	**(871.7)**	**(170.6)**
Result from reinsurance contracts (retroceded)	**597.6**	**396.5**
Net reinsurance finance result before currency gains or losses	(284.7)	(148.6)
Net income from investments	624.6	548.4
thereof		
Expected credit losses, impairment, depreciation and appreciation of investments	(20.6)	(41.0)
Change in fair value of financial instruments	3.8	11.6
Profit / loss from investments in associated companies and joint ventures	9.7	7.2
Net currency result	59.2	(24.2)
Other income / expenses	(167.7)	(124.3)
Operating profit / loss (EBIT)	**829.1**	**647.9**
Financing costs	1.0	1.1
Net income before taxes	**828.1**	**646.8**
Taxes		
Net income		
thereof		
Non-controlling interest in profit and loss		
Group net income		

[1] Restated pursuant to IAS 8

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2022. 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 2022.

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

Life and health reinsurance		Consolidation		Total	
1.1. - 30.6.2023	1.1. - 30.6.2022 [1]	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]
3,907.8	3,965.7	–	–	12,272.7	11,816.1
3,395.0	3,636.6	–	–	10,290.6	10,919.9
512.8	**329.0**	**–**	**–**	**1,982.1**	**896.2**
364.3	268.3	–	–	1,546.0	1,014.3
332.6	236.3	–	–	642.6	811.7
(31.7)	**(32.1)**	**–**	**–**	**(903.4)**	**(202.6)**
481.1	**297.0**	**–**	**–**	**1,078.7**	**693.5**
(57.8)	(56.9)	–	–	(342.5)	(205.5)
224.8	275.7	1.2	0.5	850.7	824.6
2.6	(1.5)	–	–	(18.0)	(42.5)
53.2	110.7	–	–	57.0	122.4
6.8	(2.6)	–	–	16.5	4.7
(25.2)	(3.1)	0.1	–	34.1	(27.4)
(98.3)	(41.6)	(2.4)	(2.0)	(268.4)	(167.9)
524.5	**471.1**	**(1.1)**	**(1.5)**	**1,352.6**	**1,117.5**
0.4	0.7	63.1	40.6	64.6	42.5
524.1	**470.4**	**(64.2)**	**(42.2)**	**1,288.0**	**1,075.0**
				298.3	205.2
				989.6	**869.8**
				29.6	54.9
				960.0	814.9

5. Notes on the individual items of the balance sheet

5.1. Investments

Investments are classified and measured in accordance with IFRS 9 “Financial Instruments”. Hannover Re classifies investments in the categories of measured at fair value through other comprehensive income and at fair value through profit or loss, while measurement at amortised cost is only used in exceptional cases. The allocation and measurement of investments are determined by the investment intent (business model) and the type of cash flows.

The investments also encompass investment property, investments in associated companies and joint ventures as well as other invested assets. 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.

The following table shows the regional origin of the investments.

Investments

in EUR million	30.6.2023	31.12.2022 [1]
Regional origin		
Germany	10,431.0	10,464.8
United Kingdom	3,061.2	2,875.7
France	2,029.5	1,920.1
Other	7,185.6	6,774.4
Europe	**22,707.4**	**22,035.0**
USA	19,285.6	19,242.5
Other	4,274.8	4,148.7
North America	**23,560.4**	**23,391.2**
Asia	5,649.3	5,759.4
Australia	3,194.6	2,989.1
Australasia	**8,843.9**	**8,748.5**
Africa	197.2	204.0
Other	1,158.2	906.5
Total	**56,467.1**	**55,285.1**

[1] Restated pursuant to IAS 8

Maturities of the fixed-income and variable-yield securities

in EUR million	30.6.2023		31.12.2022 [2]	
	Amortised cost [1]	Fair value	Amortised cost [1]	Fair value
Financial investments – at fair value through OCI				
due in one year	7,308.8	7,268.7	8,873.5	8,844.7
due after one through two years	4,465.6	4,327.3	4,019.7	3,913.6
due after two through three years	4,370.4	4,164.4	3,680.3	3,515.0
due after three through four years	5,216.6	4,893.6	5,613.7	5,304.1
due after four through five years	3,444.0	3,224.1	2,837.1	2,605.8
due after five through ten years	15,590.6	13,875.5	15,459.6	13,543.7
due after more than ten years	11,002.1	9,169.7	11,065.2	8,958.7
no maturity	256.5	256.5	255.5	256.4
Total	**51,654.5**	**47,179.8**	**51,804.6**	**46,941.9**
Financial investments – at fair value through profit or loss				
due in one year [2]	1,430.8	1,430.8	768.2	768.2
due after one through two years	143.1	143.1	122.6	122.6
due after two through three years	86.3	86.3	86.8	86.8
due after three through four years	39.3	39.3	32.7	32.7
due after four through five years	21.0	21.0	27.3	27.3
due after five through ten years	43.5	43.5	35.5	35.5
due after more than ten years	191.2	191.2	173.3	173.3
no maturity	1,993.8	1,993.8	1,901.1	1,901.1
Total	**3,949.1**	**3,949.1**	**3,147.4**	**3,147.4**

[1] Including accrued interest
[2] Restated pursuant to IAS 8

Amortised cost, unrealised gains and losses and accrued interest on financial instruments measured at fair value through OCI as well as their fair value

	30.6.2023				
in EUR million	Cost or amortized cost incl. accrued interests	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Debt instruments					
Government debt securities of EU member states	5,583.7	21.0	1.7	722.7	4,862.7
US Treasury notes	11,675.3	50.8	0.4	730.0	10,945.7
Other foreign government debt securities	4,598.0	29.1	17.1	236.9	4,378.2
Debt securities issued by semi-governmental entities	8,877.9	74.2	33.0	710.8	8,200.1
Corporate securities	16,710.8	168.6	19.5	1,799.5	14,930.8
Covered bonds / asset-backed securities	3,926.2	39.4	5.2	353.1	3,578.3
Others	282.7	0.4	1.5	–	284.1
	51,654.5	**383.5**	**78.4**	**4,553.0**	**47,179.8**
Equity instruments					
Shares	1.2	–	–	1.2	–
	1.2	**–**	**–**	**1.2**	**–**
Total	**51,655.6**	**383.5**	**78.4**	**4,554.2**	**47,179.8**

Amortised cost, unrealised gains and losses and accrued interest on financial instruments measured at fair value through OCI as well as their fair value

	31.12.2022 [1]				
in EUR million	Cost or amortized cost incl. accrued interests	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Debt instruments					
Government debt securities of EU member states	6,185.1	22.5	2.5	751.4	5,436.2
US Treasury notes	11,944.5	40.4	0.6	775.6	11,169.4
Other foreign government debt securities	4,659.9	31.6	11.6	262.1	4,409.4
Debt securities issued by semi-governmental entities	8,220.1	73.5	33.9	760.3	7,493.6
Corporate securities	16,586.5	197.2	17.7	1,987.3	14,616.9
Covered bonds / asset-backed securities	3,951.6	37.5	4.8	397.1	3,559.3
Others	257.0	227.8	–	–	257.0
Total	**51,804.6**	**630.4**	**71.1**	**4,933.8**	**46,941.9**
Equity instruments					
Shares	1.2	–	–	1.2	–
	1.2	**–**	**–**	**1.2**	**–**
Total	**51,805.8**	**630.4**	**71.1**	**4,934.9**	**46,941.9**

[1] Restated pursuant to IAS 8

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 million	30.6.2023	31.12.2022 [1]	30.6.2023	31.12.2022 [1]	30.6.2023	31.12.2022 [1]
	Fair value before accrued interest		Accrued interest		Fair value	
Debt instruments						
US Treasury notes	–	19.5	–	–	–	19.5
Debt securities issued by semi-governmental entities	0.7	0.7	–	–	0.7	0.7
Corporate securities	375.3	324.4	3.8	4.1	379.1	328.5
Covered bonds / asset-backed securities	1.7	1.9	–	–	1.7	1.9
Others	46.7	69.5	0.1	0.1	46.7	69.5
	424.3	**415.9**	**3.9**	**4.2**	**428.2**	**420.1**
Derivative instruments	371.0	458.7	(0.2)	(1.4)	370.8	457.3
Investment funds measured at fair value through profit or loss	1,828.1	1,716.2	–	–	1,828.1	1,716.2
Short-term investments	1,302.6	536.7	6.1	3.6	1,308.7	540.3
Other financial instruments at fair value through profit and loss	13.2	13.5	–	–	13.2	13.5
	3,515.0	**2,725.1**	**5.9**	**2.1**	**3,520.9**	**2,727.3**
Total	**3,939.3**	**3,141.0**	**9.8**	**6.4**	**3,949.1**	**3,147.4**

[1] Restated pursuant to IAS 8

Development of expected credit losses (ECL)

in EUR million	30.6.2023 Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Additions	Disposals	Others [1]	Closing balance
Stage 1	48.4	5.1	(5.2)	–	11.2	4.7	(14.6)	40.2
Stage 2	14.9	(5.1)	12.1	–	–	3.3	2.1	20.6
Stage 3	116.0	–	(6.9)	–	–	2.3	(8.7)	98.1
Simplified impairment model	0.4	–	–	–	0.1	–	0.1	0.6
Total	**179.7**	**–**	**–**	**–**	**11.3**	**10.4**	**(21.2)**	**159.5**

[1] Including changes in underlying risk parameters, including probability of default, point-in-time adjustment factor

Development of expected credit losses (ECL)

in EUR million	30.6.2022 Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Additions	Disposals	Others [1]	Closing balance
Stage 1	37.1	0.7	(1.6)	(0.4)	5.5	5.3	3.7	39.8
Stage 2	9.1	(0.7)	1.6	(28.4)	–	2.2	49.1	28.6
Stage 3	1.8	–	–	28.7	–	–	(14.8)	15.7
Simplified impairment model	0.3	–	–	–	0.5	–	–	0.8
Total	**48.3**	**–**	**–**	**(0.1)**	**6.0**	**7.5**	**38.0**	**84.9**

[1] Including changes in underlying risk parameters, including probability of default, point-in-time adjustment factor

Information on fair values and fair value hierarchy

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

Valuation models

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

Fair value hierarchy

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

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

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

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

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

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

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

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

	30.6.2023			
in EUR million	Level 1	Level 2	Level 3	Total
Financial investments – at fair value through OCI				
Debt instruments	–	46,460.8	719.1	47,179.8
	–	**46,460.8**	**719.1**	**47,179.8**
Financial investments – at fair value through profit or loss				
Debt instruments	–	383.1	58.3	441.4
Derivative instruments	–	197.3	173.6	370.8
Investment funds	44.4	125.8	1,657.9	1,828.1
Short-term investments	1,308.7	–	–	1,308.7
	1,353.1	**706.2**	**1,889.8**	**3,949.1**
Financial liabilities (at fair value)				
Negative market values from derivative instruments	–	85.3	11.9	97.2
	–	**85.3**	**11.9**	**97.2**

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

	31.12.2022 [1]			
in EUR million	Level 1	Level 2	Level 3	Total
Financial investments – at fair value through OCI				
Debt instruments	–	46,356.7	585.2	46,941.9
	–	**46,356.7**	**585.2**	**46,941.9**
Financial investments – at fair value through profit or loss				
Debt instruments	–	352.2	81.4	433.6
Derivative instruments	–	241.9	215.4	457.3
Investment funds	48.5	137.5	1,530.3	1,716.2
Short-term investments	540.3	–	–	540.3
	588.8	**731.6**	**1,827.0**	**3,147.4**
Financial liabilities (at fair value)				
Negative market values from derivative instruments	–	61.4	14.4	75.9
	–	**61.4**	**14.4**	**75.9**

[1] Restated pursuant to IAS 8

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

in EUR million	30.6.2023				
	Financial investments – at fair value through OCI	Financial investments – at fair value through profit or loss			Financial liabilities (at fair value)
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Negative fair values from derivative instruments
Net book value at 31 December of the previous year	**585.2**	**81.4**	**215.4**	**1,530.3**	**14.4**
Currency translation at 1 January	(9.3)	(1.3)	(3.6)	(14.8)	(0.2)
Net book value after currency translation	**576.0**	**80.1**	**211.8**	**1,515.4**	**14.2**
Income and expenses recognised in the statement of income	–	(1.4)	32.0	(8.7)	0.6
Income and expenses recognised directly in shareholders' equity	4.9	–	–	–	–
Purchases	167.6	0.8	–	199.2	–
Sales	15.6	21.3	79.8	47.3	3.6
Settlements	13.2	–	–	–	–
Transfers from level 3	–	–	–	–	–
Transfers to level 3	–	–	–	–	–
Currency translation at 30 June	(0.6)	0.1	9.6	(0.8)	0.7
Net book value at 30 June of the year under review	**719.1**	**58.3**	**173.6**	**1,657.9**	**11.9**

Movements in level 3 financial assets and liabilities

in EUR million	30.6.2022 [1]				
	Financial investments – at fair value through OCI	Financial investments – at fair value through profit or loss			Financial liabilities (at fair value)
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Negative fair values from derivative instruments
Net book value at 31 December of the previous year	**604.3**	**288.5**	**161.0**	**3,042.2**	**22.2**
Currency translation at 1 January	49.1	5.3	14.7	162.9	2.0
Net book value after currency translation	**653.4**	**293.8**	**175.8**	**3,205.1**	**24.3**
Income and expenses recognised in the statement of income	(0.2)	(1.4)	19.3	119.5	0.4
Income and expenses recognised directly in shareholders' equity	(53.7)	–	–	–	–
Purchases	–	0.1	–	360.6	–
Sales	7.1	211.8	19.1	200.5	–
Settlements	36.2	–	4.6	–	3.4
Transfers from level 3	–	–	–	–	–
Transfers to level 3	–	–	–	–	–
Currency translation at 30 June of the year under review	(4.7)	–	(15.9)	6.8	(2.8)
Net book value at 30 June for the year under review	**551.6**	**80.6**	**155.5**	**3,491.6**	**18.4**

[1] Restated pursuant to IAS 8

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

	30.6.2023				
	Financial investments – at fair value through OCI	Financial investments – at fair value through profit or loss			Financial liabilities (at fair value)
in EUR million	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Negative fair values from derivative financial instruments
Total in the financial year					
Ordinary investment income	(0.4)	–	–	–	–
Realised gains and losses on investments	0.4	–	–	–	–
Change in fair value of financial instruments	–	(1.5)	32.0	(8.7)	0.6
Thereof attributable to financial instruments included in the portfolio at 30 June					
Ordinary investment income	–	–	–	–	–
Change in fair value of financial instruments	–	(1.4)	27.8	(8.7)	0.6

Income and expenses from level 3 financial assets and liabilities

	30.6.2022 [1]				
	Financial investments – at fair value through OCI	Financial investments – at fair value through profit or loss			Financial liabilities (at fair value)
in EUR million	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Negative fair values from derivative financial instruments
Total in the financial year					
Ordinary investment income	(0.2)	(0.8)	–	–	–
Realised gains and losses on investments	–	–	–	–	–
Change in fair value of financial instruments	–	(0.7)	19.3	119.5	0.4
Thereof attributable to financial instruments included in the portfolio at 30 June					
Ordinary investment income	0.3	–	–	–	–
Change in fair value of financial instruments	–	(0.7)	20.5	103.0	0.7

[1] Restated pursuant to IAS 8

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 2,608.9 million (EUR 2,412.2 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 1,657.9 million (EUR 1,530.3 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 1,492.1 million. The remaining financial assets included in level 3 with a volume of EUR 950.9 million (EUR 882.0 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. Actuarial assets and liabilities

Movement in carrying amount of the liabilities for remaining coverage and incurred claims

	30.6.2023			
in EUR million	Liability for remaining coverage LRC excluding loss component and loss recovery	Loss component/loss recovery	Liability for incurred claims (LIC)	Total
Opening balance - assets	**2,371.0**	**67.3**	**1,599.3**	**4,037.6**
Opening balance - liabilities	**(142.7)**	**534.8**	**41,933.6**	**42,325.7**
Opening balance (net)	**(2,513.7)**	**467.5**	**40,334.3**	**38,288.1**
Reinsurance service result				
Reinsurance revenue	(10,726.7)	–	–	(10,726.7)
Reinsurance service expenses	347.3	133.9	9,166.8	9,648.0
Reinsurance service result total	**(10,379.4)**	**133.9**	**9,166.8**	**(1,078.7)**
Investment component	**(2,626.0)**	**–**	**2,626.0**	**–**
Reinsurance finance result				
Net finance expenses from insurance contracts (incl. OCI)	266.4	5.8	270.7	542.8
Effects of movements in exchange rates	55.4	(17.3)	(589.3)	(551.1)
Reinsurance finance result total	**321.8**	**(11.5)**	**(318.6)**	**(8.2)**
Other changes total	**27.9**	**–**	**(29.5)**	**(1.6)**
Cash flows				
Premiums	11,829.9	–	–	11,829.9
Claims and other insurance service expenses, including investment components	–	–	(9,125.0)	(9,125.0)
Insurance acquisition cash flows	(192.8)	–	–	(192.8)
Cash flows total	**11,637.1**	**–**	**(9,125.0)**	**2,512.1**
Closing balance - assets	**1,527.8**	**113.9**	**1,602.2**	**3,243.9**
Closing balance - liabilities	**(2,004.4)**	**703.9**	**44,256.1**	**42,955.6**
Closing balance (net)	**(3,532.2)**	**589.9**	**42,653.9**	**39,711.7**

Movement in carrying amount by measurement component

in EUR million	30.6.2023 Expected present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin (CSM)	Loss component/ loss recovery	Total
Opening balance - assets	**4,982.0**	**(59.4)**	**(952.2)**	**67.3**	**4,037.6**
Opening balance - liabilities	**32,528.1**	**3,657.7**	**5,605.2**	**534.8**	**42,325.7**
Opening balance (net)	**27,546.1**	**3,717.1**	**6,557.4**	**467.5**	**38,288.1**
Reinsurance service result					
CSM recognised in the profit or loss for services provided	–	–	(1,418.7)	–	(1,418.7)
Contracts initially recognised in the year	(2,156.3)	176.4	1,979.8	39.7	39.6
Experience adjustments and change in estimates	417.9	(363.5)	122.4	94.2	271.0
Effect of changes in non-performance risk of reinsurers	29.4	–	–	–	29.4
Reinsurance service result total	**(1,709.1)**	**(187.1)**	**683.5**	**133.9**	**(1,078.7)**
Reinsurance finance result					
Net finance expenses from insurance contracts (incl. OCI)	250.3	178.2	108.6	5.8	542.8
Effects of movements in exchange rates	(402.7)	(56.9)	(74.2)	(17.3)	(551.1)
Reinsurance finance result total	**(152.4)**	**121.2**	**34.5**	**(11.5)**	**(8.2)**
Other changes	**(1.6)**	**–**	**–**	**–**	**(1.6)**
Cash flows					
Premiums	11,829.9	–	–	–	11,829.9
Claims and other insurance service expenses, including investment components	(9,125.0)	–	–	–	(9,125.0)
Insurance acquisition cash flows	(192.8)	–	–	–	(192.8)
Cash flows total	**2,512.1**	**–**	**–**	**–**	**2,512.1**
Closing balance - assets	**3,623.2**	**19.2**	**(512.4)**	**113.9**	**3,243.9**
Closing balance - liabilities	**31,818.4**	**3,670.4**	**6,762.9**	**703.9**	**42,955.6**
Closing balance (net)	**28,195.1**	**3,651.2**	**7,275.4**	**589.9**	**39,711.7**

Contracts initially recognised

in EUR million	30.6.2023 Profitable contracts[1]	Onerous contracts
Expected present value of cash outflows	13,084.5	226.1
Insurance acquisition cash flows	561.2	4.2
Expected present value of cash inflows	(15,765.5)	(228.2)
Risk adjustment for non-financial risk	173.6	2.9
Contractual service margin	1,979.8	–
Loss component	–	39.6

[1] Profitable contract includes the buckets profitable and remaining

5.3. Financing liabilities

Hannover Re recognised altogether five (six) subordinated bonds placed on the European capital market with an amortised cost of EUR 3,228.4 million (EUR 3,726.3 million) as at the balance sheet date.

In the year under review we cancelled and repaid the subordinated debt issued in 2012 by Hannover Finance (Luxembourg) S.A. with a volume of EUR 500.0 million.

The remaining subordinated debts from the 2014 and 2020 financial years with volumes of EUR 500.0 million each and from the 2019, 2021 and 2022 financial years with volumes of EUR 750.0 million each, the combined fair values of which were EUR 2,834.5 million (EUR 2,754.5 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 666.1 million (EUR 659.6 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 860.0 million (EUR 926.6 million), which is principally used for financing real estate transactions, as well as lease liabilities of EUR 105.5 million (EUR 111.7 million) existed as at the balance sheet date.

5.4. 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 IFRS 9 "Financial Instruments". 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.

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 use an amount of up to EUR 1.0 million of the existing authorised capital to issue employee shares.

The Executive Board is further 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 Annual General Meeting of Hannover Rück SE resolved on 5 May 2023 to distribute a gross dividend of EUR 6.00 per share, altogether EUR 723.6 million (EUR 693.4 million), for the 2022 financial year. The distribution is comprised of a dividend in the amount of EUR 5.00 and a special dividend in the amount of EUR 1.00 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 18,714 (26,927) treasury shares during the second quarter of 2023 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 2027. This transaction resulted in an expense of EUR 0.7 million (EUR 1.6 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 decrease in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 92.0 million (in the previous year a net increase of EUR 73.8 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 reinsurance revenue

Gross reinsurance revenue

in EUR million	1.1. - 30.6.2023	1.1. - 30.6.2022
Regional origin		
Germany	652.0	606.3
United Kingdom	1,747.8	1,716.2
France	362.0	317.3
Other	408.7	733.6
Europe	**3,170.5**	**3,373.5**
USA	5,010.8	5,713.6
Other	705.2	537.4
North America	**5,716.1**	**6,251.0**
Asia	1,786.5	1,069.5
Australia	799.3	543.3
Australasia	**2,585.7**	**1,612.9**
Africa	255.8	253.1
Other	544.6	325.7
Total	**12,272.7**	**11,816.1**

6.2. Investment income

Investment income

in EUR million	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]
Income from real estate	110.4	103.4
Dividends	4.4	3.5
Interest income	693.0	564.8
Other investment income	117.0	199.7
Ordinary investment income	**924.8**	**871.3**
Expected credit losses	8.6	(19.7)
Impairments/Depreciation on real estate	26.6	22.8
Change in fair value of financial instruments	57.0	122.4
Profit / loss from investments in associated companies and joint ventures	16.5	4.7
Realised gains on investments	15.7	61.9
Realised losses on investments	60.1	118.6
Other investment expenses	85.2	74.5
Net income from investments	**850.7**	**824.6**

[1] Restated pursuant to IAS 8

We generated income of EUR 8.6 million (expense of EUR 19.7 million) on balance from the change in the provisions for expected credit losses on financial instruments (ECL). This can be attributed mostly to lower default probabilities of individual issuers. We carried fixed-income securities with a total fair value of EUR 162.8 million in Stage 3 of our risk provisioning model as at the balance sheet date. We were not required to take any impairments for investments that are not covered by the 3-stage model for expected credit losses.

The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date.

Interest income on investments

in EUR million	1.1. - 30.6.2023	1.1. - 30.6.2022 [1]
Financial investments – at fair value through OCI	626.5	531.0
Financial investments – at fair value through profit or loss	66.4	32.0
Other	0.1	1.8
Total	**693.0**	**564.8**

[1] Restated pursuant to IAS 8

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 1.0 million (EUR 1.3 million) and financial assets at fair value through profit or loss in an amount of EUR 2.8 million (EUR 3.5 million).

Hannover Re's portfolio contained forward exchange transactions that gave rise to recognition of other liabilities in an amount of EUR 83.0 million (EUR 60.1 million) and financial assets at fair value through profit or loss in an amount of EUR 74.3 million (EUR 98.4 million).

The decrease in equity from hedging instruments recognised directly in equity pursuant to IFRS 9 derived in an amount of EUR 1.2 million (increase in equity of EUR 2.0 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 liabilities in an amount of EUR 1 million (financial assets at fair value through profit or loss of EUR 6.1 million).

Inflation swaps are taken out in the form of cash flow hedges to minimise the inflation risk associated with payments under a morbidity loss reserve portfolio. These swaps serve primarily to hedge volatility in reinsurance payments due. The structuring is such that separate inflation swaps are taken out for the loss payments incurred in each year. These financial instruments result in disclosure of financial assets at fair value through profit or loss in an amount of EUR 1.2 million (EUR 2.1 million) and other liabilities of EUR 0.2 million (EUR 0 million). The hedge gave rise to a decrease in equity from hedging instruments recognised directly in equity in an amount of EUR 1.0 million (EUR 0 million).

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re has taken out hedges in the form of so-called equity swaps since 2014. The fair value of these instruments amounted to EUR 0 million as at the balance sheet date (other assets of EUR 7.5 million) and was recognised under other assets. The hedge gave rise to a decrease in equity from hedging instruments recognised directly in equity in an amount of EUR 1.2 million (EUR 5.6 million).

The net changes in the fair value of all these instruments increase the result of the period under review by EUR 12.4 million (EUR 10.3 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 17 "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 IFRS 9 "Financial Instruments" and recognised under investments. Fluctuations in the fair value of the derivative components are to be recognised through profit and loss in subsequent periods.

A number of transactions concluded in the life and 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 IFRS 9.

These derivative financial instruments were carried in equity on initial recognition. The fair value of these instruments was EUR 17.6 million (EUR 21.2 million) on the balance sheet date and was recognised under 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 of EUR 20.1 million (EUR 18.4 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 115.3 million (EUR 126.2 million) under 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 11.7 million (EUR 88.4 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 the past 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 IFRS 9, resulted in the recognition of financial assets at fair value through profit or loss in an amount of EUR 126.7 million (EUR 124.4 million) and other liabilities of EUR 11.9 million (EUR 14.4 million). Altogether, these arrangements have given rise to an improvement in income of EUR 7.9 million (EUR 0.4 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 3.7 million (EUR 5.6 million) under 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 0.9 million (EUR 2.1 million) in the course of the financial year to date.

In the 2022 financial year a cover containing a financing component was taken out for biometric risks in life and health reinsurance. IFRS 9 requires that a derivative financial instrument be separated from this arrangement. The derivative has resulted in recognition of financial assets at fair value through profit or loss in an amount of EUR 29.4 million (EUR 69.8 million) in the course of the year to date. The change in the fair value of this derivative has given rise to income of EUR 3.3 million (EUR 0 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 292.5 million (EUR 347.1 million) as well as recognition of liabilities in an amount of EUR 11.9 million (EUR 14.4 million) from the derivatives resulting from technical items as at the balance sheet date. Improvements in investment income amounting to EUR 43.9 million (EUR 109.3 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 808.8 million (EUR 1,290.9 million); an amount equivalent to EUR 735.9 million (EUR 1,095.6 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 IFRS 9 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, a participating interest of HDI Global SE.

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

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.-30.6.2023			1.1.-30.6.2022 [1]		
in EUR million	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						
Reinsurance Revenue	377.3	52.8	430.1	558.3	48.8	607.1
Reinsurance service expenses	(405.9)	(41.1)	(447.0)	(507.4)	(37.7)	(545.1)
Reinsurance service result	**(28.6)**	**11.7**	**(16.9)**	**50.9**	**11.1**	**62.0**
Business ceded						
Reinsurance expenses	(3.1)	(22.8)	(25.9)	(3.2)	(15.3)	(18.5)
Income from reinsurance contracts held	4.4	15.4	19.8	(2.3)	12.1	9.8
Net result from reinsurance contracts held	**1.3**	**(7.4)**	**(6.1)**	**(5.5)**	**(3.2)**	**(8.7)**
Reinsurance service result (net)	**(27.3)**	**4.3**	**(23.0)**	**45.4**	**7.9**	**53.3**

	30.6.2023			31.12.2022 [1]		
in EUR million	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						
Reinsurance recoverables on liability for incurred claims	16.6	–	16.6	13.8	–	13.8
Reinsurance recoverables on liability for remaining coverage	(0.7)	–	(0.7)	18.1	–	18.1
Recoverables on reinsurance contracts ceded	15.9	–	15.9	31.9	–	31.9
Reinsurance contracts issued in an asset position	34.5	44.6	79.1	31.2	52.7	83.9
Liabilities						
Liability for incurred claims LIC	3,304.1	39.3	3,343.4	3,372.8	12.6	3,385.4
Liability for remaining coverage LRC	(119.3)	(10.4)	(129.7)	(150.8)	14.3	(136.5)
Liabilites from reinsurance contracts issued	3,184.8	28.9	3,213.7	3,222.0	26.9	3,248.9
Reinsurance contracts ceded in a liability position	0.5	5.4	5.9	2.6	8.0	10.6

[1] Restated pursuant to IAS 8

In addition, other assets of EUR 137.9 million (EUR 135.9 million) as well as other liabilities of EUR 161.1 million (EUR 163.9 million) exist with respect to Talanx AG and its subsidiaries, which do not belong to the scope of consolidation of the Hannover Re Group.

In the context of a bond issue by Talanx AG, the Group companies Hannover Rück SE and E+S Rückversicherung AG had invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying value of the instrument was recognised until 31 December in an amount of EUR 48,3 million including accrued interest of EUR 1,3 million under financial assets at fair value through OCI. The bond matured in the first quarter of 2023.

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 the majority of its subsidiaries. Altogether EUR 59.7 million (EUR 52.6 million) was recognised in profit or loss in the financial year for the rendering of these services. Ampega Real Estate GmbH additionally performed services for Hannover Re under a number of management contracts until June 2021, but was merged into Ampega Asset Management GmbH in the course of the year. Ampega Asset Management GmbH has continued these 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 GmbH, 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 3,622 (3,519) staff were employed by the Hannover Re Group, with 1,581 (1,537) employed in Germany and 2,041 (1,982) working for the consolidated Group companies abroad.

7.4. Earnings per share

Calculation of the earnings per share

	1.1.-30.6.2023	1.1.-30.6.2022 [1]
Group net income in EUR million	960.0	814.9
Weighted average of issued shares	120,596,822	120,596,685
Basic earnings per share in EUR	7.96	6.76
Diluted earnings per share in EUR	7.96	6.76

[1] Restated pursuant to IAS 8

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 2023 and sold them to eligible employees at a later date.

The weighted average number of shares does not include 18,714 (26,927) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in section 5.4 "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

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 4,189.1 million (EUR 4,165.8 million) and EUR 463.6 million (EUR 460.5 million) respectively as at the balance sheet date. In addition, we furnished further collateral to ceding companies in an amount of EUR 5,223.3 million (EUR 3,973.3 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 4,602.6 million (EUR 3,323.0 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 3,187.5 million (EUR 3,046.8 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as financial assets measured at fair value through OCI in the 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 1,674.1 million (EUR 1,423.5 million).

We put up own investments with a book value of EUR 60.5 million (EUR 33.7 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 54.6 million (EUR 89.9 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 1,303.2 million (EUR 1,344.2 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 1,112.2 million (EUR 1,038.7 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, 4 August 2023

Executive Board

Henchoz	Althoff	Chèvre	Jungsthöfel
Dr. Miller	Ooi	Dr. Pickel	Sehm

Review report by the independent auditors

To Hannover Rück SE, Hannover

We have reviewed the condensed interim consolidated financial statements - comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected explanatory notes - and the interim group management report of Hannover Rück SE for the period from 1 January to 30 June 2023, which are part of the half-year financial report pursuant to § 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed an 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 interim consolidated 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 nor that the interim group management report 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, 7 August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Martin Eibl
Wirtschaftsprüfer
(German Public Auditor)

sgd. Janna Brüning
Wirtschaftsprüferin
(German Public Auditor)

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, 4 August 2023

Executive Board

Henchoz   Althoff   Chèvre   Jungsthöfel

Dr. Miller   Ooi   Dr. Pickel   Sehm

Contact information

Corporate Communications

Gunilla Pendt
Tel. + 49 511 5604-0019
gunilla.pendt@hannover-re.com

Media Relations

Oliver Süß
Tel. + 49 511 5604-1502
oliver.suess@hannover-re.com

Investor Relations & Rating Agency Relations

Karl Steinle
Tel. + 49 511 5604-1500
karl.steinle@hannover-re.com

Investor Relations

Axel Bock
Tel. + 49 511 5604-1736
axel.bock@hannover-re.com

Published by
Hannover Rück SE
Karl-Wiechert-Allee 50
30625 Hannover, Germany
Tel. + 49 511 5604-0