

The Hannover Re share

- Share performance of 2.1% including reinvested dividends
- Proposed dividend of EUR 3.50 plus special dividend of EUR 1.50 per share above the strategic payout ratio

Stock markets influenced by political and global economic uncertainties

After the pleasing returns enjoyed in 2015, German blue chips suffered their worst trading start in over 15 years right out of the gate on the first day of 2016 with a fall of 4.3%. The downward slide was triggered by poor economic data out of China as well as the expiry of holding periods for equities that had been imposed there in the summer of 2015 on account of stock market turmoil. Taken together with renewed trading suspensions on the Chinese stock market, the terrorist attack in Istanbul and fears of deflation in the Eurozone, this caused the DAX to touch its low for the year as early as 11 February at 8,753 points. A number of issues prompted heightened anxiety on the German stock exchange as the year progressed, leading to sometimes marked price volatility: the UK's possible withdrawal from the European Union – which was confirmed by the result of the referendum on 24 June –, terrorist attacks in Brussels and Nice, political unrest in Turkey and speculation about the outcome of the US presidential election. From the third quarter onwards the mood became increasingly more settled, enabling the German DAX bellwether index to close out the year at 11,481 points with a gain of 6.9%.

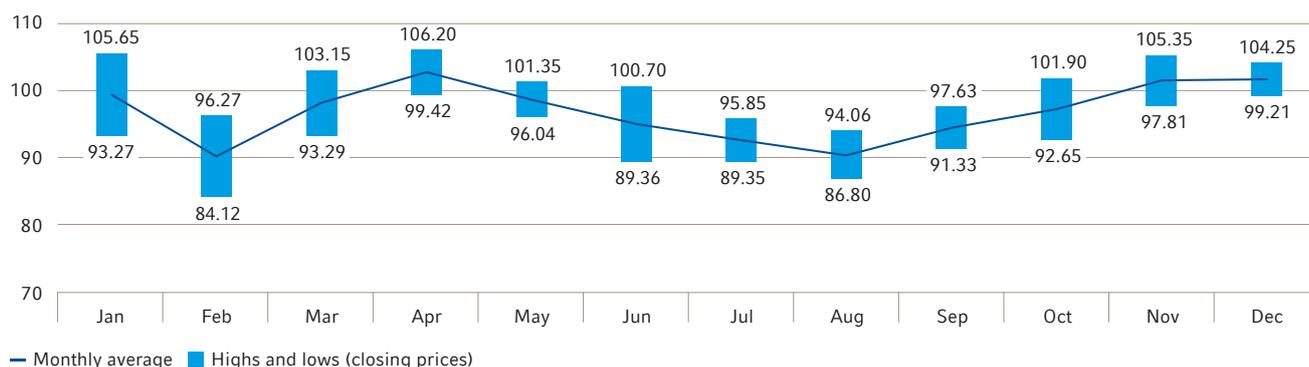
The MDAX turned in an almost parallel performance: having opened the year at 20,775 points, it fell to its lowest point of the year (17,595 points) in early February. The ensuing roller-coaster ride left the index at 22,189 points after twelve months with a gain of 6.8%. The Dow Jones fared considerably more positively to close the year up 15.3% at 20,330 points.

Volatile development of the Hannover Re share

The Hannover Re share started 2016 at a price of EUR 105.65. The poor performance of stock markets early in the year, driven in particular by uncertainties surrounding the global economy, was also reflected in the development of the Hannover Re share. This was exacerbated by the ongoing intensely competitive environment in the reinsurance industry. The share continued to slide until mid-February, touching its lowest point of the year on 11 February 2016 at EUR 84.12. On the back of broadly more positive market sentiment and the publication of another record result for the financial year just ended, this negative trend reversed itself and the share posted steady price gains until 14 April 2016 – the date on which it reached its high for the year of EUR 106.20. In the months that followed the price was impacted by an elevated burden of large losses in the second quarter, causing the share to trend modestly lower. In the third quarter the share moved sideways. Towards year-end the share climbed slightly again, bolstered by favourable Group net income after nine months and a positive expectation for the result of the full 2016 financial year. In a protracted, relatively low interest rate environment the attractive dividend yield of the Hannover Re share also played a significant part here. The Hannover Re share closed the 2016 financial year down 2.7% at EUR 102.80; it thus recorded a performance of 2.1% including reinvested dividends in a stock market year shaped by a high degree of political and global economic uncertainties. Over the year the Hannover Re share thus performed somewhat more poorly than its benchmark indices, namely the DAX (+6.9%), MDAX (+6.8%) and the Global Reinsurance (Performance) Index (+16.5%) – although it should be noted that the considerably stronger performance of the Global Reinsurance

Highs and lows of the Hannover Re share
in EUR

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Relative performance of the Hannover Re share

in %

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Index can be attributed in particular to positive exchange rate effects from the translation of the US dollar. The Global Reinsurance Index tracks the share performance including dividend payments of the world's 20 largest reinsurers. Hannover Re measures its performance by this benchmark index.

In a three-year comparison the Hannover Re share delivered a performance (including reinvested dividends) of 89.7%. It therefore once again clearly outperformed the DAX (20.2%), MDAX (33.9%) and Global Reinsurance Index (78.1%) benchmark indices.

Based on the year-end closing price of EUR 102.80, Hannover Re's market capitalisation totalled EUR 12.4 billion at the end of the 2016 financial year, a decrease of EUR 0.3 billion or 2.7% compared to the previous year's figure of EUR 12.7 billion. According to the rankings drawn up by Deutsche Börse AG, the company placed seventh in the MDAX at the end of December with a free float market capitalisation of EUR 6,169.8 million and thirteenth with a trading volume of EUR 3,827.4 million over the past twelve months.

With a book value per share of EUR 74.61 the Hannover Re share showed a price-to-book (P/B) ratio of 1.38 at the end of the year under review; compared to the average MDAX P/B ratio of 2.04 as at year-end the share thus continues to be very moderately valued.

Proposed dividend again includes payment of a special dividend

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 10 May 2017 that a dividend of EUR 3.50 plus a special dividend of EUR 1.50 per share should be distributed. In keeping with the previous year, the special dividend will be paid as a capital management measure because the

company's capitalisation continues to be comfortably in excess of the required capital. Based on the year-end closing price of EUR 102.80, this produces a dividend yield of 4.9%.

Annual General Meeting looks back on 50 years of company history and a fourth consecutive record profit

The Annual General Meeting of Hannover Rück SE was held on 10 May 2016 at Hannover Congress Centrum (HCC). Altogether, including postal ballots around 81% of the share capital was represented.

In his address to shareholders Chief Executive Officer Ulrich Wallin took the opportunity to mark the company's fiftieth anniversary by profiling its historical development on the basis of selected key figures. He then looked back on the 2015 financial year, which had closed with a new record profit for Hannover Re of EUR 1.15 billion. The two business groups of Property & Casualty and Life & Health reinsurance as well as very good investment income all contributed to this successful performance. In light of this good result and the company's very healthy capitalisation, the shareholders accepted the proposal of the Executive Board and Supervisory Board that a gross dividend of EUR 4.75 per share should be paid. The payout took the form of a dividend of EUR 3.25 per share and a special dividend of EUR 1.50 per share, with the special dividend to be considered a capital management measure. This proposal, together with all other proposed resolutions put to the vote, was approved by the Annual General Meeting by a large majority.

All voting results and the attendance were published on the company's website following the Annual General Meeting. The next Annual General Meeting will be held on 10 May 2017 in Hannover.

Strong presence on the capital market

Against the backdrop of political and economic uncertainties and the continued intensely competitive market environment in reinsurance, Hannover Re experienced further strong demand for information from capital market players in 2016. We use primarily roadshows and investor conferences in order to initiate or maintain as well as consolidate our dialogue with institutional investors. Altogether, members of the Executive Board and representatives of the Investor Relations department attended 14 international capital market conferences (previous year: 16) and 19 roadshows (19). The focus of our efforts was on the financial centres of Europe and North America.

Complementing these activities, we held Hannover Re's 19th Investors' Day on 20 October 2016. Around 40 analysts and institutional investors assembled in London to engage in an intensive exchange of views with members of the Executive Board. On the occasion of the company's fiftieth anniversary, the Executive Board took the opportunity to review the company's evolution into one of the world's foremost reinsurance groups with a presentation of selected key figures. It also set out the reasons why reinsurance demand will continue to grow in future and described how the company intends to share in this growth. Discussions relating to the risk profile and the capitalisation under Solvency II also featured on the agenda, as did the implications of the protracted low interest rate environment for strategic capital management and a presentation of the growth opportunities in the North American property and casualty reinsurance market. In common with many of our other IR events, the Investors' Day is broadcast live on our website.

Sustainability reporting

In the year just ended Hannover Re again provided information about its achievements as a responsible enterprise in the form of a stand-alone sustainability report drawn up in accordance with the internationally recognised reporting standards of the Global Reporting Initiative (GRI). Based on this structured reporting format, which was published for the fifth year in succession, the company's sustainability performance was also assessed by the rating agency Oekom Research; its above-average fulfilment of industry-specific requirements was confirmed with the award of "Prime" status. Hannover Re also retained its place in the worldwide FTSE4Good Index Series in the financial year just ended.

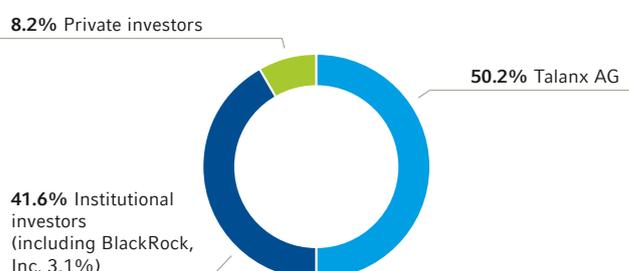
Shareholding structure

Our share register showed some 41,000 shareholders (37,000) at the end of the year. The largest shareholders as at year-end were Talanx AG with 50.2% and the asset manager BlackRock, Inc. with a reported 3.05% of the voting rights. Of the remaining shares outstanding, by far the bulk – at 38.5% – were held by institutional investors such as banks, insurers and

investment companies (42.0%); private investors held 8.2% (7.8%). Our shareholders include investors who pay particularly close attention to sustainability criteria.

Shareholding structure as at 31 December 2016

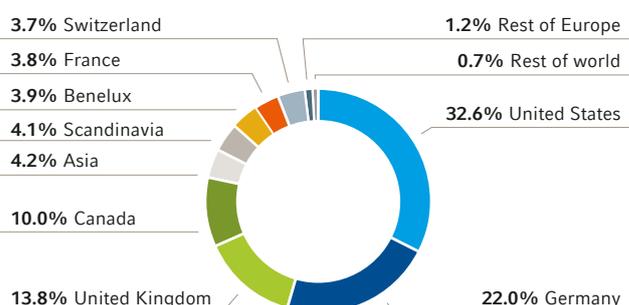
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At the end of November 2016 an analysis of the company's shareholding structure was carried out. It determined that the geographical breakdown of the shares held by institutional investors is as follows:

Geographical breakdown of the shares held by institutional investors

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Analysts assess Hannover Re share more favourably and further increase price target

In total, around 270 analyst studies were published on Hannover Re and the insurance sector in the 2016 financial year. By the end of the year 34 analysts had handed down opinions on Hannover Re: 10 analysts (3) recommended the Hannover Re share as "buy" or "overweight". Altogether 17 opinions (8) were a "hold", making this the most common. "Underweight" or "sell" recommendations were issued a total of 7 (21) times. Overall, then, the analysts assessed Hannover Re and the share performance more favourably than in the previous year. This development is particularly pleasing in view of what is still a relatively superior valuation measured against peer companies. The analysts' average price target also moved in a positive direction in the year under review, increasing further from EUR 91.88 at the start of the financial year to EUR 101.34 at year-end.

Basic information

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Securities identification number	840 221
International Securities Identification Number (ISIN)	DE 000 840 221 5
Ticker symbols	
Bloomberg	HNR1
Thomson Reuters	HNRGn
ADR	HVRRY
Exchange listings	
Germany	Xetra, Frankfurt, Munich, Stuttgart, Hamburg, Berlin, Düsseldorf, Hannover (official trading: Xetra, Frankfurt and Hannover)
United States	American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)
Market segment	Prime Standard
Index inclusion	MDAX
First listed	30 November 1994
Number of issued shares (as at 31 December 2016)	120,597,134
Common shares (as at 31 December 2016)	EUR 120,597,134.00
Share class	No-par-value registered shares

Key figures

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in EUR	2016	2015	2014	2013	2012 ¹
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low ²	84.12	73.81	58.88	52.42	37.355
Annual high ²	106.20	111.50	75.92	64.34	59.81
Year-opening price ²	105.65	74.97	62.38	58.96	38.325
Year-ending price ²	102.80	105.65	74.97	62.38	58.96
Market capitalisation at year-end in EUR million	12,397.4	12,741.1	9,041.2	7,522.8	7,110.4
Equity attributable to shareholders of Hannover Rück SE in EUR million	8,997.2	8,068.3	7,550.8	5,888.4	6,032.5
Book value per share	74.61	66.90	62.61	48.83	50.02
Earnings per share (basic and diluted)	9.71	9.54	8.17	7.43	7.04
Dividend per share	3.50 + 1.50 ^{3,4}	3.25 + 1.50 ⁴	3.00 + 1.25 ⁴	3.00	2.60 + 0.40 ⁴
Cash flow per share	19.33	25.75	16.01	18.45	21.87
Return on equity (after tax) ⁵	13.7%	14.7%	14.7%	15.0%	15.4%
Dividend yield ⁶	4.9%	4.5%	5.7%	4.8%	5.1%
Price-to-book (P/B) ratio ⁷	1.4	1.6	1.2	1.3	1.2
Price/earnings (P/E) ratio ⁸	10.6	11.1	9.2	8.4	8.4
Price-to-cash flow (P/CF) ratio ⁹	5.3	4.1	4.7	3.4	2.7

¹ Adjusted pursuant to IAS 8

² Xetra daily closing prices from Bloomberg

³ Proposed dividend

⁴ Dividend of EUR 3.50 plus special dividend of EUR 1.50 for 2016, EUR 3.25 plus special dividend of EUR 1.50 for 2015, EUR 3.00 plus special dividend of EUR 1.25 for 2014 and EUR 2.60 plus special dividend of EUR 0.40 for 2012

⁵ Earnings per share/average of book value per share at start and end of year

⁶ Dividend per share/year-end closing price

⁷ Year-end closing price/book value per share

⁸ Year-end closing price/earnings per share

⁹ Year-end closing price/cash flow (from operating activities) per share