

The Hannover Re share

- Share performance of 6.8% including reinvested dividends
- Proposed dividend of EUR 3.50 plus special dividend of EUR 1.50 per share on the level of the previous year

Stock markets defied political uncertainties

Stock markets in 2017 were again exposed to numerous potentially unsettling factors. In the wake of the surprising outcomes of the Brexit referendum and the US elections in 2016, many market players feared further uncertainty in the EU or the Eurozone in connection with national elections in France and the Netherlands. These concerns proved to be unfounded, however, and even real factors such as the overhaul of international trade agreements and the sluggish progress in forming a government in Germany had little impact on financial markets, which proved to be astonishingly robust and in the case of the Eurozone even surprisingly sprightly. An exception here was the comparatively muted performance of UK stock markets as negotiations dragged between the EU and the UK following the Brexit vote.

The German DAX index started the year at 11,481 points, which also proved to be its lowest level of the period under review. German blue chips enjoyed a broadly positive performance from the beginning of the year until the summer, albeit with certain modest setbacks. The continued expansionary monetary policy pursued by the European Central Bank (ECB), coupled with a good performance on the corporate side and a robust world economy, had positive implications for valuations on the capital markets. After taking a breather over the summer the DAX picked up significant momentum again, touching its high for the year of 13,479 on 3 November 2017. The German stock index closed out the year at 12,918 with a gain of 12.5%.

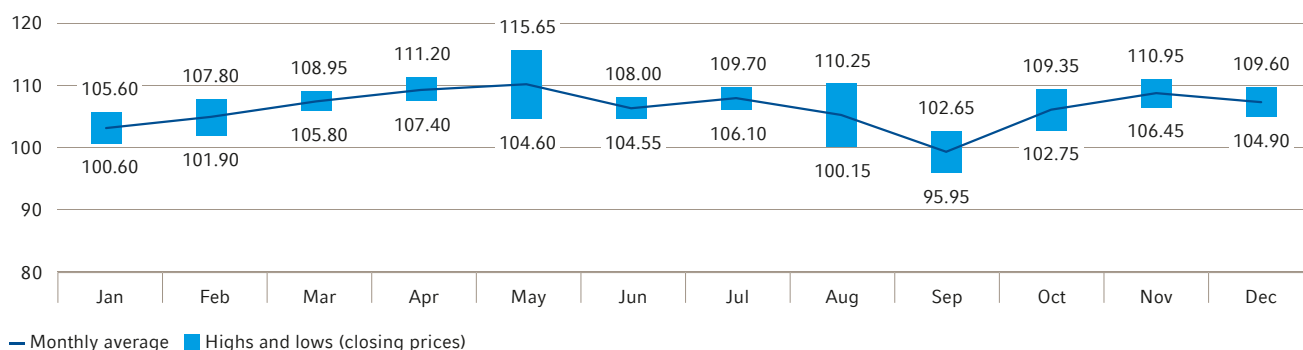
The MDAX fared even more favourably, kicking off the year at 22,189 points and climbing to an interim high of 26,696 on 2 June 2017. After moving sideways for a while over the summer months, the index surged higher again to reach its peak for the year of 27,027 shortly before year-end on 30 November. The MDAX ultimately closed out the year at 26,201 points with a gain of 18.1%. The performance of the Dow Jones in the United States was even more positive: spurred on by the “Trump effect” and the major tax reform package passed by the Senate at the end of the year, it soared to 24,719 and posted an annual gain of 25.1%.

Volatile performance of the Hannover Re share

The Hannover Re share stood at EUR 102.80 going into the year. Despite the continued intensely competitive climate in the reinsurance industry, the company was able to raise its guidance for the 2017 financial year at the beginning of February. This was prompted by a renewal season as at 1 January 2017 that surpassed expectations in terms of premium volume. Boosted by the unveiling of a fifth consecutive record profit for the year, the share price rose steadily during the spring and reached its highest point of the year – and at the same time a new all-time high – of EUR 115.65 one day before the Annual General Meeting on 9 May 2017. Following payment of the dividend the share went on to list at a correspondingly lower level and in the ensuing months until late summer it moved in a volatile sideways direction. In the third quarter the impacts of

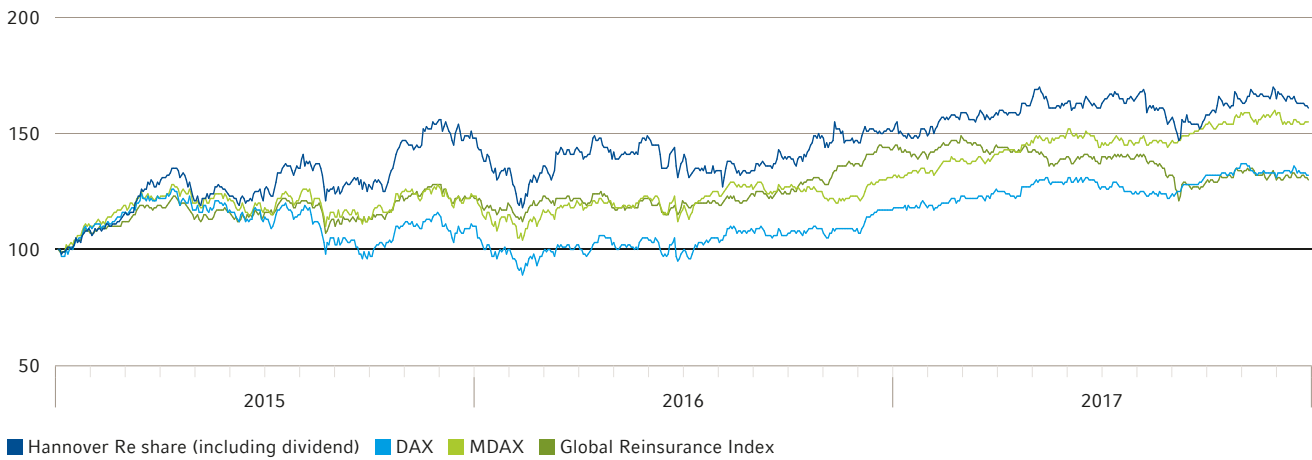
Highs and lows of the Hannover Re share
in EUR

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Relative performance of the Hannover Re share in %

110



three hurricanes within the space of just four weeks on the US coast and the Caribbean as well as two severe earthquakes in Mexico caused the share price to retreat sharply in the face of the expected losses. On 7 September 2017, following the announcement that Hurricane “Irma” would make landfall on the Florida coast, the share price fell to its lowest level of the year at EUR 95.95. It was indeed the case that the natural disasters in the third quarter led to a volume of losses in excess of the multi-year average. Against this backdrop, Hannover Re adjusted its profit guidance for the year under review on 21 September by publishing an ad hoc notification. At the same time, the losses prompted a turnaround in market sentiment after five years of large loss expenditures below the anticipated levels and rates were expected to move higher in the upcoming renewals. The share price consequently experienced a trend reversal. At the end of the financial year the Hannover Re share closed with a gain of 2.0% at EUR 104.90, delivering a performance of 6.8% including reinvested dividends. Looked at over the year as a whole, the Hannover Re share thus fared somewhat more poorly than its benchmark indices, namely the DAX (+12.5%) and MDAX (+18.1%); it nevertheless beat the Global Reinsurance (Performance) Index (-8.9%), although this was significantly impacted by the softening of the US dollar against the euro owing to its heavy USD weighting. The Global Reinsurance Index tracks the share performance including dividend payments of the world’s 15 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 61.0%. It therefore once again clearly outperformed the DAX (31.7%), MDAX (54.7%) and Global Reinsurance Index (30.5%) benchmarks.

Based on the year-end closing price of EUR 104.90, Hannover Re’s market capitalisation totalled EUR 12.7 billion at the end of the 2017 financial year, an increase of EUR 0.3 billion or roughly 2% compared to the previous year’s figure of EUR 12.4 billion. According to the rankings drawn up by Deutsche Börse AG, the company placed ninth in the MDAX at the end of December with a free float market capitalisation of EUR 6,450.6 million and nineteenth with a trading volume of EUR 3,850.2 million over the past twelve months.

With a book value per share of EUR 70.72 the Hannover Re share showed a price-to-book (P/B) ratio of 1.48 at the end of the year under review; compared to the average MDAX P/B ratio of 2.10 as at year-end, the share thus continues to be very moderately valued.

Proposed dividend on the level of the previous year

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 7 May 2018 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 in excess of the required capital. Based on the year-end closing price of EUR 104.90, this produces a dividend yield of 4.8%.

Annual General Meeting looked back on a fifth consecutive record profit

The Annual General Meeting of Hannover Rück SE was held on 10 May 2017 at Hannover Congress Centrum (HCC). Altogether, including postal ballots around 77% of the share capital was represented.

In his address to shareholders Chief Executive Officer Ulrich Wallin took the opportunity to look back once more on the 2016 financial year, which Hannover Re had closed out with Group net income of EUR 1.17 billion and hence a fifth record profit in a row. The Property & Casualty reinsurance business group had played the largest part in this successful development with a very healthy underwriting profit. While Life & Health reinsurance delivered a solid result in line with expectations, investment income surpassed expectations.

In light of this good result and the further strengthening of the company's capitalisation, the shareholders accepted the proposal of the Executive Board and Supervisory Board that a gross dividend of EUR 5.00 per share should be paid. The payout took the form of a dividend of EUR 3.50 per share – an increase of EUR 0.25 compared to the previous year – 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 Monday, 7 May 2018 in Hannover.

Dialogue with the capital market

We continued to cultivate the dialogue with institutional investors in the financial year just ended in the context of roadshows and capital market conferences. Altogether, members of the Executive Board and representatives of the Investor Relations department attended 17 international capital market conferences (previous year: 14) 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 20th Investors' Day on 19 October 2017 in Frankfurt. Discussions centred on the outcome of the updated Group strategy for the years 2018 to 2020, which has been framed under the motto "Creating value through reinsurance". Another issue addressed at the event was the impact of the recent natural catastrophes in the autumn of 2017. After five years of rather low expenditures these had led to insured losses on a par with the costly years of 2005 and 2011 and hence significantly in excess of the multi-year average. In addition, the Executive Board took the opportunity to provide more in-depth insights into the high-growth segment of structured reinsurance and described the cash flows expected from new business in life and health reinsurance over the coming years. 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. In common with many of our other IR events, the Investors' Day is broadcast live on our website.

Sustainability reporting and ratings

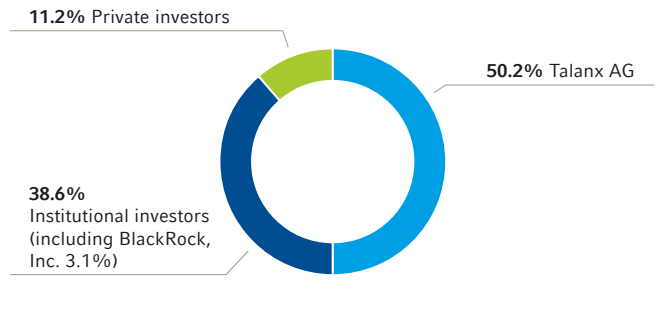
In the year just ended Hannover Re again provided information about its achievements as a responsible enterprise in the form of a stand-alone sustainability report drawn up in accordance with the current internationally recognised reporting standards of the Global Reporting Initiative (GRI). Based on its sixth Sustainability Report, the company's sustainability performance was assessed by multiple rating agencies. In addition to RobecoSAM, MSCI, Sustainalytics and Vigeo, Hannover Re's achievements in the field of sustainability were once again evaluated by the rating agency Oekom Research. The company's above-average fulfilment of industry-specific requirements was confirmed by Oekom Research with the award of "Prime" status. Furthermore, in the context of the Carbon Disclosure Project (CDP) Hannover Re was evaluated by the non-governmental organisation of the same name in the financial year just ended and received a "B" rating, corresponding to the second-best level. Not only that, the Hannover Re share continued to be listed in the worldwide, sustainability-focused FTSE4Good Index Series and was included for the first time in the Global Challenges Index (GCX) administered by the Hannover and Hamburg stock exchanges.

Shareholder structure

Our share register showed some 48,000 shareholders at the end of the year, another increase in the number of shareholders year-on-year (41,000). 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 35.5% – were held by other institutional investors such as banks, insurers and investment companies (previous year in total: 38.5%); private investors held 11.2% (8.2%). Our shareholders include investors who pay particularly close attention to sustainability criteria.

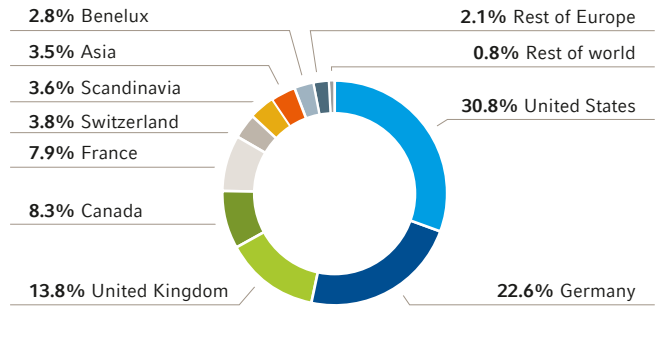
Shareholding structure as at 31 December 2017

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Geographical breakdown of the shares held by institutional investors

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Analyst ratings

In total, around 320 analyst studies were published on Hannover Re and the insurance sector in the 2017 financial year. By the end of the year 32 analysts had handed down opinions on Hannover Re: nine analysts (ten) recommended the Hannover Re share as "buy" or "overweight". Altogether 18 opinions (17) were a "hold", making this the most common. "Underweight" or "sell" recommendations were issued a total of five (seven) times. The analysts' average price target continued to move higher in the year under review, increasing from EUR 101.34 at the start of the financial year to EUR 110.49 at year-end. This development is particularly pleasing in view of what is still a relatively superior valuation measured against peer companies.

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 2017) | 120,597,134 |
| Common shares (as at 31 December 2017) | EUR 120,597,134.00 |
| Share class | No-par-value registered shares |

Key figures

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| in EUR | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------------------|------------------------|------------------------|------------------------|---------|
| Number of shares in million | 120.6 | 120.6 | 120.6 | 120.6 | 120.6 |
| Annual low ¹ | 95.95 | 84.12 | 73.81 | 58.88 | 52.42 |
| Annual high ¹ | 115.65 | 106.20 | 111.50 | 75.92 | 64.34 |
| Year-opening price ¹ | 102.80 | 105.65 | 74.97 | 62.38 | 58.96 |
| Year-ending price ¹ | 104.90 | 102.80 | 105.65 | 74.97 | 62.38 |
| Market capitalisation at year-end in EUR million | 12,650.6 | 12,397.4 | 12,741.1 | 9,041.2 | 7,522.8 |
| Equity attributable to shareholders of Hannover Rück SE in EUR million | 8,528.5 | 8,997.2 | 8,068.3 | 7,550.8 | 5,888.4 |
| Book value per share | 70.72 | 74.61 | 66.90 | 62.61 | 48.83 |
| Earnings per share (basic and diluted) | 7.95 | 9.71 | 9.54 | 8.17 | 7.43 |
| Dividend per share | 3.50+1.50 ^{2,3} | 3.50+1.50 ³ | 3.25+1.50 ³ | 3.00+1.25 ³ | 3.00 |
| Cash flow per share | 14.05 | 19.33 | 25.75 | 16.01 | 18.45 |
| Return on equity (after tax) ⁴ | 10.9% | 13.7% | 14.7% | 14.7% | 15.0% |
| Dividend yield ⁵ | 4.8% | 4.9% | 4.5% | 5.7% | 4.8% |
| Price-to-book (P/B) ratio ⁶ | 1.5 | 1.4 | 1.6 | 1.2 | 1.3 |
| Price/earnings (P/E) ratio ⁷ | 13.2 | 10.6 | 11.1 | 9.2 | 8.4 |
| Price-to-cash flow (P/CF) ratio ⁸ | 7.5 | 5.3 | 4.1 | 4.7 | 3.4 |

¹ Xetra daily closing prices from Bloomberg

² Proposed dividend

³ Dividend of EUR 3.50 plus special dividend of EUR 1.50 for 2017, dividend of EUR 3.50 plus special dividend of EUR 1.50 for 2016, dividend of EUR 3.25 plus special dividend of EUR 1.50 for 2015 and dividend of EUR 3.00 plus special dividend of EUR 1.25 for 2014

⁴ Earnings per share/average of book value per share at start and end of year

⁵ Dividend per share/year-end closing price

⁶ Year-end closing price/book value per share

⁷ Year-end closing price/earnings per share

⁸ Year-end closing price/cash flow (from operating activities) per share