



Hannover Re

2Q25 First Take: No change to targets with added resilience in 1H

Our Take: At the headline level, Hannover Re saw its operating profit come in 5% below company consensus and net income 5% ahead, with the company reconfirming all of its guidance for 2025. While the reconfirmation of the guidance will be seen as positive in the context of Munich Re reducing its revenue guidance for 2025 at the end of last week, we note that the revenue guidance for Hannover Re in P&C Re is set at constant FX and was never likely to be reduced in our view.

The operating result was 5% below with P&C broadly in line with expectations but L&H below. Within the P&C result, while major losses were lower than budget, they were higher than we had anticipated for the quarter at €211m vs our ~€160m expectation, with the company also commenting that the result reflected resiliency in reserves. The investment result was 13% below consensus expectations but included a ~€60m realised loss on fixed income in P&C, which is likely to be helpful in managing numbers towards the 2025 guidance as the 1H result is at 54% of the net income guidance for the year.

Q2 is another set of Hannover Re-esque results, in our view, with net income on track and a number of areas of prudence added to the balance sheet, which should help the company deliver as the cycle softens. Management explicitly stated in the press release that the P&C reserve buffers should allow the company to minimise volatility. In recent earnings calls, the company has committed to the <88% combined ratio being valid for a number of years, but, in our view, the company might have to recognise more profit and be slightly less prudent (although still very prudent) in order to get investors more interested in the story.

- **Noteworthy Areas:** 1) **2Q25 €833m net income** is 5% ahead of consensus, due to a lower tax rate of 19% vs JPMe ~25%. Q2 operating profit is 5% below cons, with P&C 2% below and L&H 12% below. 2) **P&C:Q2 combined ratio** is broadly in line at 82.1% vs cons 82.0%, running much better than <88% guidance. Q2 large losses were above our expectations at €211m vs JPMe ~€160m, unlike peers who have reported so far. As of H1 large losses have exceeded the budget €976m vs budget €935m, and the company has said it further boosted its reserve resilience in H1 (€2.5bn as of YE24). 3) **Q2 P&C reinsurance revenue** is 3% below consensus and YTD revenue growth at constant FX is 6.0% (>10% excluding NDIC impact) vs >7% 2025 guidance. 4) **L&H:** the Q2 reinsurance service result was 14% below consensus, with a larger negative change in loss component -€90m vs -€45m JPMe and negative 'experience variances and other' in Q2 (-€27m). 5) **Investment income** was also 13% below consensus, although this includes ~€60m of realised fixed income losses in P&C. YTD ROI of 3.3%. 6) **Solvency II ratio** is light at 261% vs cons 272%, with not much detail provided. The ratio is said to include planned business growth in 2025 and shareholders' equity is 7% below cons. 7) **Mid-year renewals:** volumes declined 2.1% impacted by reduced placement of a large program (excl. impact volumes +4.5%) and risk-adjusted

Overweight

HNRGn.DE, HNR1 GR

Price (11 Aug 25): €266.00

Price Target (Dec-26): €330.00

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prices declined 2.9%.

- **Outlook & Guidance:** All of the 2025 guidance confirmed: net income ~€2.4bn (company consensus ~€2.6bn), combined ratio of <88%, P&C reinsurance revenue growth >7%, group ROI of 3.2% and a reinsurance service result in L&H of €875m.
- **Likely changes to consensus:** We do not expect material changes to consensus at this stage, with the company guidance unchanged.
- **Valuation:** Hannover Re trades at 2.5x 2025E P/B vs European reinsurance peers at 1.8x average (BBG).
- **Conference Call Details:** 9:30 am UK time today. Register [here](#).

Actual vs Expected:

Figure 1: Hannover Re - 2Q25 results

€ million, €, %

	Actual 2Q25	Cons 2Q25E	JPM 2Q25E	Actual 2Q24	vs cons	vs JPM	vs YoY
Reinsurance revenue	6,369	6,505	6,605	6,244	-2%	-4%	2%
P&C	4,453	4,586	4,661	4,356	-3%	-4%	2%
L&H	1,916	1,916	1,944	1,888	0%	-1%	1%
Reinsurance service result (net)	905	938	1,039	691	-4%	-13%	31%
P&C	703	705	817	454	0%	-14%	55%
L&H	201	234	222	237	-14%	-9%	-15%
Investment income	469	539	530	511	-13%	-11%	-8%
Operating profit (EBIT)	1,065	1,118	1,217	847	-5%	-12%	26%
P&C	851	871	980	532	-2%	-13%	60%
L&H	217	248	236	320	-12%	-8%	-32%
Net income	833	792	872	603	5%	-4%	38%
P&C COR	82.1%	82.0%	79.0%	87.6%	0.1%	3.1%	-5.5%
Shareholders' equity	11,095	11,901	11,869		-7%	-7%	
Sol II ratio	261%	272%	277%	276%	-11%	-16%	-15%

Source: Company reports, company consensus and J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

Hannover Re (*Overweight; Price Target: €330.00*)

Investment Thesis

Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop. We see the potential for earnings growth to continue for 2025E and beyond, which should also support more capital returns

- **Most reliable P&C name.** With the reinsurance market likely to stabilise, we see Hannover Re as a good way to gain exposure to the cycle. Having added to reserve buffers in 2023-24 and with more reserve conservatism to flow through, we view the company as well positioned to deliver strong reliable returns against almost any market backdrop.
- **Capital return potential.** Hannover Re has the potential to increase its payouts and with the positive outcome of the S&P model changes, we believe that the company could potentially increase its payout ratios.
- **Buffers to support earnings growth into 2025 and beyond.** In addition to the reserve redundancy in P&C, Hannover's consistent conservatism in a number of areas implies there are buffers available to support future earnings. These include not recognising the higher discounting benefit into earnings, and its approach to reserving large losses to budget when there is 'good luck'.

Valuation

We value Hannover Re by estimating its sustainable across-the-cycle comprehensive ROE of 15% and use this to derive a valuation multiple on Comprehensive Equity. We adjust for dividends and apply a CoE of 8% and growth rate of 0%. This results in our Dec-26 PT of €330.

Hannover Re – IFRS17-based valuation

€ million, unless stated otherwise

Business unit	Sustainable comprehensive profit €mn	Insurance service result €mn	Net financial result €mn	Other profit €mn	CSM value added €mn
P&C	3,092	1,863	858	-160	532
L&H	918	938	255	-180	-96
Consolidation	0	0	0	0	0
Other non-operating items	-102	0	0	-102	0
Pre-tax sustainable comprehensive profit FY24E	3,908	938	255	-180	-96
Tax	-977	Assume 25%			
Minorities and other	-71				
Sustainable comprehensive profit FY24E	2,860				
Comprehensive equity FY23E	19,057				
Sustainable comprehensive ROE	15.0%				
COE	7.9%				
g	0%				
Valuation price to Comp BV	1.9x				
Valuation FY23E	36,248				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	2,860				
Valuation	40,254				
NOSH mn	121				
Value per share €	333.8				
Target price €	330.0				

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include utilisation of reserve buffers, outsized catastrophe losses and lower life reinsurance results.

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Hannover Re (HNRGn.DE, HNR1 GR) Price Chart



Date	Rating	Price (€)	Price Target (€)
03-Nov-22	OW	163.65	190
08-Dec-22	OW	184.75	210
09-Mar-23	OW	182.20	205
18-Jul-23	OW	190.60	235
09-Aug-23	OW	192.10	240
22-Sep-23	OW	212.20	255
19-Mar-24	OW	244.60	290
14-Aug-24	OW	231.90	300
13-Mar-25	OW	272.70	320
13-May-25	OW	280.00	330

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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