

## Hannover Re

### Model adjustments ahead of 2Q 25

We make small updates to our estimates ahead of Hannover Re's 2Q25 results on 12<sup>th</sup> August. Our net income estimate increases slightly (2%) for FY25 to €2,627m vs the company's >€2.4bn guidance and remains broadly unchanged for 2026 onwards.

- In P&C Re, our 2Q25E combined ratio is 79.0%. This assumes large losses booked of €158.5m, of which €120m of actual Q2 claims plus €38.5m of reserves booked, with the remaining €330m offsetting the higher than expected 1Q 25 major losses. In L&H Re, we forecast a 2Q25 insurance service result of €222m, broadly in line with guided run-rate of €875m for 2025E. Our Solvency II ratio estimate for 2Q is 277%, up vs 273% at Q1.

Table 1: Hannover Re - summary of estimates

€ million

	JPMe 2022E	JPMe 2023E	JPMe 2024E	JPMe 2025E	JPMe 2026E	Old 2022E	Old 2023E	Old 2024E	Old 2025E	% change 2022E	% change 2023E	% change 2024E	% change 2025E
Reinsurance revenue	6,855	27,325	28,559	29,519	30,455	27,868	28,704	29,565	30,452	0%	0%	0%	0%
Reinsurance service result (net)	1,039	3,026	3,077	3,155	3,116	3,010	3,086	3,164	3,121	1%	0%	0%	0%
P&C	817	2,113	2,139	2,205	2,171	2,097	2,148	2,214	2,176	1%	0%	0%	0%
L&H	222	914	938	950	946	914	938	950	946	0%	0%	0%	0%
Investment income	530	2,183	2,254	2,347	2,444	2,183	2,254	2,347	2,444	0%	0%	0%	0%
Operating profit (EBIT)	1,217	3,706	3,850	4,001	4,040	3,625	3,859	4,011	4,045	2%	0%	0%	0%
P&C	980	2,736	2,837	2,963	2,993	2,655	2,845	2,972	2,998	3%	0%	0%	0%
L&H	236	971	1,013	1,038	1,046	971	1,013	1,038	1,046	0%	0%	0%	0%
Net income	872	2,627	2,743	2,854	2,882	2,568	2,750	2,860	2,886	2%	0%	0%	0%
DPS	9.50	10.00	10.50	11.50	11.50	9.50	10.00	10.50	11.50	0%	0%	0%	0%
EPS	7.23	21.79	22.75	23.66	23.90	21.29	22.80	23.72	23.93	2%	0%	0%	0%
PIC COR	79.0%	87.7%	87.9%	87.9%	88.4%	87.8%	87.9%	87.9%	88.4%	-0.1%	0.0%	0.0%	0.0%
Sol II ratio	277%	262%	265%	269%	272%	261%	265%	269%	271%	1%	1%	1%	1%

Source: J.P. Morgan estimates.

## Overweight

HNRGN.DE, HNR1 GR  
Price (14 Jul 25):€262.60

Price Target (Dec-26):€330.00



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### Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	42	69	72	62	63
Growth	10	47	47		
Momentum	28	20	55	70	26
Quality	55	6	6	14	18
Low Vol	75	29	51	49	32
ESGQ	49	42	30	23	11

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

**See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.**

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## Price Performance



## Company Data

Shares O/S (mn)	121
52-week range (€)	292.70-204.24
Market cap (\$ mn)	36,940.13
Exchange rate	0.86
Free float (%)	49.8%
3M ADV (mn)	0.10
3M ADV (\$ mn)	32.2
Volatility (90 Day)	27
Index	MSCI Europe
BBG ANR (Buy   Hold   Sell)	12 6 3

## Key Metrics (FYE Dec)

in	FY24A	FY25E	FY26E	FY27E
<b>Financial Estimates</b>				
Operating profit - Life	-	-	-	-
Life Reinsurance Operating Profit	934	971	1,013	1,038
P&C Insurance Operating Profit	-	-	-	-
P&C Reinsurance Operating Profit	2,387	2,736	2,837	2,963
Other pre-tax operating profit	(108)	(103)	(102)	(102)
Pre Tax Operational Income	3,213	3,604	3,748	3,899
Adj. net income	2,329	2,627	2,743	2,854
Comprehensive Profit	2,677	2,558	3,645	2,803
Adj. EPS	19.31	21.79	22.75	23.66
Comprehensive EPS	22.20	21.21	30.23	23.24
DPS	9.00	9.50	10.00	10.50
BVPS	97.8	109.0	122.2	135.9
Comprehensive BVPS	147.91	158.51	179.24	192.48
<b>Margins and Growth</b>				
Adj. EPS growth	27.6%	12.8%	4.4%	4.0%
Comprehensive EPS growth	(0.2%)	(4.5%)	42.5%	(23.1%)
DPS growth	25.0%	5.6%	5.3%	5.0%
<b>Ratios</b>				
Primary P&C combined ratio (%)	-	-	-	-
Reinsurance P&C combined ratio (%)	86.6%	87.7%	87.9%	87.9%
Life New Business CSM	317	472	380	380
Life New Business CSM Margin (%)	-	-	-	-
CSM Release Ratio (%)	(14.8%)	(12.4%)	(12.1%)	(11.9%)
ROE	21.2%	21.1%	19.7%	18.3%
Comprehensive ROE	15.9%	13.8%	17.9%	12.5%
Debt leverage ratio	17.5%	16.5%	14.9%	14.0%
<b>Valuation</b>				
Dividend yield	3.4%	3.6%	3.8%	4.0%
P/ BV	2.7	2.4	2.1	1.9
Comprehensive P/BV	1.8	1.7	1.5	1.4

## Summary Investment Thesis and Valuation

### Investment Thesis

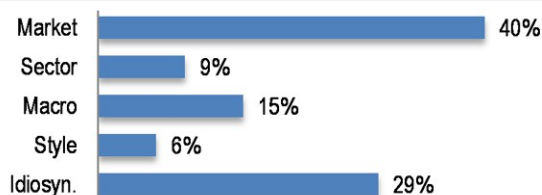
Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop.

- **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.

### 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.

### Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.63	0.68
Sect: Financials	0.49	0.37
Ind: Insurance	0.76	0.71
<b>Macro:</b>		
Euro	0.52	0.34
Citi Eco Surprise Eurozone	-0.38	-0.25
Eurozone CPI	0.25	0.14
<b>Quant Styles:</b>		
LowVol	0.17	0.32
Momentum	0.01	0.23
Value	0.09	0.08

Source: J.P. Morgan Quantitative and Derivatives Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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## 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
<b>Pre-tax sustainable comprehensive profit FY24E</b>	<b>3,908</b>	938	255	-180	-96
Tax	-977	Assume 25%			
Minorities and other	-71				
<b>Sustainable comprehensive profit FY24E</b>	<b>2,860</b>				
<b>Comprehensive equity FY23E</b>	<b>19,057</b>				
<b>Sustainable comprehensive ROE</b>	<b>15.0%</b>				
<b>COE</b>	<b>7.9%</b>				
<b>g</b>	<b>0%</b>				
<b>Valuation price to Comp BV</b>	<b>1.9x</b>				
<b>Valuation FY23E</b>	<b>36,248</b>				
Dividends / buybacks outstanding in 23E	1,146				
Valuation roll-forward	2,860				
<b>Valuation</b>	<b>40,254</b>				
NOSH mn	121				
Value per share €	333.8				
<b>Target price €</b>	<b>330.0</b>				

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.

## Hannover Re: Summary of Financials

INCOME STATEMENT	FY24A	FY25E	FY26E	FY27E	BALANCE SHEET	FY24A	FY25E	FY26E	FY27E
<b>Divisional profit</b>					Cash & Cash Equivalents	1,253	1,165	1,212	1,261
Life operating profit	-	-	-	-	Investments	63,283	64,946	67,583	70,327
Life reinsurance operating profit	934	971	1,013	1,038	Investment property	2,605	2,617	2,723	2,833
P&C operating profit	-	-	-	-	Goodwill	80	80	80	80
P&C reinsurance operating profit	2,387	2,736	2,837	2,963	Other intangibles	-	-	-	-
Other pre-tax profit	(108)	(103)	(102)	(102)	Other assets	1,357	1,411	1,468	1,528
					<b>Total Assets</b>	<b>72,087</b>	<b>74,145</b>	<b>77,016</b>	<b>80,041</b>
<b>Consolidated P&amp;L</b>					Insurance liabilities	48,918	49,538	50,147	51,318
Insurance revenue	26,379	27,825	28,659	29,519	o/w CSM	8,163	8,322	9,251	9,255
Insurance service result	3,019	3,026	3,077	3,155	o/w Risk adjustment	4,004	4,049	4,077	4,150
Insurance net financial result	890	1,014	1,113	1,186	o/w PVCF	-	-	-	-
Interest expense	(104)	(102)	(102)	(102)	Investment contract liabilities	-	-	-	-
Other income and expenses	(591)	(334)	(340)	(340)	Senior debt	747	747	747	747
<b>Total pre-tax profit</b>	<b>3,213</b>	<b>3,604</b>	<b>3,748</b>	<b>3,899</b>	Subordinated debt	3,230	3,230	3,230	3,230
Income taxes	(817)	(912)	(937)	(975)	Other liabilities	2,905	2,971	3,517	3,595
Minority interest	-	-	-	-	<b>Total Liabilities</b>	<b>59,439</b>	<b>60,056</b>	<b>61,215</b>	<b>62,474</b>
<b>Net income</b>	<b>2,329</b>	<b>2,627</b>	<b>2,743</b>	<b>2,854</b>	Shareholders' equity	11,795	13,143	14,741	16,389
<b>Pre Tax Operational Income</b>	<b>3,213</b>	<b>3,604</b>	<b>3,748</b>	<b>3,899</b>	Preferred equity / hybrid capital	-	-	-	-
<b>Adjusted Net income</b>	<b>2,329</b>	<b>2,627</b>	<b>2,743</b>	<b>2,854</b>	Minority Interests	894	945	1,060	1,178
<b>Comprehensive profit</b>	<b>2,677</b>	<b>2,558</b>	<b>3,645</b>	<b>2,803</b>	<b>Total Liabilities and Shareholder Equity</b>	<b>72,127</b>	<b>74,145</b>	<b>77,016</b>	<b>80,041</b>
Adj. EPS	19.31	21.79	22.75	23.66	Comprehensive equity	17,837	19,116	21,616	23,212
Comprehensive EPS	22.20	21.21	30.23	23.24	Net CSM	6,122	6,053	6,955	6,903
DPS	9.00	9.50	10.00	10.50					
<b>Ratio Analysis</b>					<b>Ratio Analysis</b>				
Insurance margin	-	-	-	-	BVPS	97.8	109.0	122.2	135.9
Adj. EPS y/y Growth	27.6%	12.8%	4.4%	4.0%	Comprehensive BVPS	147.91	158.51	179.24	192.48
Comprehensive EPS y/y growth	(0.2%)	(4.5%)	42.5%	(23.1%)	ROE	21.2%	21.1%	19.7%	18.3%
DPS y/y Growth	25.0%	5.6%	5.3%	5.0%	Comprehensive ROE	15.9%	13.8%	17.9%	12.5%
Adj. P/E (x)	13.6	12.1	11.5	11.1	P/BV	2.7	2.4	2.1	1.9
Comprehensive P/E (x)	11.8	12.4	8.7	11.3	Comprehensive P/BV	1.8	1.7	1.5	1.4
Dividend Yield	3.4%	3.6%	3.8%	4.0%	Debt leverage ratio	17.5%	16.5%	14.9%	14.0%
P&C combined ratio	-	-	-	-					
Reinsurance P&C combined ratio	86.6%	87.7%	87.9%	87.9%					
Life new business CSM	317	472	380	380					
Life new business CSM margin	-	-	-	-					
CSM release ratio	(14.8%)	(12.4%)	(12.1%)	(11.9%)					

Source: Company reports and J.P. Morgan estimates.

Note: € in millions (except per-share data). Fiscal year ends Dec

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



Date	Rating	Price (€)	Price Target (€)
04-Aug-22	OW	141.30	175
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.  
Initiated coverage Jul 14, 1999. All share prices are as of market close on the previous business day.

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