



Hannover Re

Model adjustments ahead of 2Q 25

We make small updates to our estimates ahead of Hannover Re's 2Q25 results on 12th 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

	JPM_e 2025E	JPM_e 2025E	JPM_e 2026E	JPM_e 2027E	JPM_e 2028E	Old 2025E	Old 2026E	Old 2027E	Old 2028E	% change 2025E	% change 2026E	% change 2027E	% change 2028E
Reinsurance revenue	6,605	27,825	28,659	29,519	30,405	27,868	28,704	29,565	30,452	0%	0%	0%	0%
Reinsurance service result (net)													
P&C	1,039	3,028	3,077	3,155	3,116	3,010	3,086	3,184	3,121	1%	0%	0%	0%
L&H	817	2,113	2,138	2,205	2,171	2,097	2,148	2,214	2,176	1%	0%	0%	0%
Investment income	222	914	938	950	946	914	938	950	946	0%	0%	0%	0%
Operating profit (EBIT)													
P&C	1,217	3,706	3,859	4,001	4,040	3,625	3,859	4,011	4,045	2%	0%	0%	0%
L&H	980	2,236	2,837	2,963	2,993	2,655	2,845	2,972	2,998	3%	0%	0%	0%
Net income	236	971	1,013	1,038	1,046	971	1,013	1,038	1,046	0%	0%	0%	0%
DPS		9.50	10.00	10.50	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%
P/C COR		79.0%	87.7%	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%

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	%Rank	Current				Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y	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
Financial Estimates				
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
Margins and Growth				
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%
Ratios				
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%
Valuation				
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

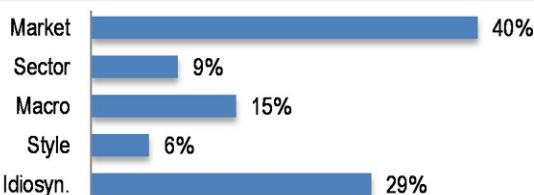
Hannover Re is our preferred European reinsurer name because with a stronger balance sheet than before, we believe the company can continue its track record of consistent delivery on targets against almost any reinsurance market backdrop.

- 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
Macro:		
Euro	0.52	0.34
Citi Eco Surprise Eurozone	-0.38	-0.25
Eurozone CPI	0.25	0.14
Quant Styles:		
LowVol	0.17	0.32
Momentum	0.01	0.23
Value	0.09	0.08

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.

Hannover Re: Summary of Financials

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

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.
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