

Hannover Re

Model update ahead of 2Q25

We model a stronger 2Q25 result due to benign nat cat activity, with 1H25 EPS back on track slightly ahead of FY25 guidance. 2Q25 results should start showing negative impact from weaker USD on top line and CSM, and we expect Hannover Re to demonstrate evidence of P&C market softening at renewals.

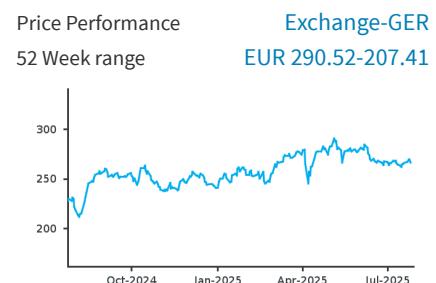
Strong 2Q25 with unusual nat cat release: We expect Hannover Re to deliver a stronger 2Q25 print with a **bottom line** of €763m, marking a return to run-rate for €2.4bn FY25 earnings target - we model €2,594m for the year. Something we found unusual compared to a typical pattern - the large loss pattern so far in 2025 (heavy 1Q25, light 2Q25) may result in Hannover Re booking nat cat losses below full quarterly budget. We model €173m large losses in 2Q25, compared to €438m budget for 2Q25; however, on a 1H25 basis we expect the full €938m budget to be booked. As a result, for 2Q25 we anticipate a low 82% combined ratio in **P&C Re**, which would partly offset FX pressure on the top line and CSM. June/July renewals are likely to show a similar outcome as April with a c. -2.5% price decline. In **L&H Re** we model a €231m insurance service result slightly below 1Q25 result, but still ahead of €875m target for the year. We make minimal adjustments to our estimates (2025E EPS +1.1%, 2026-2028 +0.5%/-1.7%) - as a result of lower CSM due to FX effect our PT is slightly reduced to €221.

HNRGn.DE: Financial and Valuation Metrics EPS (EUR)

FY Dec	2023	2024	2025	2026	2027
EPS	15.13A	19.31A	21.51E	22.67E	23.15E
Previous EPS	15.13A	19.31A	21.28E	22.57E	23.51E
Consensus EPS	15.13A	19.31A	21.03E	22.34E	23.04E
P/E	17.6	13.8	12.4	11.8	11.5

Consensus numbers are from Bloomberg received on 28-Jul-2025; 12:50 GMT
Source: Barclays Research

HNRGn.DE/HNR1 GR	UNDERWEIGHT
	Unchanged
European Insurance	NEUTRAL
	Unchanged
Price Target	EUR 221.00
	lowered -1% from EUR 224.00
Price (25-Jul-25)	EUR 266.80
Potential Upside/Downside	-17.2%
Source: Bloomberg, Barclays Research	
Market Cap (EUR mn)	32175
Shares Outstanding (mn)	120.60
Free Float (%)	49.78
52 Wk Avg Daily Volume (mn)	0.1
Dividend Yield (%)	2.62
Return on Equity TTM (%)	19.63
Current BVPS (EUR)	100.18
Source: Bloomberg	



Source: IDC
[Link to Barclays Live for interactive charting](#)

European Insurance

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European Insurance						NEUTRAL
Hannover Re (HNRGn.DE)						UNDERWEIGHT
Income statement (€mn)	2024A	2025E	2026E	2027E	CAGR	Price (25-Jul-2025) EUR 266.80
Total operating profit	3,318	3,707	3,883	3,963	6.1%	Price Target EUR 221.00
P&C reinsurance operating profit	2,387	2,758	2,903	2,937	7.2%	Why UNDERWEIGHT?
Life & Health reinsurance op profit	934	954	984	1,030	3.3%	While Hannover Re should be able to maintain profitability and growth somewhat higher than peers, the stock continues to trade at a premium to the other large European reinsurers. Unattractive relative valuation and potential for extra underwriting returns from the hard market environment to be reinvested to rebuild the reserve buffer leave us more cautious.
Other & Group	-4	-5	-5	-5	N/A	
Tax rate (%)	25	25	25	25	0.0%	
Shareholder post-tax profit	2,329	2,594	2,734	2,792	6.2%	
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P&C Reinsurance revenue (net)	15,886	16,463	16,976	17,536	3.3%	
P&C Reinsurance service result	2,136	2,140	2,173	2,157	0.3%	
Combined ratio (%)	86.6	87.0	87.2	87.7	0.4%	
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L&H Contractual service margin (€bn)	6.5	6.5	6.7	7.0	2.4%	
L&H New business CSM	317	375	381	405	8.5%	
L&H Contractual service margin release	883	749	762	810	-2.8%	
L&H Reinsurance service result	883	936	943	987	3.8%	
Per share data (€)	2024A	2025E	2026E	2027E	CAGR	
EPS (reported)	19.31	21.51	22.67	23.15	6.2%	
EPS (operating)	34.84	39.11	40.86	41.71	6.2%	
DPS	9.00	10.50	11.25	11.75	9.3%	
BVPS	97.80	114.45	129.73	143.96	13.8%	
BVPS (ex-GW)	97.14	113.79	129.07	143.30	13.8%	
Balance sheet (€bn)	2024A	2025E	2026E	2027E	CAGR	
Total investments	65.9	68.3	69.9	73.3	3.6%	
Group contractual service margin	8.2	8.2	8.4	8.5	1.5%	
Group risk adjustment	4.0	4.0	3.9	3.9	-0.5%	
Shareholders' equity (ex-GW)	11.7	13.7	15.6	17.3	13.8%	
Balance sheet metrics	2024A	2025E	2026E	2027E	Average	
Investment gearing (ex UL) (x)	5.7	5.1	4.6	4.3	4.9	
Reported solvency (%)	261.2	270.5	275.1	277.2	271.0	
Total debt/capital (%)	26.9	24.2	22.2	20.6	23.5	
Valuation metrics	2024A	2025E	2026E	2027E	Average	
P/BV (ex-GW) (x)	2.75	2.34	2.07	1.86	2.26	
P/E (reported) (x)	13.8	12.4	11.8	11.5	12.4	
P/E (operating) (x)	7.7	6.8	6.5	6.4	6.8	
Dividend yield (%)	3.4	3.9	4.2	4.4	4.0	
ROE (ex-GW) (%)	21.4	20.4	18.7	17.0	19.4	
Payout ratio (%)	46.6	48.8	49.6	50.7	48.9	



Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

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Hannover Re (HNRGn.DE, 25-Jul-2025, EUR 266.80), Underweight/Neutral, CD/J/K/M/N

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AXA (AXAF.PA)	Beazley (BEZG.L)	Chesnara (CSN.L)
Generali (GASI.MI)	Gjensidige Forsikring ASA (GJFS.OL)	Hannover Re (HNRGn.DE)
Hiscox Ltd. (HSX.L)	Just Group (JUSTJ.L)	Lancashire Holdings (LRE.L)

Legal & General (LGEN.L)	M&G plc (MNG.L)	Mapfre (MAP.MC)
Munich RE (MUVGn.DE)	NN (NN.AS)	Phoenix (PHNX.L)
Prudential Plc (PRU.L)	Sabre Insurance Group Plc (SBRE.L)	Sampo (SAMPO.HE)
SCOR (SCOR.PA)	St. James's Place (SJP.L)	Swiss Life (SLHN.S)
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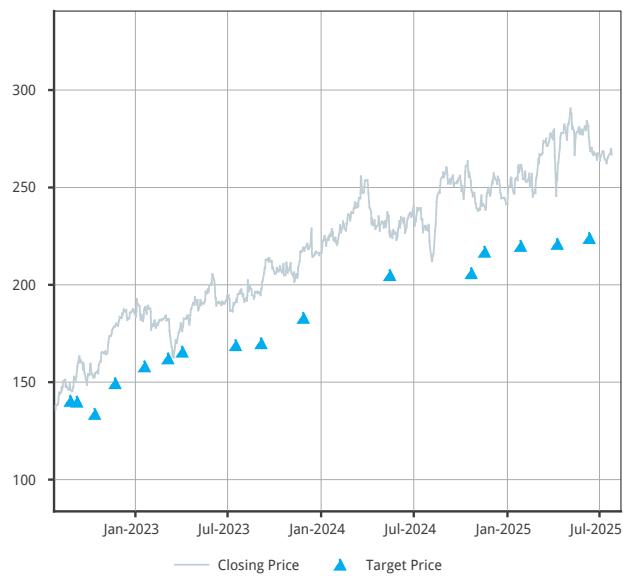
Stock Rating: **UNDERWEIGHT**

Industry View: **NEUTRAL**

Closing Price: **EUR 266.80** (25-Jul-2025)

Rating and Price Target Chart - EUR (as of 25-Jul-2025)

Currency=EUR



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
11-Jun-2025	281.60		224.00
09-Apr-2025	253.60		221.00
27-Jan-2025	257.80		220.00
17-Nov-2024	241.10		217.00
22-Oct-2024	253.20		206.00
15-May-2024	224.80		205.00
27-Nov-2023	217.30		183.00
05-Sep-2023	196.20		170.00
17-Jul-2023	189.80		169.00
03-Apr-2023	177.75		165.70
06-Mar-2023	181.70		162.20
19-Jan-2023	183.35		158.10
22-Nov-2022	177.75		149.50
13-Oct-2022	153.80		133.70
08-Sep-2022	152.80		140.00
26-Aug-2022	146.75		140.40

On 28-Jul-2022, prior to any intra-day change that may have been published, the rating for this security was Underweight, and the adjusted price target was 138.20.

Source: Bloomberg, Barclays Research

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Valuation Methodology: We use a residual income method, with explicit forecast period of 5 years followed by 5 years of equity growth declining to a long-term average of 2.5% and then a linear decline in ROE to cost of equity over 10 years. We estimate the cost of equity of 8.25%, the lowest among reinsurance peers, to reflect reserve surplus and a strong capital position. We also include the 2023 P&C reserve surplus of EUR2.1bn into our valuation.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Hannover Re, like most reinsurers, is substantially exposed to natural catastrophe and underwriting risk and to the risk of claims inflation – yet a more benign cat experience may benefit earnings, while lower-than-expected inflation can result in reserve releases. It also has interest rate risk, although loss of assets and liabilities are duration- and currency-matched. In addition, Hannover Re has implemented an interest rate hedging programme to provide some protection from a sustained low interest rate environment. These risks are offset by a very strong capital position and long management track record of conservative underwriting, which creates a reserve cushion that could be utilised to smooth earnings volatility. We believe Hannover Re should be able to generate enough earnings to sustain a high and modestly growing dividend payout ratio.

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