

Chesnara
Interim Results
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Transcript



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Steve Murray:

Welcome to the Chesnara Interim 2025 results presentation. I'm Steve Murray, Group Chief Executive, and with me today is Tom Howard, our Group Chief Financial Officer. Tom and I are hosting the presentation today in London from Panmure Liberum's offices. And as well as the people here with us in London, we also have people dialling in from across the world, including Chesnara colleagues from the UK, Sweden, and the Netherlands. Thanks for joining us today. So what will we cover? Well, I'll start by looking at our headline financial results and highlighting some of the key activities we've undertaken over the first part of 2025. Tom will cover the financial results in more detail and I'll then finish looking at some of our future areas of focus. We'll have plenty of time for questions at the end of our presentation. For those of you that are watching online, you can submit questions during the presentation itself. And for those of you here in the room with us, we'll come to you directly with microphones.

Our strategy remains fully focused on the three areas set out on this slide. Managing the books of business we have efficiently and effectively, looking to execute value accretive M&A, and writing profitable new business. And embedded across these strategic priorities is our aspiration to become a sustainable Chesnara. This focus helps ensure we have strong line of sight to future sources of value and long-term cash generation, which in turn supports our longstanding progressive dividend. And I'm pleased to report it's been another successful period of financial and operational delivery, including the achievement of several strategic milestones for the group. In July, we announced the proposed acquisition of HSBC Life UK, the largest deal in our history. That was partly financed by a £140 million rights issue, which was strongly supported by our investors. As well as this major strategic milestone, we also completed the legal merger of our Dutch businesses, migrated another UK book onto our new platform, managed by SS&C, and we issued our first RT1 Bond raising a further £150 million of capital to support future M&A activity. On the 18th of August we were admitted into the FTSE 250 for the first time, and we've already seen improved liquidity and reduced volatility in the trading period since. In this period of significant strategic progress, we've also delivered positive financial results in the first half of the year. We saw a strong cash generation up 26% versus Half Year 2024. Our solvency ratio remains well above our operating range and the contribution from new business remains robust. And off the back of our strong cash generation and solvency position, we've yet again announced an increase in our interim dividend.

On the 3rd of July, we announced the proposed acquisition of HSBC Life UK Limited, our 15th and largest ever acquisition announced. We presented this slide to investors back in July highlighting some of the key attractions of the deal. These include the expected incremental lifetime cash generation of over £800 million, pricing being at a very healthy discount to own funds. The addition of over 450,000 policies and around £4 billion of assets under administration and the acquisition providing us with further strategic optionality around the UK new business capability that we're acquiring. The deal positively met the four

parts of our financial framework that we have for assessing deals, covering solvency, leverage, liquidity, and future firepower. Overall, we believe the acquisition will deliver compelling value for investors and represents a major milestone for the group. And we're looking forward to welcoming HSBC Life UK people and customers to Chesnara in the early part of 2026. I'm pleased to confirm we're again increasing the interim dividend by 3%. This maintains our unrivalled track record of consecutive dividend growth across the UK and European insurance sector. As part of the HSBC Life UK acquisition announcement, we also confirmed a single year increase of 6% to the full year 2025 and interim 2026 dividend, representing a one year acceleration of our recent dividend growth trajectory. So with that, let me hand over to Tom who'll take us through the financial results in more detail.

Tom Howard:

Hi Steve and good morning everyone. So it's been another period of growth for Chesnara. We're reporting a strong set of financial results and we're increasing returns to our shareholders. As Steve mentioned earlier, we've also been busy since the half year with the announcement of the HSBC Life UK acquisition and our successful equity and debt issuances. These are transformative actions for the financial profile of the group, and whilst they won't form part of today's results, I will provide pro forma impacts later in this presentation. So looking at the financial highlights over the half year, the group's cash generation grew year on year to £37 million. The solvency ratio increased by four percentage points to 207%, and our leverage ratio remains steady at 31%, and the group continues to have strong predictable sources of future value from the existing balance sheet. Both own funds and the IFRS Contractual Services Margin benefited from positive operating and economic performance across our businesses. And finally, and importantly, we're continuing to deliver for our shareholders extending our track record of dividend growth.

Our operating divisions reported a total of £55 million in cash generation over the half. In the UK, results benefited from positive market conditions, particularly in Q2 and management actions from the extension of existing mass lapse reinsurance coverage and the implementation of a currency hedge. In Sweden, whilst we saw solid operating performance, this was offset by negative economic variances, primarily from the continued depreciation of the US dollar against the Swedish Krona. And our businesses in the Netherlands benefited from both positive operating results and the impact of lower interest rates and credit spreads over the half. After allowing for centre costs, cash generation of £37 million is 26% higher than the prior year, and at 1.42x it continues to provide strong coverage against the dividend.

Turning to the balance sheet, the group's solvency ratio remains strong and it is resilient to changing market conditions. Over the first half, operating activities generated eight percentage points in solvency surplus comfortably covering the four percentage point cost of the dividend. Management actions contributed a further four percentage points in solvency surplus reflecting the UK's reinsurance and foreign exchange hedging arrangements, which I touched on earlier. After factoring in solvency II tiering adjustments, the group's solvency

coverage ratio of 207% remains comfortably above our operating range of 140 to 160%, and this gives us significant financial flexibility to invest for further growth.

Group own funds were resilient over the period, supported by positive operating and economic performance. The operating result increased year in year driven by improved expense trends in the UK and the Netherlands, and another period of robust new business performance across the group. This was partially offset by adverse impacts from lapse activity in Sweden and mortality experience in our Scildon business in the Netherlands. Favourable market conditions supported a positive economic result and this continues to be a recurring source of value creation for the group. After allowing for dividends and tax, the closing own funds of £632 million represents a prudent measure of the future value available to the group across the entirety of the insurance and the investment portfolio.

Moving to IFRS, the contractual services margin grew by £11 million over the half, increasing the store of future value within the insurance portfolio and supporting growth in the IFRS Capital base. The insurance results increased year on year reflecting stronger underlying operating performance. The net investment result was lower year on year reflecting positive but less favourable market conditions. And Foreign Exchange impacts contributed positively to the IFRS Capital Base, mainly from the depreciation of sterling relative to the Euro and the Swedish Krona. Overall, the IFRS Capital base was broadly in line with the prior year after allowing for the payment of the full year 24 final shareholder dividend.

So I mentioned earlier that today's results don't allow for the impact of a number of significant post balance sheet events. The group's proposed acquisition of HSBC Life UK will materially increase the scale of our UK business and it will significantly increase the group's financial flexibility into the long-term. Our recent rights and debt issuances totalling £290 million will provide the group with resources to both fund the acquisition and to retain significant levels of capital and liquidity headroom to invest in further M&A opportunities. So what does all of this mean for the numbers? Restating the opening 2025 balance sheet to allow for these impacts shows the following: the group's own funds will increase by 60% to just over 1 billion, reflecting the impacts of both the integration of the HSBC Life UK portfolio and the additional capital raise. At just below 200% the solvency II ratio remains significantly above the upper end of our operating range. Our leverage position also improves on a pro forma basis. We expect the group's leverage ratio to improve by around five percentage points comfortably within our long-term target of 30% or less.

Now, I've previously used this slide to illustrate the recurring and predictable components of the group's cash generation. And today's results show that we continue to generate organic surplus in each of the areas highlighted. Moving from left to right. Firstly, positive operating results were driven by both the runoff of the group's capital requirements and improved operating experience

in the UK and the Netherlands. Secondly, market conditions drove positive economic surpluses as returns exceeded the prudent risk-free levels that we assume within our models. Thirdly, we implemented management actions to optimize the capital position in our UK business, freeing up available surplus. And lastly, we continue to write profitable new business across the group. And of course, all of this is before we allow for the impact of the additional £800 million of long-term future cash flows we expect to generate from the HSBC Life UK acquisition. And so to conclude, continued delivery of our strategy has led to another period of strong financial performance for the group and increased returns to our shareholders. The HSBC Life UK deal along with our successful equity and debt issuances will transform the financial flexibility of the group and we continue to have a robust balance sheet with significant levels of capital resources and liquidity to deploy against an active M&A pipeline. And with that I'll pass back to Steve.

Steve Murray:

Thanks Tom. So at the start of the presentation, I highlighted a number of areas of major strategic delivery so far this year. Looking forward, I wanted to set out where I expect to see the main activity across the group over the coming months. Following the completion of the legal merger of our Dutch businesses, the financial and operational work required to more fully integrate the business is already underway and will continue throughout the remainder of 2025 and 2026. We continue to see the potential for further expense and capital synergies from this activity. Our work in the UK continues to move further books onto our new platform with SS&C, albeit with some rephasing to incorporate the anticipated migration of the HSBC book in 2026. And as a reminder completion of the HSBC Life UK deal is targeted for the early part of 2026. We're actively working on further M&A opportunities and we continue to expect the majority of our future growth to come from M&A and we see some further opportunities to enhance our new business contribution from our existing business lines as well as some interesting strategic optionality from the capability and HSBC Life UK.

And finally in September we'll be publishing our first ever climate transition plan, which will set out some of the more detailed steps we'll take to meet our ambition to be a net zero business by 2050.

On M&A, we continue to see a positive M&A pipeline. We believe the announcement of the HSBC deal shows that we're well regarded positively by both large financial institutions and regulators and so are well positioned to take advantage of further M&A opportunities, including larger sized deals. And we're continuing to positively assess opportunities now. In the short term, there's a little more work happening in Europe where we have the operational capacity to take on M&A opportunities immediately. And whilst we're mindful of ensuring we deliver the planned completion and migration of HSBC Life UK, there continue to be further potential opportunities in the UK as well. So overall, we see a positive M&A pipeline well into 2026 and beyond, and we retain the capacity, capability and firepower to deliver.

I mentioned earlier that the HSBC Life UK deal strongly met all four areas of our financial framework, which is set out on this slide. Our approach to financing the HSBC deal, including our £140 million rights issue and the subsequent £150 million RT1 Bond issuance means that our level of immediately available firepower has been restored to over £200 million. So we've achieved several major strategic milestones for the group so far this year. We've seen strong financial results, a further increase in the interim dividend, the announcement of the largest acquisition in our history, the completion of the legal merger of our Dutch businesses, and we've restored our immediately available firepower to support future M&A. I want to thank colleagues across the group for all their efforts so far in 2025 in what has been an exceptional period of delivery. There's more for us to do and I continue to believe there's a lot to look forward to here at Chesnara. So let's pause the presentation and we'll turn over for questions. We're going to find a mic. Abid, your hand was up quickest, so well done even though you were late into the room.

Abid Hussain:

Well spotted. It's Abid Hussain from Panmure Liberum, I've got, I'll limit myself to three questions and if there's time at the end I'll come back with my other questions. So the first one is on the uses of cash generation. Our own capital generation modelling suggests that the jaws between the free cashflow and the dividend are starting to open up over the medium term. Are you hoping to utilize that retained capital for growth opportunities? So could you outline the uses for the increasing flow of cash that we see over the medium term? So that's the first question. And then the second one is on firepower and M&A bandwidth. I think you said there's over £200 million firepower. Clearly the liquidity at the centre looks very strong on a proforma basis, but just wondering, does the team have the bandwidth to conduct other transactions in parallel with integrating and digesting the HSBC deals?

Any colour on that please? And then the final one is on the M&A pipeline. Can you share what type of potential deals are in the hopper? I think you were looking at other deals before the HSBC deal landed. Could you just give us some colour in terms of geography and product and then some background info in terms of is there increased demand from vendors to clean up their own books? Given that the valuations in the listed market is undemanding, is there sort of an additional demand to the usual demand for IT tech and sort of the unit economics, which is sort of the underlying reason. Is there any additional demand that you're seeing of the back of that? Thank you.

Steve Murray:

Okay, thanks Abid, I'll take pipeline and firepower and then uses of cash. You can give you perspectives on how that jaws opens up and what we'll be using that for. So in terms of pipeline, what we've tried to do over the last couple of years is give a little bit more colour around the sorts of things that we're looking at. And you're right to say we were looking at other things alongside the HSBC Life UK deal. So from a capacity perspective, even though we've got a relatively small central team, we can scale that up through the use of advisors. We obviously utilise the strong support of business units. So on the HSBC Life UK deal, Jackie who's in the room and her team played a huge role as part of that

deal supporting diligence and doing the integration of migration planning. So that does mean that the pipe that we have centrally to assess deals, to do due diligence is quite sort of expandable and we can look at multiple things at the same time.

But we have done that over the last few years as well. And we certainly when a lot of that burden sort of falls on myself, Tom, and Sam, and we certainly feel we've got the bandwidth to do more. And when we announced the HSBC Life deal on the Thursday, we took a sort of break on the Friday and we were back at it on the Monday. That's how we work. And that's because we're seeing very attractive opportunities to assess. In terms of sort of geographies. So we are seeing opportunities in each of the geographies that we exist in at the moment. We've talked about wider Benelux. So we are seeing some opportunities in adjacent markets to the Netherlands particularly, that might be quite interesting. When we look at those opportunities they are all product sets that we run within the existing portfolios that we have, so some of that is Unit Linked business. We are seeing still some term assurance opportunities as well. And I think we've talked before that one of the things that Tom and I have been particularly focused on is looking forward at the extension of the cash flows of the group into the long term. HSBC Life UK is very, very helpful around that with that over £800 million lifetime cash generation coming through, and we are seeing some books of business that have some further long-term cash generation. I think if I go into any more detail, you'll start to figure out what we're looking at, so I will pause, I'll pause there. In terms of firepower, you are right. So we're talking about having in effect where we believe we're sort of back broadly to the position that we were at before the HSBC Life UK deal. So the RT1 Bond clearly has been a major factor around that, the £150 million. We were really pleased with the support from the market that we got and the coupon that we were able to get for the bond. We don't see liquidity being a constraint. We don't see solvency being a constraint. So when you look at those four areas of the financial scorecard that we tend to look at, all of those we put a tick in those in terms of our ability to be able to deploy further capital. And the proforma position we presented is probably a little bit better than we might have been anticipating because of some of the positive underlying performance from our business in the first half. Uses of cash generation?

Tom Howard:

So I talked in my piece around HSBC giving us a much greater level of financial flexibility as a group. So I think you can take from that that our expectation is with £800 million of incremental cash flows coming in, £140 million coming in the first five years, that is a major leap in terms of where we are now as a balance sheet. So that presents us with significant opportunities to deploy extra capital from that trade alone. But also, actually I alluded to the fact that we exercised two management actions in the UK for the first half. So when I think about the existing book, so we also look at opportunities to optimize the existing book as well. So when you take the M&A activity, the optimization actions on the existing book, that is the strategy that we employ to free up capital on an ongoing basis.

So you've seen over the last couple of years that coverage ratio has increased. I'm not going to set an expectation around where I see it landing on a steady state, but one should expect a level of accretion, particularly as we continue with a level of success around the M&A strategy. It's all underpinned by a really, really strict capital allocation policy. So in terms of usage, as long as we're seeing, and I think Steve covered this, as long as we're seeing attractive M&A opportunities in the markets that we operate in and perhaps outside of the markets we operate in, which we currently are, that remains the primary use of what I would call excess capital or the additional capital that is thrown off by that increase in the jaws because frankly from our investor's perspective, the return that we can generate on those M&A opportunities just remains very attractive.

Abid Hussain: And Steve, did you say that you are seeing increased M&A activity in the hopper?

Steve Murray: I think, I wouldn't say it's increased since we spoke to people at the full year, but I think it had increased to that point. And you alluded to some of the drivers Abid, I think we're still seeing those. I think large institutions and the HSBC deal was a good example of this and maybe being a little more discerning about where they want to be operating, what is core to strategy. We've seen large insurers and banks certainly sort of trimming portfolios to free up capital to deploy elsewhere. We're seeing a huge amount of activity in the UK market on pension risk transfer BPA and a number of you in the room have sort of written about that and we think that will present us with opportunities as people look to release capital maybe from the other books that they have to deploy on that opportunity as well.

So I think we're seeing plenty of activity. I think management teams have been rewarded for taking action proactively in their portfolios. And when we map sort of our pipeline out over the next three years, we think it looks pretty interesting and attractive. So we are trying to have a range of conversations as well as actively working on files now. We are speaking to teams about what they might want to do a year out, two years out, three years out, so that we've got a very good idea of that coming through. I did admit as part of the HSBC deal that we didn't expect this deal to come to the market. So I'm sure we'll get some positive surprises along the way as well. But our analysis suggests that it's an active market. Larissa had a hand up just before you, Michael, sorry.

Larissa Van Deventer Thank you. I am Larissa Van Deventer from Barclays. On the IFRS earnings. There was a significant decrease in the investment returns, which admittedly tend to be volatile. Could you give us a sense of what the reasons were and how you're thinking of managing the returns going forward, whether you would deploy hedging strategies and the like. Please. Thank you.

Tom Howard: Yeah, thanks Larissa. So you're right. I mean this is a feature of our business. So if you look at our assets under administration, about 85% or so of those assets are unit linked in nature. So that's the business we're in. The decision that one

has to make is around the long term, should I say long-term value or long-term logic of hedging those positions. And look, our position, and we've said this before, is we don't have plans to do that for two reasons mainly. Firstly, we actually quite like the alignment with our policyholder outcomes. So where the markets are performing, our policyholders are benefiting, frankly, we're benefiting as well from an own funds perspective, so that alignment is quite important. Secondly, from a slightly more financial perspective, the hedging does introduce volatility elsewhere in the IFRS result. So whilst you may be solving for one part of the IFRS result, certainly within the PBT, what you're going to find actually is some unintended consequences elsewhere. What we really focus on from an IFRS perspective is the evolution of the capital base. And I know within the capital base, sort of geographical bits of what goes into PBT, what goes into OCI and so on, I'm far more focused on how that is growing rather than frankly the individual componentry of that. But you're right, it is an aspect of our business and it is a volatility that we're certainly comfortable to live with.

Steve Murray: Michael?

Michael Huttner: Thanks Steve. Thanks Tom. And it's lovely to see you so cheerful. So I'm always thinking, yeah, yeah, tomorrow, tomorrow there's a deal. The HSBC optionality, that was one thing. The second is the numbers are better than you first thought maybe can you touch on that and how much more they used to come from HSBC? I think just before you kind of said there was bits of capital you could use and then the one that I call the ugly duckling, but it could be a nice white swan is, beautiful swan, is Sweden. We've had lots of volatility there and what's the outlook? Thanks.

Steve Murray: Yeah, so let me pick up Sweden. So if we look at the first half of the year, what's been pleasing, the overall sales result has been very strong. So we have two main business lines there. We have our main Unit Linked business, which is predominantly group pensions. Then we have a, what's a newer business line, which is still Unit Linked, which is a custodian business. And we've seen very strong flows into that custodian business because that is less developed than Unit Linked. The margins are a little bit lower. So you've seen that sort of flowing through into VNB From a macro perspective, and Tom sort of alluded to this in his presentation, we've seen a very material shift in SEK to dollar during the first part of the year. And whilst we've seen this in previous cycles, it's tended to be much more gradual. So we've taken the full impact of that through the own funds calculations and things that we do at the half year in terms of the 13, 14%,

Tom Howard: 13%

Steve Murray: Move during the year and then we've projected that over the lifetime of the book. So there's a reasonable impact of that coming through and we are continuing to see transfer activity in that market at a slightly higher level than ideally we'd like to see. We're not worried about the performance of our

business in that regard, it's an overall market feature, but you are still seeing some business leaving the books at a higher rate than our long-term assumption is. So that's why you're seeing some of that impact. What we do have is we've got a very good operating platform that will provide us with operating leverage if we can see a stabilization of that dollar position, further business coming onto the books. And we are certainly interested in acquisition opportunities if they present themselves, it's just a market that's less active than the other ones. So as you might imagine where we have active conversations with all of our businesses around what our expectations are around cash generation and return on capital, and we'll continue to do that with Sara and the team in Sweden. In terms of the proforma position, and Tom might want to pick up the detail on this, but we tend to start from a relatively prudent position and then as we sort of go through and do some more detailed modelling, you sometimes find that you don't need some of that prudence. I think we've also seen a strong set of financial results in the first half of the year. You can see our own solvency has improved materially in the cash generation has been very strong. Do you want to just give a bit more colour on that?

Tom Howard:

No, that's probably why we're so cheerful, Michael. Look, it's been a strong six months in terms of trading and the point then is, well how are you feeling about the proforma impact of HSBC plus the rights issue plus the RT1? So we've provided some colour in there. So in my remarks I talked about the fact that actually we've managed to hit that sort of bullseye of getting long-term leverage ratio actually quite significantly below our target level. That's important. Keeping the solvency ratio above the upper end of our operating range is really positive because it allows us to retain that future M&A firepower and hopefully win more deals as well. And we've got a strong liquidity position. So that's the proforma. The trading that has come through in the first six months was actually stronger than we expected. So that gives us added confidence in that proforma position as well. So sat here right now, I think, like I say, we're feeling very, very good about the first six months trading and it's really supportive of the views, the proforma views we had around the impact of some of these things, two of these things have happened, one of these things we're expecting to complete at the start of next year and we're expecting it to be broadly aligned with the pro formas.

Steve Murray:

I think the third question or comment was, is there more to come? That's certainly the plan. As I say, we see a good pipeline in terms of the options that we have with own business. I do expect there to be more to come from the Dutch merger. There's other management actions that we have that we can execute. And again, we took the opportunity, as Tom said in the early part of the year, mainly in the UK, to deploy a couple of management actions. We saw pricing being attractive, we thought that was a sensible thing to do and some of those options are available on the HSBC Life book when that comes into the fold for us as well. So when we're projecting out, again, that's probably why you're seeing us smiling as well because we are seeing a number of opportunities for us to continue this great track record of cash generation and obviously the best

dividend trap record in the market in UK and European insurance. I may have mentioned that one or two times previously. Ben.

Ben Cohen: Hi, Ben Cohen, RBC, I had two questions. Firstly, could you say a bit more about new business opportunities in the UK and in Holland, just in terms of any sort of macro impacts. I know the housing market's always important in that market. And the second question was more of a numbers one, I think you flagged up some project expenses in the first half. Given that the deal only took place in the second half, could you give us some steer in terms of the cost that you might, well you would've incurred in the second half? Thanks.

Steve Murray: So I'll pick up new business and Tom can pick up that cost piece. So one of the more recent features of our own UK business, is we kept open an onshore investment bond that we acquired as part of the Sanlam Life and Pensions acquisition. That's been really quite a nice feature of our business in terms of the new business we've been bringing in, most of that comes from connectivity with IFA platforms, particularly what was the Nucleus platform. And we think there are some opportunities potentially to extend our distribution footprint there as well, so that's interesting optionality. When we think about the HSBC Life UK business, that's far more open to new business than we are at the moment. So again, that gives us some interesting options. They operate in the same space in that onshore investment bond space, so we know that well and they have a good protection franchise as well.

So we're working with the teams at the moment assessing that and we'll update the market as and when we own the business on what that go-forward strategy will be. But as always we'll look at that through a sort of sustainability or return on capital perspective. But we do think there's some interesting options potentially to increase the amount of business overall that we end up writing in the UK. In the Netherlands, so you might remember last year was quite a tough year in the term market. We saw lower volumes and lower VNB, we seen a little bit of an uptick in the first half of the year. And under the new leadership team that we have, we think there are some further opportunities to extend the product footprint. So we write a small amount of annuities in that market. It might be, we can extend that a little bit. We've got a reasonable savings and investment product again that we may be able to extend that a little bit as well. But you might've heard me say in the presentation, look, our expectation is still that the bulk of the growth that will come into the group will be from M&A, but we do think there are some interesting options to extend what we're doing in that new business space a little bit.

Tom Howard: Yeah, the cost point, look, you're right to point out clearly this year has been a more active year for us in terms of prosecuting M&A. We did one deal last year at the back end and it was obviously much smaller than the HSBC Life deal and also we have had the RT1 and the rights issuances as well. So look what I'd point you to is in the rights prospectus we talked about roughly £10 million costs there. They're clearly one-off, non-recurring. Where we end up in terms of year on year progression in costs is probably the best way to think about this. Some

of this depends on where we get to on M&A in the second half as well. So again, I can't say too much about that, but you can imagine that we are looking at files. But, where more M&A happens, for example, it's likely to be sort of at the upper end of a 10 to 15 million range and perhaps where M&A doesn't happen in the second half, a little bit closer to the bottom of that range in terms of year on year.

Steve Murray: Andreas.

Andreas van Embden: Thank you. I just had a question around cash remittances to the holding, there was around £56 million in the first half. I just wondered is there any trapped capital within the Netherlands that could be released in the next 12 months following the integration? And if so, what should we think about in terms of a number? How much can you release up to the holding in the next 12 months? And then similar question, but then for HSBC, the HSBC Life deal, how long will it take to start remitting cash/capital from that transaction? Is there something that you could start doing towards the end of 2026 or should we wait for 27 / 28 to see significant remittances from this deal coming through? Thank you.

Steve Murray: Shall I maybe take the Netherlands you add to that and then you can take HSBC if we split that between us. So I think you're right to point to some of the benefits that we should expect when we bring the two balance sheets together in the Netherlands. So one of the potential benefits there if we get some further diversification benefit and improved solvency ratio, is that there'll be a bigger clearance level above the minimum thresholds that we like to run in advance of dividends being paid up. As opposed to looking necessarily at accelerating big chunks of capital, we look at that adding to the longer term sustainability, but it could mean if we needed to that there's a bit more to draw down on going forward. And one of the things that we'll clearly do in the fullness of time is we'll look again at the sort of capital management policies for that business and make sure that they're fit for purpose for a larger business which Scildon certainly now is post Waard. So overall we are expecting a more stable dividend flow to come through from that business as a larger business with a balance sheet that's got a little bit more diversification in it as we bring those things together. Do you want to pick up HSBC and anything else you'd want to say on the Netherlands?

Tom Howard: Yeah, I think, you've covered the Netherlands. I think the HSBC answer is actually relatively straightforward. So we are expecting increased remittances in respect of the year from completion. So the reason I'm being slightly pedantic is we're expecting cash generation in the year of completion. So 2026, the exact timing of remittances may well be 26, maybe 27 in terms of the physical transfer of cash from the subsidiary to the holding company. But that is merely a timing point and that's something that's within our control. But the key point is we are expecting remittances from the year of completion. And actually I think we were reasonably clear that we were expecting a pretty rapid profile within, because we talked about the £140 million of the £800 million emerging in the first five years. And I think what we said is we're certainly not expecting that to be a

hockey stick emergence over the five years. It would be relatively stable from the first of those five years.

Steve Murray:

Gordon.

Gordon Aiken:

Thanks, Gordon Aiken from Aiken Advisory. So just three questions on M&A Steve. First, just on the deals, who are you actually competing with? Because the market, obviously there's different people and there's lots of consolidators in the market, but you'd see different people at different sort of sizes, different people in different geographies. So I'm guessing someone like Phoenix would not be interested in HSBC Life because it's just simply not going to shift the dial for them. So maybe if you can talk about just actually how, my sense is maybe it's not as competitive as we think it is in the areas you're trying to hit. Second question on price, I mean 85% of own funds. I mean if you go back in time Cowdery did his deals at about 70% of embedded value. You've been in this game a long time and maybe talk about how pricing's changed over those 20 years. Is it tighter or whatever relative to then. And just finally on, we've been talking about banks, UK banks selling their insurance subsidiaries for years and it's always seems to have taken longer than we thought. Maybe you can talk about why you think that is and maybe what was the trigger for HSBC to sell their business now to you?

Steve Murray:

Yeah, I'll take them in that order, Gordon. So in terms of the competition, so you're right. I think when I joined Chesnara four years ago, one of the things that I was concerned about was competition for the mid-sized deals. So the sort of £150 to £500 million sort of deals because I'd just come from Royal London who had been outbid by Bain Capital on the LV deal. And the pricing of that for me at the time looked quite punchy and certainly well above the sort of multiples that we were talking about there. And I was concerned that there might be sort of private capital, strategic private capital that was coming in and was going to be prepared to pay material premiums to book. We haven't seen that come through in this space. I know we've seen a little bit more of that coming through in the PRT space and alongside that we've actually seen some of the people that would've been more active on books of business in the market shift their strategies away.

So if I compare competition now to four years ago, it's definitely less. And I think what you're also seeing from vendors is of course they want a good price, but execution certainty is incredibly important. Not least because we've seen at least two aborted processes in Europe and some challenges with regulators and things like that. So I think those things play to our strengths. I think we've been good executors of deals. If you look over the last 20 years, this is our 15th acquisition, HSBC Life, that we've announced, 14 that we've completed. And when come out and said we are going to do deals, we've followed through and done what we said we would do around that. In terms of who we're competing against, it will depend at times. So for the smaller deals we will still see some of the mutuals turning up on the pitch for that.

I think for these larger deals, quite often they don't have the capital resources to deploy there, so it will be some of the traditional names in the market. But in the UK a number of them are very, very focused on that BPA space. So in the UK we think there's a little bit less competition from some of the people that you would normally see. If we think broader, Benelux, you've seen that very large Viridium deal happening, I would expect them to be quite active, not just in Germany but in adjacent territories. I think they've been quite clear that France is active, but if they can do Germany and France, why wouldn't they provide support to Benelux deals as well? But I think that's maybe a little bit further down the list for them. I think we'll continue to see ASR as an acquirer of books, but in the same way as you talked about Phoenix, if you listen to where their focus is, firstly they do want to do more PRT and I think they'd like to do some larger deals as well.

So there's nothing within the competitive environment where we're looking and saying, goodness me, there's somebody there that we don't think we can compete against. And I think that does flow through then into pricing where we've probably seen three years ago pricing being higher, starting to get higher than I'd be comfortable with. When we look at the pricing for HSBC, we think that's very competitive with historic levels. I think when Tom and I talked on the Thursday, the 3rd of July, we also pointed out as well that above and beyond the eligible own funds, there are other tier three assets that are accessible to us as part of that deal that we can generate value from as well, which is why we believe the sort of multiple that we've acquired at is very attractive for us. We've probably moved from Clive's days where he was the first person entering into that market. So I don't think we're going to return to a world where you're seeing 0.5, 0.6 for larger businesses, but if you look at some of the multiples that you could apply for some of the smaller deals that we have, we've picked up books at far lower multiples than that because of our return on capital requirements.

I suppose your question was why aren't people selling things more quickly, particularly banks? I suppose our experience, we talked about this at one of our results last year, is that these organizations have a huge number of priorities on their list. So I think sometimes these things just don't get onto the priority list and maybe driving new business and distribution becomes more important. I think the difference that happened with HSBC, and they'd been very public with this, so there was a change in Chief Executive and he was very definitive about where he was going to be and where he wasn't going to be in the market, and that's been driven top down through the organization. So he was clear and they were clear with us that they no longer saw UK insurance as being a space that they wanted to play in and that drove that. You don't always see that in other large financial institutions. They quite like keeping that optionality there in case there's a big shift in the market that they need to react to. We are not big enough to have 20 strategic priorities. We've got three and we keep focused on those and trying delivering. So sometimes it's hard for us to understand why you would have 40 strategic priorities, but if you're a large organization, of course you can. Barrie.

Barrie Cornes: Hello, it's Barrie Cornes, Panmure Liberum, for at least the rest of today. Steve, when some of us are looking further ahead now, I wondered if you could paint a picture for us as to what Chesnara will look like maybe in five years time, be it locations, type of business, size of the company. Just give us a picture as where you think realistically it might be in five years time, please. Thank you.

Steve Murray: Yeah, so I would be disappointed if we aren't a far larger organization and that's not because we need to be big to puff our chest out and say we're big. That's more because of the pipeline, the opportunity, the capability that we've brought in. We're now in the FTSE 250 for the first time ever, which is a nice step up, but our ambition certainly broader than that. So based on what we're seeing, I would certainly hope, and this is the conversation that Tom and I have been having regularly including yesterday with the Board, that there are some very attractive growth opportunities. Looking where we are now. I could imagine that you may see us in another territory as well. I think there are some interesting opportunities there. So I certainly wouldn't rule that out, but we're focused on making sure that we can take advantage of the opportunity in front of us because we have good capability. I think some of the people that we've brought into the organization are doing a terrific job. We've got the financial firepower capacity. We've been so pleased with the support that we've had from investors both for the rights issue and also the RT1 bond. So I think that gives us a very good foundation to drive forward from. So we're certainly not finished here, we've only just got started would be the message I'd be given, even if it's taken me four years to get to where we are now.

Barrie Cornes: Okay, thank you. Well done.

Michael Huttner: You referred to ASR, so there was lovely lunch last week and it's not a hint, it's not a hint, but if you do a lunch it'd be very nice. So what Jos was saying is, he saw some opportunities around Athora, if Athora focuses on PIC and it's effectively moving a little bit out of Netherlands, I just wondered if that's one of the things. Separately Etias, which is the Belgian thing is maybe put up for sale in Belgium. And here there's so many moving parts, this clearly going to be stuff coming out including ASR said they were thinking that Allianz might sell out of Belgium. And then the third thing is just on the numbers going forward, could you remind us, I was really puzzled and I'm sorry I've forgotten. How much do we add to the cash for each of the next five years? That'd be really helpful.

Tom Howard: Michael, I'm really going to disappoint you my answer, Michael. Sorry. So look, we've not issued forward guidance on an annualised basis on the cash gen. So I mean you've seen the proforma in terms of the balance sheet. We've also issued guidance around the incremental impact of the HSBC deal. So for the moment, I think that's the guidance you should take.

Michael Huttner: It wasn't trying to ask something you hadn't said. It's just to remind me that the 40 million, is that the annual figure that you've published coming from the next five years? I was trying to square it.

Steve Murray: I think to think what we've said, we have the future areas of cash generation and previously we gave it, I think we used to give, we previously give it a total of dividends and debt.

Tom Howard: So we have switched to making that more of an illustrative presentation rather than a projection. The reason for that actually is I think a number of the questions that people like you Michael, actually were asking in recent years was around the sustainability of the dividends near term. And I think actually what we've really demonstrated over the last couple of years is that that concern has dissipated. We've been able to demonstrate I think very, very clearly over the last couple of years and even before that actually the long-term portfolio cash generation is real, it extends way far beyond five years. And I think actually what HSBC does in terms of cashflow profile is just add another layer of certainty around that. So what we really wanted to do was move the focus away from saying, well what does cumulative next five years look like? Because when we're sitting down thinking about M&A opportunities, when we're talking to the board about our business plan, we've got a 20, 25 year plus time horizon for the business now.

Steve Murray: I suppose a general comment on markets, I mean we really like the fact that the market is active in the way that you've been describing. I think there's a lot going on and I think when you see some of these big strategic moves for us, that potentially opens up opportunities for us to have conversations particularly around assets that maybe before we didn't think were going to be available. So I think when you see, you know there's a couple of trends, I think when you see the development of the PRT market further in the UK and in the Netherlands, I think that potentially means that you may see other portfolios becoming available as part of that or some options there for us. And I think if, as I say, I think we're continuing to see, and many of you have written about it, management teams that are being more discerning about the things that they have in their business and taking positive action, I think tend to get rewarded.

Aviva are a great example of that. So we are certainly seeing the opportunity to have lots of good conversations with bigger financial services groups about businesses, entities that might be sitting in there that could be attractive for us. There's also some post Brexit activity. I think there's some temporary structures that were put in by UK and European insurers to quickly get Brexit compliant, where either people will need to recommit to those businesses, drive them forward or find a solution. So that would be something else that again, we think is a bit of a thematic that could be interesting for us, so we're not short of opportunities to be considering, that's for sure. Abid?

Abid Hussain: Just a follow up on the dividend point. Have you talked to how long the proforma book of business will cover dividend? How long the cash flows will cover the dividend? On my numbers, it seems clearly well beyond five years have you sort of put a number out there.

Tom Howard: So we've not put a number out there, but as you can imagine, as part of the assessment of the M&A opportunity itself and also then as part of the annual planning process that we go through with the Board, that's something that we look at very, very closely. So one of the really attractive aspects of the HSBC deal was the longevity of that cashflow profile. So we talked about the fact that okay, the 140 in the first five years is great. I'm a little bit more excited about the 660 post five years to be honest because that just illustrates to you that portfolio length. So no, we are not going to issue sort of a half-life number if that makes sense. But hopefully that gives you a sense that that puts any concerns that people might've had around longevity of the portfolio to rest.

Steve Murray: Larissa and then Ming.

Larissa Van Deventer: Thank you. Actually, just a follow up question on the dividend as well. On slide six you say that the final FY 25 and interim FY 26 dividend is expected to increase by 6%. Is that on a per share basis or the total quantum of the dividend?

Steve Murray: That's for you Tom. I can't remember what that basis was, if we can't find it, we'll tell you afterwards Larissa.

Larissa Van Deventer: Thank you very much.

Tom Howard: Yeah, so that is on a per share basis and it's adjusted to allow for the bonus factor in the rights issue.

Larissa Van Deventer: That was going to be the next question. Thank you very much. Well done.

Ming Zhu: Good morning, Ming Zhu. Just two questions please and one comment, I need to keep the comment long and the first question is on M&A and I was hoping I don't need to ask anything about M&A for at least another 18 months, but you had a comment earlier that you straight went out looking for, in talks on that Monday after Friday, so that kind of stressed me out a bit. And you have a comment there that further M&A you are hoping not to tap into the equity market, but my question is, what happened if you come across another deal as good as HSBC or even better but bigger, what would you do?

So that's my first question and my second question is follow on with your comment from Barrie. You mentioned that your ambition is, my take is more than FTSE 250, but the upper limit market cap for the FTSE 250 is about £4 billion, so that kind of stressed me out again. And could you just provide a little bit colour on that please? And my third one is just really a comment and well done on the deal and the timing is great. We waited nine years for this kind of deal and you done it when I'm an investor rather than an analyst. So thank you very much for that. And most importantly, you've done the deal before the retirement of the nicest insurance analyst bracket, not necessarily the best,

which he is fully aware of. So I'm going to pass the mic onto the best insurance analyst, Ben Cohen for the retirement speech.

Ben Cohen:

Sorry Steve, I think you answer first.

Steve Murray:

Yep. So don't be stressed. So I think it's important. So if you remember, the way that we're structured as a group is quite helpful when you think about this. So I think we've been clear, we'd be very, very careful about anything else that we were going to do in the UK in the short term, particularly if it meant that we were looking at a migration that we cut across what we're planning to do with HSBC Life UK. But quite often what you find is from initiation through diligence, signing, change in control, that can be at least a 12 month process. So I think it's right that we continue to look at the UK market, look at opportunities, but they were obviously very, very careful about anything that we would do that would disrupt that sort of migration and completion. So some of the activity I would expect that we'll be doing in the UK is more that early assessment versus doing, be signing something imminently that would interfere with the HSBC Life UK migration.

In Europe, it's different. We have the operational capacity available now in both of the businesses that we have to bring in books, if we found the right opportunities, and if it was a new territory, say with an operation that was sort of standalone, again, that doesn't put, there's no sort of operational contention there with what we're doing in the UK and for the central team, we do have the capacity to both oversee what we're doing with the next stage of HSBC Life UK and also be assessing and working on M&A opportunities as well. So that's part of the investment we've made in the team. We do have a few more people now than we did in the past to do that. In terms of the growth ambition, I haven't actually looked at what the number is at the top of the FTSE 250, but our ambition is to grow.

And I suppose what I was trying to convey is the size of the opportunity that's available to us, it's important that we get after that and we don't rest on our laurels and we're progressive from a strategy perspective. Where that ends up in terms of a number, we'll see where we get to and we'll remain disciplined on M&A. But hopefully what you've seen from us over the last 20 years, and I would say particularly over the last four, is that we've been disciplined, but we've deployed capital well, and the metabolic rate has sort of increased, and that's what we're planning to do going forward. So again, don't be stressed. We will look at these things prudently in the right way, but there's a big growth opportunity for us here. So I think we'll hand over to Ben just before handing over to Ben, Barrie, it is your last day. You were very kind to me when I joined Chesnara. It was great to get the benefit of your insight. I know many people across Chesnara have really appreciated the support that you've given, the candour, and particularly the headlines on the analyst reports, which are sort of more the Sun than the Telegraph in my mind in terms of where I would put those. But let's hand over to Ben who'll say a few words. They'll be more eloquent than mine.

Ben Cohen: Thanks very much. I feel like I'm part of a tribute band here. Not everyone here will know that. September the 15th, marks 40 years to the day that Barrie started out in the city as a fresh face trainee at the Royal Insurance. I think I first met him when he had moved a step closer into research as investor relations at Royal & Sun Alliance. But my abiding memory is many years later when Aviva had invited analysts for a driving day north of London. As the assembled piled onto a coach to take us to the track outside the hotel we were based. We looked around to see Barrie waving to us from his racing green Lotus Esprit, I think, and I'm sure he did very well at the racing too. He went on to have a very successful career, well-liked by competitors, colleagues, and companies alike. Now he has finally finished paying off an epic house rebuild he will be laying down his analyst gloves shortly, and I'm sure you will join me in wishing Barrie happy, healthy and long retirement.

Barrie Cornes: Thank you, Ben. Thank you very much, Ben. I really appreciate it. I've had 40 years being an analyst, mostly 25 years an analyst and the other 15 working in insurance. It's been great. I've been able to follow some fantastic companies just like Chesnara, which has been a complete privilege. But thank you very much. I very much enjoyed my time.

Steve Murray: Thanks, Barrie. Well, I can't think of a better way to end the presentation. Thank you all for joining us as we've shown you this strong set of results. There's a lot to look forward to here at Chesnara and enjoy the rest of your day. Thank you.