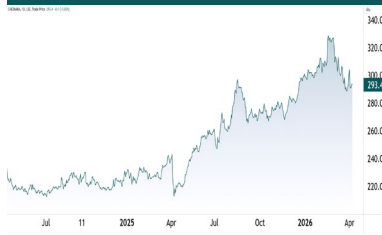




10 April 2026

Life assurance



Source: LSEG, 2026

Market data

EPIC/TKR	CSN
Price (p)	293.5
12m high (p)	335.0
12m low (p)	206.7
Shares (m)	230.7
Mkt cap (£m)	676.6
SII Own Funds (£m)	859
Country of listing	UK
Market	London

Description

Chesnara primarily manages and acquires closed life assurance books in the UK, Sweden and the Netherlands.

Company information

CEO	Steve Murray
CFO	Tom Howard
Chairman	Luke Savage
	+44 (0)1772 972 050
	www.chesnara.co.uk

Key shareholders

Columbia Threadneedle	10.0%
Hargreaves Lansdown	8.5%
Interactive Investor	7.6%
Aberdeen	6.4%
M&G	5.9%
Royal London	4.8%
Janus Henderson	3.4%

Diary

12 May	AGM
20 May	Final dividend paid
30 Jun	Half-year end

Analyst

Brian Moretta bm@hardmanandco.com

CHESNARA PLC

Showing good operational progress

Chesnara has announced its 2025 results. The headline figures were presented on a new basis, with operating capital generation (OCG), cash remittances and adjusted operating profit replacing the previous measures. The new KPIs showed a strong year, with good operating performance, higher cash generation and a much stronger balance sheet. OCG grew from £79m in 2024 to £94m in 2025, with SII Own Funds boosted by the capital raises ahead of the HSBC Life acquisition. The proposed final dividend of 14.80p is, as previously indicated, a 6% increase on the rebased 2024 figure.

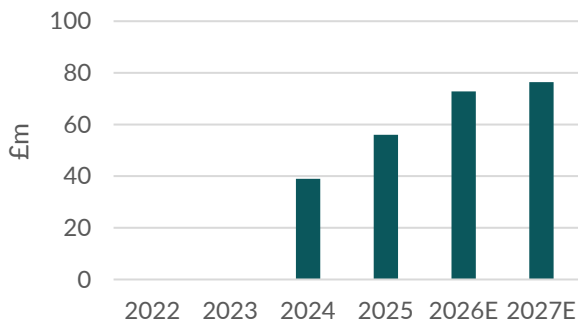
- **Acquisitions:** There were no major updates on HSBC Life, now rebranded as Chesnara Life or Scottish Widows Europe. The former was completed in January 2026, while completion for the latter will take place around the end of 2026. Chesnara continues to work on possible new acquisitions.
- **Estimates:** The new metrics mean that there is a change from previous years. We focus on the OCG alongside SII Own Funds. We introduce forecasts of £99m for the former in 2026 and £112m in 2027. Gains on the transactions will boost Own Funds by over £100m in 2026E.
- **Valuation:** With a price at 1.0x of its forecast post-transaction Net SII Own Funds, Chesnara is trading around its asset value. However, a prospective dividend yield of 8.0%, with good prospects of continued growth, suggests an undervalued stock, in our view.
- **Risks:** Ultimately, the company remains tied to movements in financial markets and adverse developments in operational areas. Making a large acquisition also brings some execution risk, but Chesnara has good experience in managing smaller deals successfully.
- **Investment summary:** Chesnara has three pillars for delivering value, under a responsible risk-based management. A close analysis reveals that Chesnara is making good progress in delivering these pillars. In our opinion, the yield appears high for a dividend that is both secure and growing.

Financial summary and valuation

Year-end Dec (£m)	2022	2023	2024	2025	2026E	2027E
Adjusted operating profit			39	56	73	76
IFRS profit after tax	-33.7	18.7	3.9	-10.4	0.9	1.5
Net SII Own Funds/share	269	321	293	221	282	302
Operational capital generation			79	94	99	112
OCG per share (p)			52.3	45.8	42.9	48.5
Dividend (unadjusted) (p)	23.28	23.97	24.69	22.50	23.41	24.11
Price/Net SII Own Funds (x)	1.09	0.91	1.00	1.33	1.04	0.97
Yield *	6.8%	7.0%	7.3%	7.7%	8.0%	8.2%

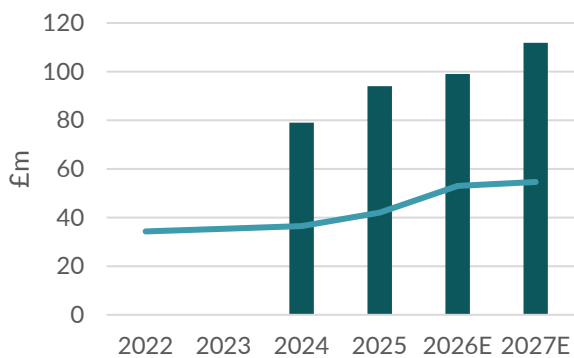
* Restated to adjust for the rights issue. Source: Hardman & Co Research

Adjusted operating profit



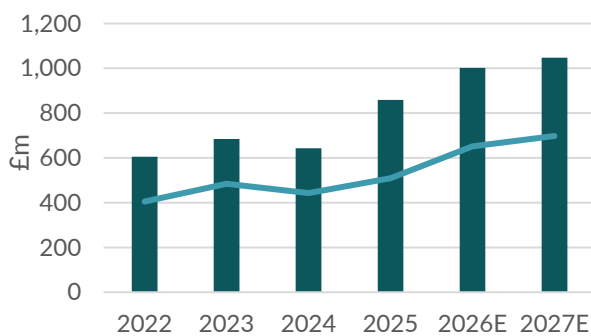
- ▶ AOP only available from 2024
- ▶ Boost in 2026 from acquisitions
- ▶ Forecasts are based on normalised assumptions

Operational capital generation and dividends paid (line)



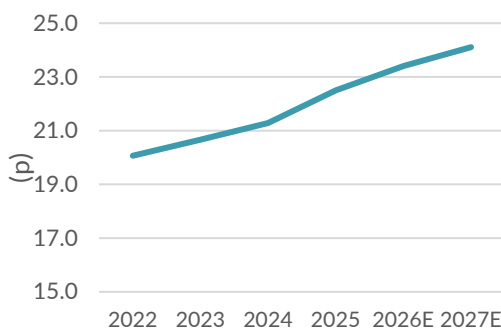
- ▶ OCG only available from 2024
- ▶ Based on normalised assumptions
- ▶ Good year in 2025 mitigates increase from acquisitions in 2026
- ▶ Dividend paid increased in 2025 with rights issue

SII Own Funds and Net SII Own Funds (line)



- ▶ Large gain in 2025 Own Funds due to rights issue and RT1 issue – removed in net figure
- ▶ Gain from acquisitions in 2023 and 2024
- ▶ Gain of over £100m from recently announced transactions
- ▶ Forecasts are based on normalised assumptions

Dividend per share



- ▶ Chesnara has been a consistent dividend payer for more than two decades
- ▶ Change in trajectory 2025 and 2026 reflects one-off 6% uplift
- ▶ We forecast continued steady growth of 3% p.a. thereafter

Source: Company data, Hardman & Co Research

Results commentary

New metrics

Alongside the 2025 results, Chesnara has introduced a new set of KPIs, with operating capital generation (OCG), cash remittances and adjusted operating profit (AOP) being introduced. The aim is to simplify the reporting and make easier comparisons with peers. The focus will be on six metrics, with these three being complemented by the Solvency Coverage Ratio, Own Funds on a Solvency II basis and Assets under Administration (AuA).

The new measures are defined as:

- ▶ **Operating capital generation:** sustainable Solvency II Surplus generation, looking through short-term market impacts and non-recurring costs. Of the old cash measures, commercial cash generation was closest.
- ▶ **Cash remittances:** the cash paid by the individual business units to the group. This will usually be the same as the dividends previously disclosed but will make timing differences clearer.
- ▶ **Adjusted operating profit:** IFRS performance using long-term assumptions for investment returns, adjusted for non-recurring items and cost-of-debt funding.

We would make some observations on these new KPIs. While the life insurance industry has settled on using IFRS profits, or a close variation, we believe it does not work well for businesses such as Chesnara. Most of its policies are classified as investments rather than insurance. This means the profit figure uses a different basis for insurance and investment. That isn't ideal, even if it has some consistency. However, it means the IFRS balance sheet does not reflect the true value of investment policies. The focus on a SII Own Funds figure (which includes all policies on the same basis) rather than an IFRS one is sensible.

We also note the use of long-term assumptions in both OCG and AOP. While a focus on long-term value creation is a good thing, short-term fluctuations still matter, and we will try to bring those out where necessary.

We also note the exclusion of "non-recurring items". M&A costs is a difficult accounting item for Chesnara. Clearly, they fluctuate significantly from year to year: 2025 was particularly heavy, with two capital raises and the HSBC transaction. However, although the amount will vary, they are a key part of Chesnara's strategy and will recur at some level in most years.

Finally, the changes make comparison with prior years difficult. While Economic Value was Solvency II based, it is different enough to prevent any direct comparison between the new figures and the old. Having said that, the heavily changed balance sheet in 2025 and addition of Chesnara Life (formerly HSBC Life) in 2026 would have made comparisons hard anyway. Nevertheless, as the new measures do not map exactly onto the old ones, some caution is needed when looking at operating trends until the new framework is more established.

Headline results

The headline figures for 2025 showed strong progress on the new reporting basis. OCG increased 19% to £94m, cash remittances were 30% higher, at £58m, and AOP rose 42% to £56m.

IFRS profit before tax was slightly lower, at £19m, from £21m in 2024. Operationally, the business appears to have performed well, supported by strong equity market performance, the merger of the Netherlands businesses and, mostly, good operational performance. Cash generation was supported by some management actions in the UK business.

The balance sheet was also much stronger, with Own Funds up 34% to £859m and the Solvency Coverage Ratio increasing to 257%, from 203% at the end of 2024. AuA increased by 10% to £15bn. Note: the 2025 figures include the effects of the rights issue and RT1 issuance but not the completion of HSBC Life/Chesnara Life in January 2026 nor the proposed acquisition of Scottish Widows Europe.

As announced at the time of the HSBC Life acquisition, the board has proposed a 6% increase in the final dividend to 14.80p. The total dividend for FY'25 is 22.50p. This is not directly comparable with the prior year because the per-share figures have been rebased for the rights issue.

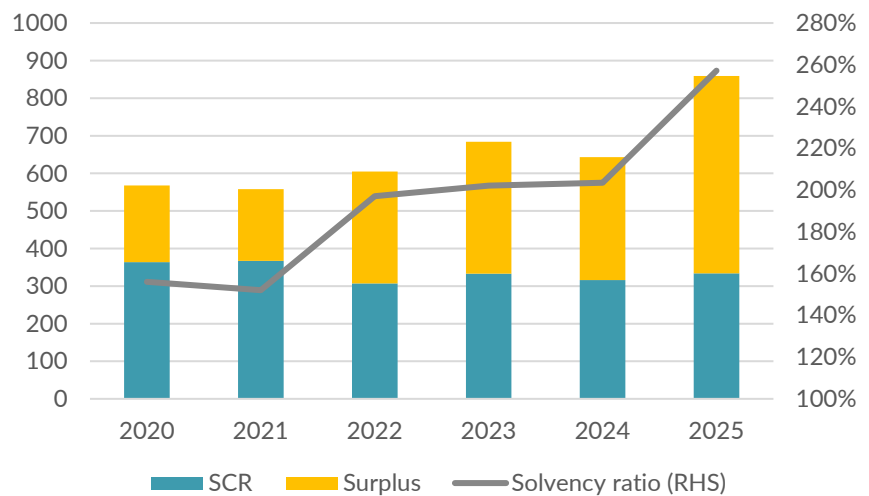
Capital and cash generation

Under the new presentation, capital and cash generation should be given a higher focus than IFRS. As discussed, Solvency II covers the whole business, on a consistent basis. In particular, SII Own Funds is a much better measure of the company value than the comparable IFRS metric. We discuss the latter further down.

Risk assets can have a complex effect on solvency ratios. While price increases or declines affect assets, the corresponding changes in liability values mean that the risks to be covered also shift. Under Solvency II, the Symmetric Adjustment acts as a countercyclical buffer: in times of strong investment returns, part of the gain is held back to support solvency in weaker periods. This is no longer disclosed, but we note that it means that the capital generation given by OCG may reflect the overall economics, but not all of that is “free” cash. Remittances may give a better idea of cash dividend coverage.

Own Funds and solvency

Group Solvency II metrics



Source: Chesnara, Hardman & Co Research

The group solvency ratio improved significantly, and temporarily, to 257% (FY'24: 203%), well above the target range. The main driver was Own Funds growth from the equity and debt issuances during the year, supported by positive operating and economic variances. The SCR increased, reflecting higher equity-market-driven market risk, partly offset by capital management actions in the UK.

Own Funds grew from £643m to £859m over the year. The capital raises, which added £208m, were the largest contributors, with operating Own Funds generation of £58m also adding meaningfully. These were partially offset by dividends of £42m and an increase in tiering restrictions of £19m.

In the UK, solvency benefitted from positive economic and operating variances, and from capital management actions – the extension of mass lapse reinsurance to the Canada Life portfolio and a new FX hedge on dollar-denominated policyholder assets. Cash remittances to group reduced the surplus, leaving coverage at 130% (FY'24: 135%).

Sweden was supported by positive equity markets but held back by dollar weakness, particularly in 1H'25. Exchange rate movements also increased both Own Funds and capital requirements when translated into sterling, leaving the coverage ratio slightly reduced at 142% (FY'24: 151%).

The Netherlands was the strongest performer, with Own Funds benefitting from merger synergies and positive economic returns, partly offset by adverse mortality experience. The SCR increase reflected market conditions and some one-off restructuring activity. Coverage decreased slightly to 234% (FY'24: 239%).

On a *pro forma* basis, allowing for the Chesnara Life acquisition, the group ratio reduces to approximately 180%, still comfortably above the target range of 140%-160%. The effect of Scottish Widows Europe is not given, although we believe it will reduce the coverage ratio to the top end of the target range.

Operating capital generation

OCG within Chesnara is the net change in available Solvency II surplus. While this is a measure of the overall economic change in the year, it is not all free for distribution to shareholders. Cash and the dividend at the group level are funded from dividends from the individual divisions. These are included in remittances. We only have the new KPIs from 2024, so have used the previous commercial cash generation to give a sense of longer-term trends.

Group capital/cash generation breakdown				
£m	2022	2023	2024	2025
Operating cash generation*				
UK	47.7	22	32.0	41.0
Sweden	1.9	-1.1	10.0	14.0
Scildon	9	6	30.0	36.0
Group	-5.5	20.8	7.0	3.0
OCG return on av. Own Funds	9.1%	7.5%	12.0%	12.5%
Total cash generation	53.1	47.7	79.0	94.0
Remittances/internal dividends				
UK	56.0	35.0	35.0	45.0
Sweden	12.0	7.8	4.0	6.0
Waard	5.3	6.9	7.0	n/a
Scildon	0.0	0.0	0.0	7.0
Total dividends from subsidiaries	73.3	49.7	46.0	58.0
Dividends paid to shareholders	34.3	35.4	36.5	42.0
OCG dividend cover (x)	2.4	0.9	2.2	2.2
Internal dividend cover (x)	2.1	1.4	1.3	1.4

* Commercial cash generation prior to 2024.
Source: Chesnara, Hardman & Co Research

In 2025, OCG was £94m, up from £79m in 2024. At 12.5% of average SII Own Funds for the year, it was a slight improvement over the 12.0% in 2024. It provided 2.2x dividend cover, although that is before interest costs (£11.4m in 2025 plus the RT1 Instrument going forward; i.e., £12.75m for a full year). Cover in 2025 would be reduced to 2.0x allowing for interest.

The key drivers were expected investment returns on shareholder assets of £50m and operating variances and management actions of £51m. These were partly offset by operating assumption changes of £14m. Other operating components added £5m.

As in previous years, management actions were an important contributor. In the UK, Chesnara extended its mass-lapse reinsurance to cover the Canada Life bond portfolio and a wider part of the UK book. It also added a currency hedge to

manage the US-dollar exposure within policyholder portfolios. At group level, the forex hedge was renewed, which added £9m to OCG.

The UK generated OCG of £41m, up from £32m in 2024. Cash remittances increased to £45m, from £35m. The increase appears to reflect good operating performance and the benefit of management actions.

Sweden generated OCG of £14m, against £10m in 2024. Cash remittances increased to £6m, from £4m. The strong equity markets were supportive, although the division also saw a higher market-risk capital requirement.

The Netherlands generated OCG of £36m, up from £30m. Cash remittances were unchanged at £7m. Management highlights cost synergies from the merger as a positive factor here, alongside the wider operating performance.

At group level, IFRS cash stood at £145m, although more relevant is the £116m given post the HSBC Life purchase. Divisional remittances of £58m were received during the period, aided by a stronger contribution from the UK after the management actions, and £42m paid in dividends.

Dividend cover

With an increased number of shares, and the larger 6% increase in the interim dividend, the amount paid out increased significantly in 2025 to £42m. Despite no benefit from Chesnara Life yet, it was well covered by both OCG and remittances.

The former provided 2.2x cover of the 2025 dividend, unchanged from 2024 and indicates that the ordinary dividend remains well supported by the underlying business. Remittances of 1.4x the dividend payments also indicate adequate coverage.

In 2026, dividend payments will again increase substantially, for the same reasons as in 2025, and we forecast a cost of £53.0m in 2026. In the first five years after acquisition, Chesnara Life is expected to add £140m of cashflow, and Scottish Widows Europe another €100m (£87m) from 2027, it can be seen that these can supply much dividend support over the next few years too. While management believes that surplus cash is best deployed in acquisitions, there is also comfort for shareholders that there is plenty of support for the dividend.

Maximise value from existing businesses – earnings and operations

We have cut the table back to include only figures under IFRS17, with AOP only available for the past two years.

IFRS earnings				
Year-end Dec (£m)	2022	2023	2024	2025
Net insurance service result	13.3	-5.1	8.6	21.9
Net investment result	-39.0	71.7	52.7	50.2
Fee commission and other operating income	59.6	89.4	104.2	114.2
Other operating expenses	-100.9	-149.9	-133.6	-156.1
Financing costs	-10.5	-11.0	-11.1	-11.4
Profit before income taxes	-62.1	1.8	20.8	18.8
Income tax	28.4	16.9	-16.9	-29.2
Profit after tax	-33.7	18.7	3.9	-10.4
Forex	6.9	-7.8	-15.3	20.5
Other comprehensive income	0.7	-0.6	0.0	2.1
Total comprehensive income	-33.0	18.1	-11.4	14.3
Tax attributable to policyholder returns			-18	-26
Investment variances & economic assumption changes			-4	6
Impairment, amortisation and profit/loss on disposal			5	6
Integration and restructuring costs			24	40
Financing costs			11	11
Adjusted operating profit before tax			39	56
EPS (p)*	-19.3	10.7	2.2	-5.1

* Adjusted for rights issue

Source: Hardman & Co Research

Despite our views on IFRS, the reconciliation to AOP still gives a reasonable view of the underlying result, allowing us to distinguish the divisional operating performance from financing, restructuring and acquisition-related items.

CSM and IFRS

AOP rose 44% to £56m (FY'24: £39m), with the UK and Netherlands the main contributors. The Netherlands benefited from merger synergies and the sale of the collective pension book to Allianz, which positively impacted the CSM release. The UK experienced better asset returns due to yield reductions relative to the prior year. Sweden delivered £11m (FY'24: £13m).

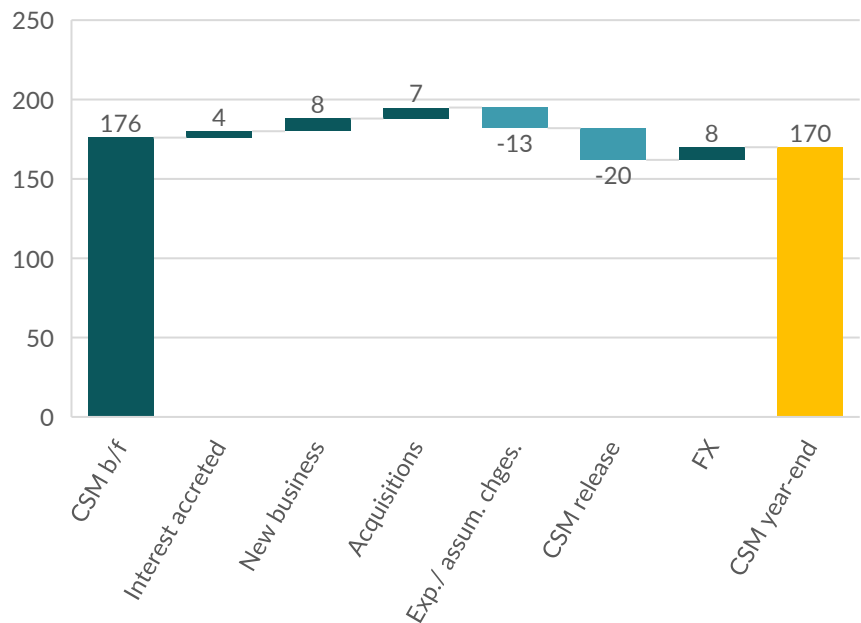
The non-operating adjustments were sizeable at £37m (FY'24: £18m). The biggest changes were higher integration and restructuring costs (£40m in 2025 vs. £24m in 2024) and adverse investment variances and assumption changes (-£6m vs. +£4m). The step up in the former reflects the exceptional M&A activity during the year, and we would expect a return to lower levels in 2026.

The CSM fell from £176m to £170m, albeit it had risen to £192m at the half-year. Adverse experience and assumption changes of £13m, primarily mortality and cost assumption strengthening in Scildon, were the main drag, reversing an unusually strong £33m positive contribution in FY'24. This was partially offset by £7m from acquisition impacts, principally the Canada Life protection portfolio Part VII transfer.

Fee income rose to £114m (FY'24: £104m), or £76m net of Swedish policyholder yield tax (FY'24: £73m). Expenses excluding policyholder tax increased to £118m (FY'24: £103m). A £20m foreign exchange gain in comprehensive income, reflecting sterling depreciation against the Swedish krona and euro, albeit to some extent offset by the hedges.

Leverage improved materially to 22.4% (FY'24: 30.9%), driven by the capital issuances in 2025, and is now comfortably within the group's 30% target. On a *pro forma* basis, after the completion of Chesnara Life, the ratio falls to around 20%. The level after Scottish Widows Europe will depend on the amount of the RCF used to fund the transaction.

CSM movement in 2025



Source: Chesnara, Hardman & Co Research

Operating

Lapses

Lapse experience in Sweden improved in 2H'25 relative to prior years, supported by active management retention actions, although there was adverse experience in the first half. By the full year, lapse rates had moved closer to long-term assumptions – a meaningful step forward from the past few years, when experience remained above long-term assumptions. The structural causes of elevated transfer levels remain in place across the market and are unlikely to change. However, new business now exceeds the transfers out, leading to overall growth.

There were no material comments on lapse trends in the other divisions. Given broadly stable to positive economic circumstances, we would expect few issues.

Mortality

Adverse mortality experience in the Netherlands continued into 2H'25, reflecting both broader adverse trends in the Dutch market and higher mortality within a

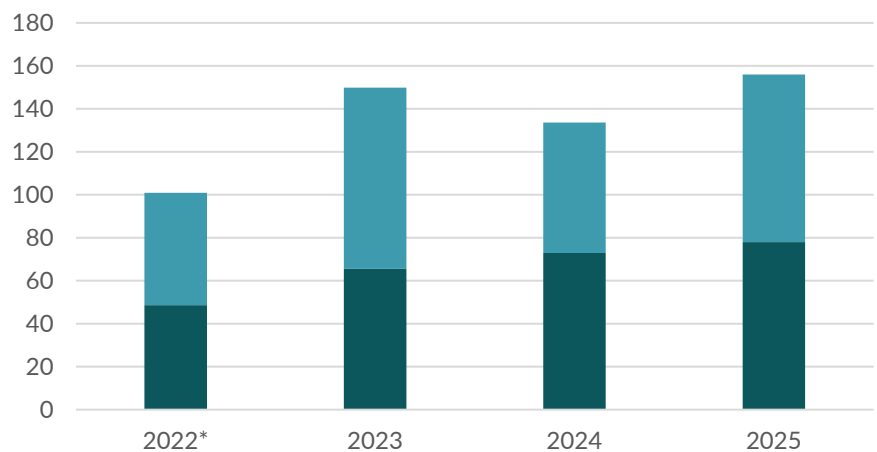
specific Scildon cohort. This led to a small assumption update in 2H'25, which management considers sufficient to address the portfolio-specific element.

Elsewhere, mortality has been broadly in line with expectations. In Sweden, where adverse experience was noted in 1H'25, there was no recurrence in the second half. After the assumption update made in the Netherlands, we see no further cause for concern here, absent any further deterioration in the wider Dutch market.

Expenses

For consistency, we again give figures from 2022 onwards. As a reminder, the gross figure includes an allowance for Swedish policyholder yield tax increases, which were £38m in 2025 (£31m in 2024). This directly offsets against the *Fee, commission and other operating income* line.

IFRS expenses (£m) (first half below)



*2022 figures are restated for IFRS17. Source: Chesnara, Hardman & Co Research

On an IFRS basis, other operating expenses increased to £156m in 2025, from £134m in 2024, or from £103m to £118m excluding the policyholder yield tax. The broad picture remains familiar from previous years: Chesnara continues to invest in platforms, regulatory compliance and customer outcomes, while also seeking efficiency gains from simplification and scale.

In the UK, the key item remains the ongoing migration onto the SS&C platform. Four books were migrated during 2025, while the second acquired Canada Life book (insurance bonds) is expected to go through Part VII and migration in 2026.

The UK also continued work on customer outcomes, including enhancements to terms for more vulnerable customers. The business met the March 2025 deadline for the new Operational Resilience requirements and continued to support the group sustainability plan. Looking forward, the focus remains on completing the SS&C migration and continuing the existing initiatives.

In Sweden, there is continued investment in distribution and digitisation. Movestic launched a "Pension Lab" during the year to assist pension planning, which seems to have been well received. As previously noted, Movestic sits outside the scope of CSRD and complied with DORA during the year. The emphasis remains on automation and process efficiency, while supporting growth.

In the Netherlands, the key development was the completion of the merger of Scildon and Waard, in July 2025. Management highlights the streamlining of operations and governance, with the final financial impact still being assessed, although most synergies have already been realised. Scildon also discontinued its collective pensions business, with the portfolio transferred to Allianz from 30 September 2025.

The division continued with digital upgrades, with some simplification of its term assurance offering. Looking forward, the focus will be on realising merger synergies and completing an ALM study for the merged entity.

Management changes

Gavin Hughes transitioned into the role of Group Chief Actuary at the end of 2025, having previously served as Group Chief Risk Officer. Niamh Carr joined from WTW on an interim basis as Group Chief Risk Officer, with a permanent appointment at an advanced stage of recruitment.

Chesnara was ranked first in insurance and second overall in the FTSE 250 in the 2025 FTSE Women in Leadership review, with women representing 56.7% of its Executive Committee and their direct reports – comfortably ahead of the review's voluntary target of 40%.

Economic movements

The RNS provides less granular disclosure on economic movements than in previous years. The overall picture was one of broadly positive equity markets across all three of Chesnara's geographies, although the significant weakening of the US dollar against most European currencies – and the Swedish krona in particular – was a meaningful offset, dampening Movestic's AuA and weighing on Sweden's solvency position.

In the UK, gilt yields ended 2025 only marginally changed from their starting point, having risen sharply through the first three quarters before retracing. The net contribution from interest rate movements was therefore modest. In the Netherlands, some steepening of the Euro yield curve over the year was broadly supportive for Scildon's asset/liability management position.

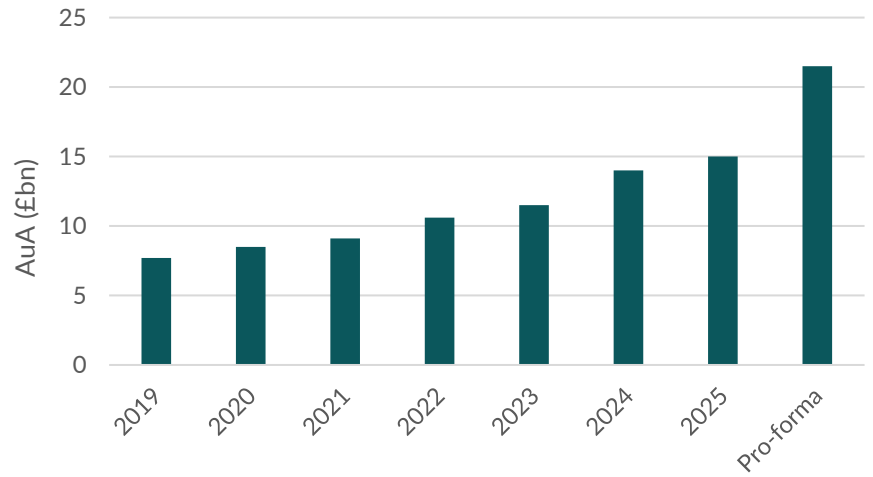
On balance, the net investment result in the IFRS accounts of £50.2m was slightly below the prior year (FY'24: £52.7m), consistent with a year in which positive equity market returns were partly offset by currency headwinds.

Operational KPIs

In line with the overall simplification of result presentation, AuA has been kept as a KPI, with policy count dropped. This does make sense, as the large unit-linked bond element in recent acquisitions means AuA, which is directly proportional to unit-linked fees, is much more relevant financially.

Positive equity markets, offset to some extent by currency movements, led to an increase in AuA from £14bn to £15bn. The completion of Chesnara Life takes that to ca.£20bn, an improvement from the £4bn addition indicated when the deal was announced. Scottish Widows Europe will add another €1.7bn, or £1.5bn. We include the latter in the *pro forma* in the chart below, as indicative of the underlying exposure.

Assets under Administration



Source: Chesnara, Hardman & Co Research

Chesnara published its first Climate Transition Plan in September 2025, setting out the steps it will take to become a net zero group by 2050. This was accompanied by the group's Annual Sustainability Report, both of which are available on the company's website.

While sustainability has always been framed around the group's "3Ps" framework of Profit, People and Planet, the publication of a formal transition plan marks a step up in the depth and transparency of reporting. We see this as a positive development and would expect disclosure to continue to evolve as the group scales.

Acquire life and pensions businesses

The most significant event since the interim results was the completion of the acquisition of HSBC Life (UK) Ltd in January 2026, now rebranded as Chesnara Life. The deal is Chesnara's largest to date, approximately doubling the UK policy count and adding £5bn of AuA. It is expected to deliver £140m of cash generation over the first five years.

Integration activities commenced during 2025. Policy administration will migrate to SS&C, with a Part VII transfer expected by end-2027. This is perhaps a bit later than we had hoped for, but court timetables can be inflexible.

Other UK platform work continues to progress alongside this. The final stage of the Sanlam integration was completed in 1H'25, as has the first Canada Life portfolio (protection insurance). The second Canada Life book, the bond portfolio, is still to come, with Part VII and migration expected in 2026. Chesnara is also looking at the use of AI to accelerate future migrations, which could become increasingly important if the larger UK platform is to support further deals efficiently.

The proposed acquisition of Scottish Widows Europe, announced in February 2026, was not part of the 2025 year-end numbers, and excluded from supplied *pro formas* but is clearly relevant to the outlook. As covered in our note in February 2026, as well as adding scale, it gives Chesnara a foothold in Luxembourg, which may create wider acquisition opportunities.

Further acquisitions?

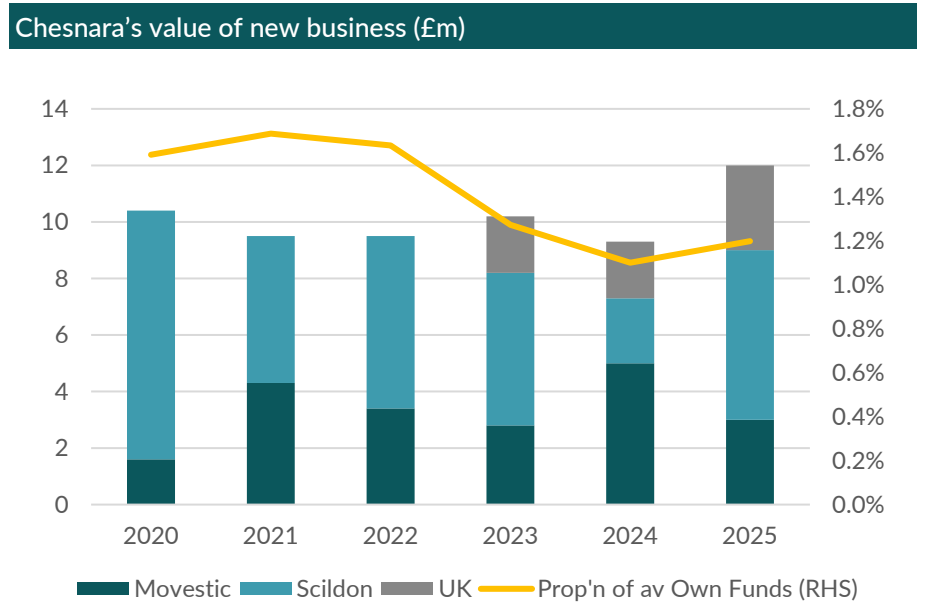
As usual, Chesnara remains in the market for further deals. Currently, it has over £100m of resources immediately available for acquisitions and has shown it can access resources should a larger opportunity appear. Given the lead time on deals, and with the integration of Chesnara Life likely to be largely completed by the year-end, the UK could be open again for further transactions.

This means deals in any of Chesnara's geographies are possible, although management sees deal flow in the Nordic area as currently a bit weaker. There seems to be good opportunities in the wider Benelux area, which suggests Chesnara may already be looking to build on the Scottish Widows Europe transaction. However, as always, timing remains uncertain.

More immediately, though, the focus will be on delivering the Chesnara Life integration successfully, as that is now the key acquisition for the group.

Enhance value through profitable new business

The value of new business in 2025 was £12m, a good improvement on the £9m reported in 2024. The overall outcome masks some important regional differences, reflecting both market conditions and product initiatives. New business as a proportion of average SII Own Funds was at 1.2%, a slight improvement compared with 2024, despite the large fundraise.



Source: Chesnara, Hardman & Co Research

The UK delivered a noticeable improvement, with new business contribution rising to £3m, from £2m, on APE of £16m (£13m). Chesnara notes that the reduction in personal allowances and the inheritance-tax changes for pensions have supported demand for its onshore bond product. The division also added AJ Bell as a platform partner during the year and notes further interest from other platforms.

Sweden saw strong sales volume growth, but a weaker contribution as the business mix was lower margin than in 2024. New business contribution fell to £3m from £5m, despite APE rising to £136m from £100m. Net inflows of £807m were up 62%, helped by strong market conditions and further growth in the custodian business. Market share in custody rose to 16%, from 12%.

Movestic continued to develop its product offering. This included an enhanced pause option in pensions, the 4Q launch of the Pension Lab and a new digital saving product. A new custodian product was launched in 2Q'25, while further partner development included new insurance options and a Norwegian distribution link for life and health products. Brand surveys also indicated improved awareness.

In the Netherlands, new business was much stronger, with contribution rising to £6m, from £2m. Term market share improved to 12.5%, from 10.6%. Chesnara highlights an improved margin, supported by a simplified offering, while Scildon also launched a new mortgage-linked term product in March 2025. The division also received some positive industry recognition during the year.

Overall, new business appears to have had a good year. Looking forward, 2026 will show a big change, with Chesnara Life bringing significant new business. Chesnara

is dropping the term assurance offering as it cannot reach its profitability targets but is keeping the bond business open.

While this may overlap with the existing bond product, Chesnara believes the distribution channels are sufficiently distinct to remove the threat of cannibalisation. Given HSBC Life had a meaningful market position, we expect a significant addition to new business in 2026.

Prospects

Operations

Chesnara has set out a clear focus for its operational activities over the next 18 months. The migration of the UK business to SS&C continues, the phasing of which with the HSBC acquisition is critical. Nevertheless, the expectation is that the migration will complete in 2026; with expected cost savings already included in assumptions, we expect no financial implications.

In the Netherlands, with the legal merger of Waard and Scildon having taken place and both companies now operating from the same location, we would expect practical progress and news on further synergies, albeit these may be limited given what has already been achieved.

The long running challenges in the Swedish market remain. It is good to see progress on the new business side, but we expect that the market will remain competitive and Movestic will need to work hard to retain momentum. The lapses remain challenging, although we'd hope that the recent improvements can be continued to maintain them within the (strengthened) assumptions.

Acquisitions

While we do not expect any announcements in advance of completion, there are still several areas of the HSBC deal that we expect further information on. These include the new business strategy and any cost and capital synergies. All should be positive for Chesnara overall. However, we note that HSBC is strong in the onshore bond market, where Chesnara has continued to sell the former Sanlam product, so there may be an offset.

As usual, we are unable to say when we will see any further announcements on acquisitions, although management continues to talk positively about prospects. We note that, typically, completion takes several months. While retrospective reinsurance (as seen in the Canada Life deals) is possible, it is not the most likely arrangement. A new deal announcement now would be unlikely to affect the 2026 results, and it would be 2027 before there is a full-year benefit.

Forecasts

The introduction of new metrics always brings a little trepidation to an analyst: estimates are uncertain at the best of times, but the introduction of new metrics only emphasises that. Here, we have two significant acquisitions coming too, with limited information on the finances of both. Nevertheless, we will do what we can.

As before, we will attempt to forecast on a normalised basis, assuming normal equity market returns and limited changes to bond yields or spreads. Fortunately, the new KPIs largely exclude short-term equity movements, although we cannot escape spread movements. At the time of writing, uncertainty over the war in Iran is high. However, while we can be sure that much will change by the year-end, the direction of any changes is unclear.

If we focus on OCG as the key metric, we know that £50m came from the expected returns on non-linked and shareholder assets. We should also expect some positive operating variances next year: further synergies in Scildon and, hopefully, some from Chesnara Life too. We may see some further management actions too, but perhaps a less good operating year as we know 2025 was very good. Hence, overall, we expect a lower total than the £51m in 2025.

We also know that we have 11 months of Chesnara Life, with £140m of cash generation in the first five years. Also, there should be a contribution from Scottish Widows Europe, starting from 2027. Overall, this leads us to OCG forecasts for 2026E of £99m and £111.9m in 2027E.

For dividends, in 2027, we have returned to the long-term growth rate of 3% p.a. While we believe there is scope to increase it at a faster pace, management clearly sees better opportunities in acquisitions.

As the new KPIs are based solely on long-term assumptions, we have removed our table on sensitivity to equity market movements and no returns to credit spreads as they would show no variation.

For capital values, we now focus on Net SII Own Funds. The SII Own Funds figure given by Chesnara includes debt instruments, notably the Tier II debt and the more recent RT1 instrument (but not the RCF). We net those off to given shareholder's interest.

In 2026, there will be significant gains from the HSBC Life/Chesnara Life and, assuming completion by the year end, Scottish Widows Europe. The discount to Own Funds on each at the time of announcement suggests gains of £53m and £54m, respectively. Together with a forecast positive return in 2026, this suggests a strong bounce back after the dilution in 2025 from the rights issue. We assume that the Scottish Widows Europe deal is mostly funded by the RCF.

Key balance sheet and OCG

Year-end Dec (£m)	2022	2023	2024	2025	2026E	2027E
Borrowings	212.0	207.9	205.6	203.6	293.0	293.0
SII Own Funds	605.0	684.0	643.0	859.0	1,001.4	1,047.7
Net SII Own Funds	405	484	443	509	651	698
Net SII Own Funds/share (p)	269	321	293	221	282	302
Operating capital generation						
UK			32.0	41.0	56.0	53.2
Movestic			10.0	14.0	11.2	11.2
Scildon			30.0	36.0	28.8	27.4
Luxembourg			0.0	0.0	0.0	17.0
Group			7.0	3.0	3.1	3.2
Total			79.0	94.0	99.0	111.9
OCG/av. SII Own Funds			11.9%	12.5%	10.6%	10.9%
Dividends paid	-34.3	-35.4	32.0	41.0	56.0	53.2
Div. remittances cover (x)	1.5	1.3	2.1	1.4	1.3	1.4

Source: Hardman & Co Research

IFRS earnings

Year-end Dec (£m)	2022	2023	2024	2025	2026E	2027E
Net insurance service result	13.3	-5.1	8.6	21.9	28.5	29.9
Net investment result	-39.0	71.7	52.7	50.2	60.2	63.3
Fee commission and other operating income	59.6	89.4	104.2	114.2	101.7	106.7
Other operating expenses	-100.9	-149.9	-133.6	-156.1	-140.1	-147.1
Financing costs	-10.5	-11.0	-11.1	-11.4	-11.4	-11.4
Profit before income taxes	-62.1	1.8	20.8	18.8	38.8	41.4
Income tax	28.4	16.9	-16.9	-29.2	-38.0	-39.9
Profit after tax	-33.7	18.7	3.9	-10.4	0.9	1.5
Adjusted operating profit			39	56	73	76
EPS (p) (restated)	-22.4	12.4	2.6	-5.1	0.4	0.6
DPS (p) (actual)	23.28	23.97	24.69	22.50	23.41	24.11
DPS (p) (restated)	20.07	20.66	21.28	22.50	23.41	24.11

Source: Hardman & Co Research

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