

13 September 2021

Chesnara

ENHANCED SCALE IN THE UK WITH MATERIAL VALUE CREATION POTENTIAL



Chesnara is to acquire Sanlam Life & Pensions UK Limited (SLP), a specialist provider of insurance and long-term savings products in the UK, subject to regulatory approvals

ADDS SIGNIFICANT SCALE OF £2.9BN OF ASSETS UNDER ADMINISTRATION (AUA) ACROSS c80,000 POLICIES

ACQUIRED AT A **DISCOUNT OF 19**% TO ESTIMATED ECV OF £48M, CREATING 4P OF INCREMENTAL ECV PER SHARE AFTER DEAL COSTS

MATERIAL FURTHER COMMERCIAL VALUE UPSIDE POTENTIAL, EXPECTING LOW DOUBLE DIGIT IRR%

CONSIDERATION OF £39M FINANCED FROM OUR REVOLVING CREDIT FACILITY

INCREMENTAL CASH GENERATION OF c£5M PER ANNUM UNDER STEADY STATE CONDITIONS, SUPPORTING OUR PROGRESSIVE DIVIDEND STRATEGY

SANLAM LIFE & PENSIONS UK LIMITED: BUSINESS OVERVIEW



Sanlam Life & Pensions UK Limited is a UK-based provider of insurance and savings products and is a strong fit for our strategy and operating model

Specialist provider of insurance and long-term savings, with a significant majority of the portfolio unit-linked pensions and SIPPs

UK affluent and high net worth private clients, primarily through financial advisors

£2.9bn of asset under administration through c80,000 policies across c60,000 clients

Open to new business; written across multiple legal entities

Based in Bristol, the majority of core operating functions are inhouse with approximately 100 FTE employees

Will be separated from existing parent, Sanlam UK Limited, a vertically integrated wealth manager in the UK and a subsidiary of Sanlam Limited, an international financial services group headquartered in South Africa

Sanlam Investments UK Limited will continue to offer investment management services to Sanlam Life & Pensions UK Limited (SLP); contract in place for a ten year period until 2031

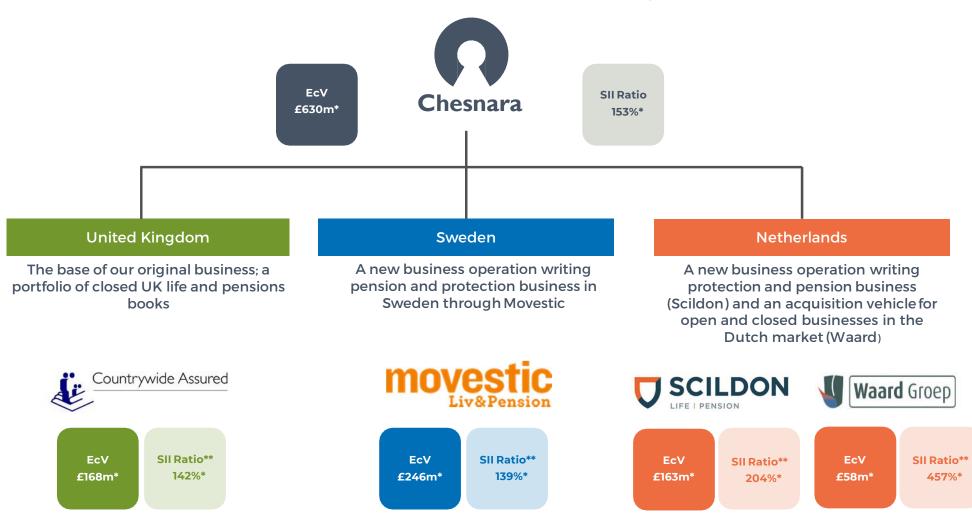
Key financials as at 31 December 2020	
Solvency ratio (Note 1)	133%
Solvency II Own Funds (Note 1)	£58.5m
Assets under administration Total assets	£2.9bn £3.0bn
IFRS equity IFRS result for the year ended 31 December 2020	£36.1m (£2.4m)

Note 1: Sanlam Life & Pensions UK Limited (SLP) Solvency II figures are based on SLP internal assumptions assuming that SLP remains as part of Sanlam UK Limited writing new business.

THE CHESNARA GROUP: PRE-SLP



The business of SLP will be integrated and Part VII transferred into Countrywide Assured (CA), following the same path as our successful UK acquisitions. Below are the details of the group as at 30 June 2021.



^{* 30} June 2021

^{**}post dividend



Chesnara has agreed to acquire SLP* - an attractive transaction for the Chesnara group in the UK

Estimated Day 1 EcV under Chesnara ownership of £48.1m at 31 December 2020 (Note 1) Valuation - Cash consideration of £39m, funded through our existing Revolving Credit Facility - The transaction is Class 2 and remains subject to the relevant regulatory approvals, which are expected early 2022 - The SLP business to be transferred into CA, via a Part VII transfer, and aligned with our tried and tested UK strategy. Following completion, SLP will be closed to new business Transaction process - All current employees whose activities are wholly or mainly aligned to SLP will transfer with the business - Prior to transfer and migration to our target operating model, Sanlam UK Limited will provide support through a **Transitional Services Agreement** Strong strategic fit with CA and significant scale - 126% increase in UK funds under administration Day 1 EcV gain of £9.1m, excluding expected one-off deal costs of £2.8m (Note 1) - Additional potential material commercial value upside (over and above the Day 1 EcV) (Note 2). Transaction expected to Transaction generate low double digit IRR benefits - Additional annual divisional cash generation potential of c£5m under steady state conditions. Supports sustainability of our progressive dividend strategy Further capital management actions and synergy opportunities available Risk profile and product set similar to existing CA business in UK Natural hedges and dampeners within SLP, similar to CA, providing resilience with further capital actions potentially available Risk profile Chesnara solvency ratio remains strong at 142% post completion - The SLP Solvency II balance sheet applies the volatility adjustment but does not utilise transitional measures or the matching adjustment, and all capital is tier 1 unrestricted

Pro forma leverage ratio post acquisition remains low (15%) with further capacity to fund future deals

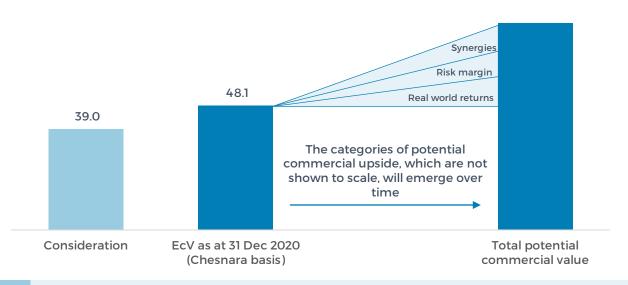
¹⁾ Economic Value based on expected "Day 1" assumptions under Chesnara ownership

²⁾ Commercial value recognises that the risk margin component of the Economic Value will unwind over time and that we expect real world investment returns impacts not included in the Economic Value due to economic value being modelled on a risk free return basis, as well as expected future expense synergies that have not been recognised in the Day I valuation.
*Subject to relevant regulatory approvals

OVERVIEW OF VALUE CREATION POTENTIAL FROM SLP



Acquired at a discount to Economic Value. Creates future potential commercial upside through the inclusion of real world returns, future expected expense synergies and capital efficiencies, and the run off of the EcV risk margin; all of which will emerge over time



Day 1 discount to EcV

- Estimated EcV under Chesnara ownership of £48.1m at 31 December 2020 gives a Day 1 gain of £9.1m, excluding expected one-off deal costs of £2.8m
- Includes costs payable to Sanlam UK Limited for services during the Transitional Services Agreement
- Includes all one-off costs of migration to our operating model
- Assumes future operating expenses are in line with existing CA operating model
- Further adjustments for CA actuarial valuation basis

Commercial upside potential

Over time, material potential commercial upside from:

- Real world returns above risk free rate on shareholder assets and a proportion of the unit linked portfolio
- Run-off of the risk margin
- Future expense synergies and capital efficiencies to be achieved from the enlarged business



SLP is an attractive acquisition which meets the four key assessment pillars of our acquisition strategy

		Our criteria	How the SLP acquisition satisfies this
Cash generation	√	Cumulatively our future acquisitions must be suitably cash generative to continue to fund the Chesnara dividend strategy	 Creates incremental long term cash Simple funding model through our new RCF Synergies through Part VII transfer into CA
Value enhancement	√	Acquisitions are required to have a positive impact on the Economic Value per share under best estimate and certain more adverse scenarios	 Day 1 EcV gain of £9.1m, before one-off transaction costs Further commercial value potential from expense improvements, investment returns and risk margin run-off
Customer outcomes	√	Acquisitions must ensure we protect, or ideally enhance, customer interests	 We have a strong record of providing good customer and broker service We will provide continued financial security to customers
Risk profile	√	Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside our risk appetite, the financial returns must be suitably compelling	 Risk profile well aligned to Chesnara's strategy SLP has a portfolio of well understood products Acquisition enhances long term solvency outlook



SLP will be integrated into our existing UK operations, while minimising execution risk

Transaction agreement and announcement	Today		
Transaction regulatory approval and completion	Q1 2022, subject to the appropriate regulatory approval timelines		
Closure to new business	Following completion		
Implementation of Chesnara risk and governance framework	To commence following completion		
Migration to our Target Operating Model	Within 24 months from the date of completion. Prior to transfer and migration, Sanlam UK Limited will provide support through a Transitional Services Agreement with SLP		
Part VII transfer to CA	Within 12 months of migrating to the new Target Operating Model		

AN ATTRACTIVE DEAL FOR SHAREHOLDERS



Chesnara has a proven track record of delivering value for shareholders from the acquisition of insurance companies and portfolios

ENHANCED SCALE IN UK THROUGH ADDITIONAL AUA AND POLICIES

MATERIAL VALUE CREATION POTENTIAL

SUPPORTS THE LONGER-TERM SUSTAINABILITY OF THE PROGRESSIVE CHESNARA DIVIDEND STRATEGY

ATTRACTIVE RETURNS WELL ABOVE OUR COST OF CAPITAL

STRONG SOLVENCY POSITION MAINTAINED

FINANCING AND OPERATIONAL CAPACITY REMAINS FOR FUTURE M&A AND **WE ARE OPTIMISTIC ABOUT THE POTENTIAL FOR FURTHER TRANSACTIONS** AND OUR ABILITY TO FIND THEM



FINANCIAL METRICS



£m as at 31 December 2020			
	Chesnara	SLP	Pro forma (Note 1)
Own Funds, on an SLP basis of preparation	n/a	58.5	n/a
Solvency ratio, on an SLP basis of preparation	n/a	133%	n/a
Own Funds, on a Chesnara basis of preparation	567.8	39.4	567.5
Solvency ratio, on a Chesnara basis of preparation	156%	n/a	142%
Economic Value, on a Chesnara basis of preparation	636.8	48.1	643.1
Economic Value per share (£)	4.24	n/a	4.28
Assets under administration	c8,500	c2,900	c11,400
IFRS equity	487.1	32.1	488.2
IFRS total assets	9,065.5	2,976.3	12,041.8
IFRS profit after tax, for the year ended 31 December 2020	21.2	(2.4)	18.8
Leverage ratio (Note 2)	6.1%*	n/a	15.0%*
Note 1 - Pro forma numbers represent an estimated consolidated position to include the assets acquired and liabilities assumed net of the consideration paid			

Note 1 - Pro forma numbers represent an estimated consolidated position to include the assets acquired and liabilities assumed net of the consideration paid Note 2 - Leverage is calculated as the outstanding bank debt expressed as a ratio of Economic Value, in accordance with our banking covenants

AN INTRODUCTION TO CHESNARA

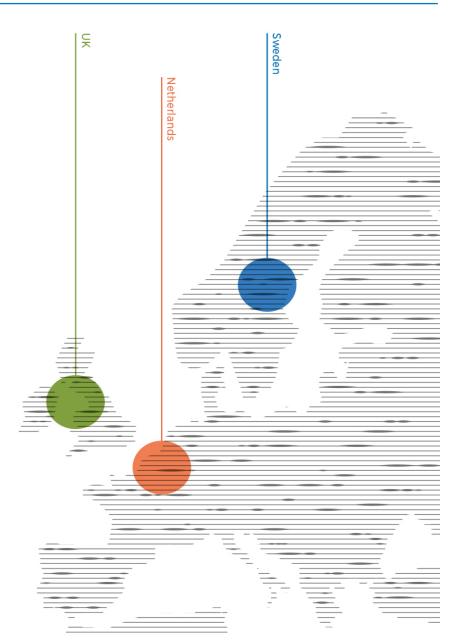


WHO WE ARE

- Chesnara plc is a life assurance and pensions consolidator. We are a responsible and profitable company engaged in the management of life and pension policies in the UK, Sweden and the Netherlands.
- The group comprises both open-book and closed-book operations. We write new business where we are confident that conditions will ensure the sales are value adding.
- Chesnara plc was formed in 2004 and is listed on the London Stock Exchange.
- Since incorporation, the group has grown through the acquisition of three predominantly closed UK businesses, an open life and pensions business in Sweden, four closed Dutch businesses / portfolios and an open life and pensions business in the Netherlands.
- Consistent delivery of the company strategy has enabled Chesnara to increase its dividend for 17 years in succession.



*Figures shown are as at 31 December 2020, excluding the impact of the acquisition of SLP



AN INTRODUCTION TO CHESNARA



OUR DIVERSIFIED STRATEGY

Chesnara has three strategic objectives:

01

MAXIMISE VALUE FROM EXISTING BUSINESS

The existing in-force books are the core source of cash and are at the heart of our investment case

02

ACQUIRE LIFE AND PENSION BUSINESSES

Acquisitions maintain the scale and effectiveness of the operating model. In addition, they create a source of value enhancement and sustain the cash generation potential of the Group

03

ENHANCE VALUE THROUGH NEW BUSINESS

investment, offering clarity and consistency of

Whilst new business profits are a relatively modest component of the Chesnara financial model, they are an important, welcome and regular source of value growth which supplements growth delivered by acquisitions

responsiveness to its stakeholders

VISIONS AND VALUES

The delivery of our strategic objectives is underpinned by our long established and proven culture and values

MAINTAIN ADEQUATE FINANCIAL RESOURCES	Effective capital management underpins all of our cultural and strategic objectives. We consider financial stability to be a key aspect of treating customers fairly.	ROBUST REGULATORY COMPLIANCE	Working constructively with our regulators and complying with regulatory requirements is imperative to the delivery of our objectives. Chesnara's Directors share the regulators' desire for robust and responsible governance.
FAIR TREATMENT OF CUSTOMERS	The fair treatment of customers across the group is our primary responsibility. It is also important to the Chesnara business strategy as it promotes stronger relationships with our customers, distributors and regulators. When applying the terms of our customer contracts, coupled with the developing guidance from local regulators on the application of policy conditions, we place a high priority on taking account of the fair treatment of our customers.	RESPONSIBLE RISK-BASED MANAGEMENT	Risk taking is a key part of our business model, taking the "right risks" and managing them well is essential to our success. We achieve this by understanding the key risk drivers of the business plan and strategy, and by making sure we monitor these risks and take appropriate risk-based decisions in a timely fashion, for the benefit of all of our stakeholders.
PROVIDE A COMPETITIVE RETURN TO OUR SHAREHOLDERS	As a public company it is imperative that we offer an attractive investment case. Given the majority of our investors hold our shares in 'income funds', it is important that we deliver an attractive and sustainable dividend. We also recognise the benefits of being a 'low maintenance' investment offering clarity and consistency of	ESG POLICY STATEMENT AND GOVERNANCE	Our ESG Policy and governance principles provide a framework to manage a business responsibly. This requires structures and processes designed to ensure a company's accountability; transparency; compliance with the law; stability, investment and

PRINCIPLES

performance.

AN INTRODUCTION TO CHESNARA



OUR DIVERSIFIED BUSINESS MODEL

STAKEHOLDER OBJECTIVES

KPIs

Our business model is diversified between different territories and is underpinned by prudent management focussed on lower risk unit-linked and protection business. Figures shown are before the impact of the acquisition of SLP.

REGULATORS CUSTOMERS INVESTORS Financial stability and regulatory compliance Fair outcomes Fair outcomes Solvency Fair outcomes Investment return Chesnara

HOW WE ORGANISE OURSELVES

	CASH GEI	NERATION AND EC	CONOMIC VALUE C	ROWTH
DIVISION	UK	NETHERLANDS		SWEDEN
OPERATING COMPANY	COUNTRYWIDE ASSURED	WAARD GROUP	SCILDON	MOVESTIC
STRATEGIC OBJECTIVES	01 02	01 02	01 03	01 03
KEY PRODUCTS	Underwriting linked pension business; life insurance, covering both index-linked and unit linked; endowments; whole of life; annuities and some with profit business.	Underwriting mainly term life policies, with some unit linked and non-life policies.	Underwriting of protection, individual savings and group pensions contracts.	Predominantly the underwriting of unit-linked pensions and savings. Also provides some life and health product offerings.
No. POLICIES (as at 31 December 2020)	c240,000	c125,000	c205,000	c365,000
DISTRIBUTION METHOD	N/A	N/A	Sold through a broker network.	Largely through a network of brokers, although some is directly to customers.
HEADCOUNT (as at 31 December 2020)	45 (excluding outsourcers but including Chesnara plc staff)	28	144	124
	CHESNARA CULTURE AND VALUES - RESPONSIBLE RISK BASED MANAGEMENT			

OUR COMPANY HISTORY



COMPANY HISTORY

2004 Chesnara is born. EEV of £126m.

2005 First acquisition. City of Westminster Assurance adds £30m of EEV.

2009 Chesnara moves into Europe acquiring Movestic in Sweden. Group EEV now £263m.

2010 S&P acquired. Group AuM over £4bn.

2013 Direct Line's life assurance acquired end of 2014. Group EEV now above £400m.

2015 Expansion into the Netherlands. Waard group acquired.

2016 Building on our entry to the Dutch market, we announce the acquisition of Legal & General Nederland.

2017 Completion of Legal & General Nederland acquisition, renamed Scildon, at a 32% discount to its EcV of £202.5m.

2019 Completion of the acquisition of a portfolio from Monuta, under Waard Group.

2020 Completion of the acquisition of 44,000 policies from the Dutch branch of Argenta Bank, also under Waard Group.

2021 Expansion in the Netherlands continues under Waard Group, with the completion of the acquisition of a portfolio of 9,000 policies from Brand New Day.

WHAT WE HAVE DONE

9

SUCCESSFUL ACQUISITIONS, prior to the acquisition of SLP

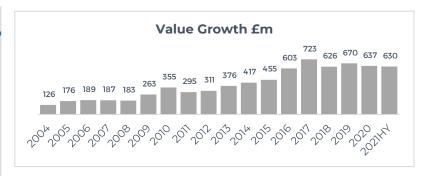
3 TERRITORIES

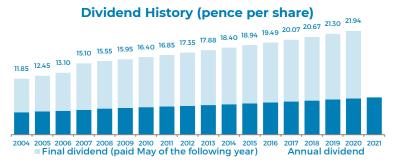
Our deals demonstrate flexibility and creativity where appropriate:

- Tactical "bolt-on" deals to more transformative deals
- Open minded regarding deal size
- Willingness to find value beyond the UK
- Flexible and efficient deal funding solutions
- Capability to find expedient solutions to de-risk where required

We are not willing to compromise on quality, value or risk. All deals have:

- been at a competitive discount to value
- satisfied our dual financial requirements of generating medium term cash and enhancing long term value
- been within Chesnara's risk appetite
- been subject to appropriate due diligence
- been either neutral or positive in terms of customer outcomes
- supported Chesnara's position as an income stock





Value growth is achieved through a combination of efficient management of the existing policies, acquisitions and writing profitable new business. The growth includes £148m of new equity since 2004 but is net of c£385m of cumulative dividend payments.

The value of the group is affected by investment market conditions at any given point in time.

CONTACT DETAILS

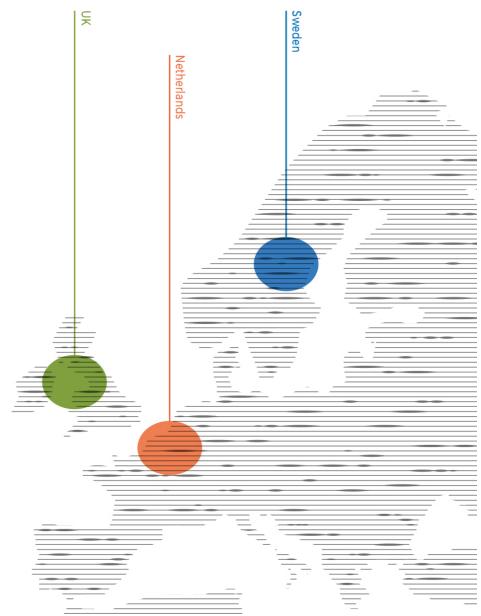


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