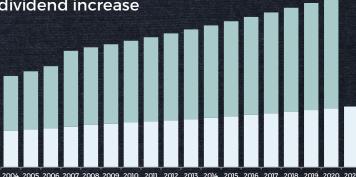
2021 INTERIM RESULTS INVESTOR PRESENTATION

26 August 2021

Cash generation and Economic Value growth support a 3% interim dividend increase



Chesnara

AGENDA FOR 2021 INTERIM RESULTS PRESENTATION

OVERVIEW OF STRATEGIC DELIVERY	John Deane Chief Executive Officer
DELIVERY AGAINST STRATEGIC PRIORITIES	David Rimmington Group Finance Director
	John Deane Chief Executive Officer
CONCLUSIONS AND OUTLOOK	John Deane Chief Executive Officer
QUESTIONS	
APPENDICES	

SYMBOL GUIDE

Throughout the presentation the following symbols are used to help distinguish between the various financial and non-financial measures reported:



IFRS



Cash generation



Economic Value



Economic Value earnings



Solvency



Operational performance



Compliance



Acquisitions



Risk appetite



Dividend / Total Shareholder Return



Cash generation and Economic Value growth support a 3% interim dividend increase

An increased level of optimism that appropriate acquisition opportunities exist across the UK and Europe

Outcomes against our established objectives are solid with growth in predividend EcV and positive cash generation

Seventeenth year of dividend growth. Record assets under management



Stable solvency with only unrestricted tier 1 capital, no transitional measures and low gearing

Investors should have a good degree of confidence in the sustainability of the dividend

Completed CEO search with orderly transition under way

PRE-DIVIDEND ECONOMIC VALUE INCREASED BY £14.2M AND RECORD AUM OF £8.7BN



GROUP CASH GENERATION OF £5.4M



CASH RESULT INCLUDES CAPITAL STRAIN OF £29.0M DUE TO EQUITY GROWTH



CONTINUED ROBUST SOLVENCY AT 153%



IFRS PRE-TAX PROFITS OF £20.8M



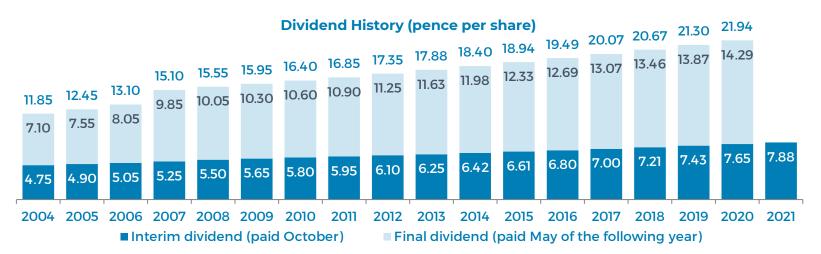
PROPOSED 3% INTERIM DIVIDEND INCREASE



We have delivered against each of our three core strategic objectives

			What we have done	The outcomes we have created
,	01	MAXIMISE VALUE FROM EXISTING BUSINESS	 Focused on capital management and value enhancing initiatives to drive value from the business Agreed reduced capital buffers in Waard Reduced capital requirements from catastrophe risk reinsurance 	 Business generating sufficient cash to support dividend strategy We have increased the pre-dividend economic value of the business by £14.2m We have maintained a robust solvency ratio of 153%
GIC DELIVERY	02	ACQUIRE LIFE AND PENSION BUSINESSES	 Completed and integrated the acquisition of a portfolio from Brand New Day - our third Dutch acquisition in two years To ensure we can offer funding certainty and swift deal completion, we have established a £100m revolving credit facility 	 The acquisition of 'Brand New Day' adds £3.4m of incremental value and takes the cumulative incremental value growth from acquisitions over the last 2 years to c£15m Continued to enhance our reputation as a natural and efficient acquirer of portfolios in the Netherlands
STRATEGIC	03	ENHANCE VALUE THROUGH NEW BUSINESS	 Continued development of digital solutions and client portals to remain competitive in a digital world Developed our custody product in our Swedish business Focused on the changing customer behaviours as a result of COVID-19 	 AuM have increased to a record £8.7bn Delivered £6.6m of commercial new business profit across Movestic and Scildon Incremental future cash flows as a result of new business are £12.7m Scildon continue to receive IFA service and innovation awards with market shares stable
			Grown our business fundamentals	Sustained dividend strategy with strong financial stability

The strength of our business model has enabled us to continue our dividend strategy and propose to increase our interim dividend by 3%





Dividend increased every year

O

Proposed 2021 interim increase of 3%

Cumulative increase of over 85%

Cumulative five year cash generation 142% of dividend payments

We have multiple levers that support value creation for shareholders in Chesnara

New business

New business creates future positive cash flows. Incremental future cash flows for new business in the six months to 30 June 2021 are £12.7m (six months to 30 June 2020: £12.6m)

Ongoing cash generation expectations from the existing portfolios

Good level of resilience for closed book cash generation. Longer-term the Economic Value offers a useful proxy to the total level of future cash. The closing Economic Value, which assumes risk free asset returns, has grown by £14.2m predividend and represents c19 years' coverage of the current full year dividend, with further potential upside from above risk free rate market returns

Sustainability of the investor proposition

Strong and stable solvency

The business is well capitalised at both a group and subsidiary level, with a solvency ratio of 153% and £161.1m of surplus over and above the internal capital management policy

Management actions and acquisitions

Potential for capital management actions and acquisitions to create material future cash generation and capital releases, with further actions available to support and accelerate cash flow generation. Increased optimism in M&A opportunities and the group having an RCF facility of £100m available

Chesnara plc cash reserves

In the medium term, the existence of £59.2m of cash and instant access liquidity funds at Chesnara plc covers two years' dividends. The group has a low gearing ratio of 6.1%

Supported by a strong focus on customers and governance

ESG

Our ESG policy aims to further embed environmental, social and governance considerations in the way we conduct business, treat customers and manage investments

Providing responsible and sustainable investment choices

- We take responsibility for having a long-term sustainable business model focused on long-term profitability, not short-term maximisation
- 100% of the funds in Movestic's investment offering have signed the UN Principles for Responsible Investment and thus committed themselves to following the six principles for responsible investments
- Each of Chesnara's businesses use data from proprietary ESG investment tools to identify and measure ESG risks and screen companies against minimum standards of business practice and international norms such as UN Global Compact

Reducing our environmental impact

- Scildon is increasing its use of solar generated power and has installed a heat pump to reduce gas consumption
- The group has fully offset its carbon emissions for 2020 and so is operationally carbon neutral and is committed to this as a permanent objective
- This occurs via a tree buddying scheme planting new trees in the north west of England alongside supporting projects to minimise deforestation in Brazil

Investing in people

- Long-term sustainability for our workforce, suppliers, outsourcers and wider society
- Each of the businesses have supported staff whilst they have been working from home and a Wellbeing Hub was launched by Countrywide Assured to provide online guidance to its staff
- Funding and training for Foxton Centre, a Preston-based charity working with vulnerable adults and young people www.thefoxtoncentre.co.uk Chesnara is funding, for a nominal rent, the purchase of two flats in Preston to house vulnerable adults and young people

A review of the risk management system is in progress to integrate climate change risks within the annual solvency assessment process. Chesnara will also meet the requirements recommended by TCFD as part of our 2021 year end reporting.



DELIVERY AGAINST STRATEGIC OBJECTIVES

FINANCIAL OUTCOMES

OPERATIONAL DELIVERY AND TRANSITION

CUSTOMER OUTCOMES

ACQUISITIONS

NEW BUSINESS

INVESTMENT RETURN

Our financial stability combined with a clear expectation of future divisional dividends means we continue our dividend strategy with a proposed 3% increase

Financial performar	HY 2021	HY 2020	FY 2020	
Dividends	Dividends per share (1)	7.88p (3)	7.65p (3)	21.94p (3)
Cash	Group cash generation	£5.4m	£12.9m	£27.7m
Economic value	Economic value earnings (2)	£38.5m	(£74.1m)	(£37.6m)
IFRS	Profit before tax	£20.8m	(£9.1m)	£24.6m
	Commercial new business profit	£6.6m	£6.7m	£10.5m
New business	Incremental long term cash generation	£12.7m	£12.6m	£20.7m

Financial position	30 June 2021	30 June 2020	31 December 2020	
Solvency	Solvency ratio Solvency surplus	153% £198.7m	162% £207.8m	156% £204.0m
Economic value	Economic value Economic value per share	£629.6m £4.19	£604.2m £4.03	£636.8m £4.24
Assets	Assets under management	£8.7bn	£7.5bn	£8.5bn
Leverage	Leverage ratio (4)	6.1%	10.0%	7.4%

- (1) Dividends per share represent those paid/declared/proposed in relation to that period
- $\hbox{(2)} \ \ \hbox{Economic value earnings exclude the impact of foreign exchange}$
- (3) The HY figures represent the interim dividend per share whereas the FY figure represents the full dividend for the year per share, inclusive of the interim dividend
- (4) Leverage is defined as bank debt divided by bank debt plus equity, as measured under IFRS



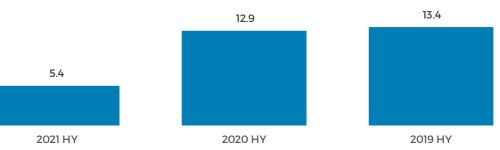
The headline cash generation of £5.4m includes the negative impact of several material items totaling £38.4m

GROUP CASH GENERATION

Group cash generation, excluding the solvency capital impact of equity market growth and foreign exchanges losses in the period, was £43.8m, reflecting the continued strong flow of cash from the closed businesses and includes a significant Scildon contribution:

- · Increase in capital requirements due to equity growth of £29.0m;
- £9.4m negative impact of exchange rates on the translation of the overseas divisions;
- · Positive management actions, including new reinsurance arrangements and reduced buffers in Waard;
- · Robust closed book performance; and
- · Positive yield impacts.

Cash generation - historical profile (£m)



CHESNARA PLC CASH BALANCES

During the 6 months to 30 June 2021, Chesnara received divisional dividends of £33.5m broadly in line with year-end expectations which means we closed the period with £59.2m in cash and instant access liquidity funds at the Chesnara company level (31 December 2020: £59.9m). This level of cash and liquidity funds represents 180% of the 2020 full year dividend.

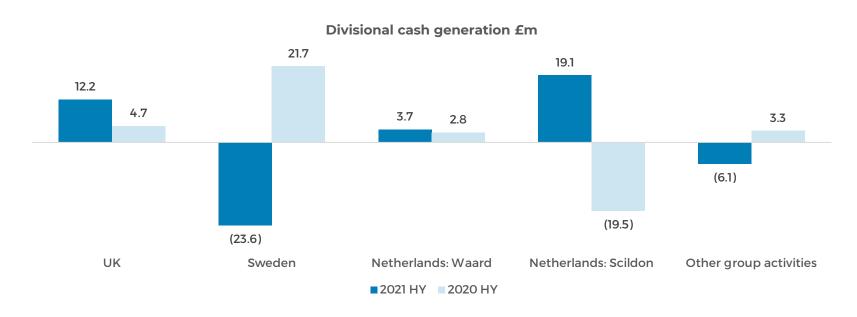
Following further expected divisional dividend receipts in the remainder of 2021 and future short term outflows of £11.8m for payment of the 2021 interim dividend, the 2021 year end balance is expected to remain broadly the same.



The closed books continue to act as the stable core to the cash proposition. We have also seen a strong contribution from Scildon and the Movestic result reflecting equity growth and the impact of the symmetric adjustment

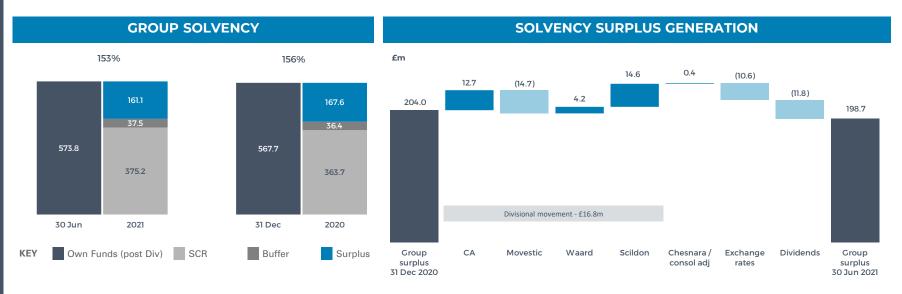
DIVISIONAL PERFORMANCE

- CA & Waard the closed books' annualised cash generation of £44.8m represents 132% of the total shareholder dividend, having adjusted for the symmetric adjustment.
- Movestic the total Movestic utilisation is net of a £22.5m increase in capital requirements relating to good equity growth
 and an investment decision to reinvest a proportion of shareholder assets in higher yielding assets. £10.6m of the strain is
 directly due to the symmetric adjustment and this is expected to reverse over the coming years. The remainder is due to
 higher asset values and a policyholder asset allocation shift to equities which both create higher future cash expectations.
- Scildon delivered strong cash generation of £19.1m having benefitted from the narrowing of bond spreads and positive
 interest rate movements as well as a material benefit from new catastrophe risk reinsurance. The resultant solvency
 improvement enhances future dividend remittance potential.
- Other group activities the cash utilisation mainly reflects a foreign exchange loss due to the strengthening of sterling





The group has stable solvency with only unrestricted tier 1 capital and no transitional measures



INSIGHT

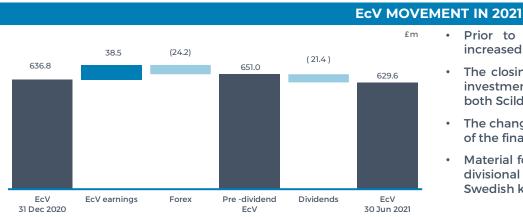
- SURPLUS: The group has £161.1m of surplus over and above the group's internal capital management policy requirements, compared to £167.6m at the end of 2020. The group solvency ratio has decreased from 156% to 153%. Solvency surplus has fallen as a result of own funds rising slightly less than the capital requirements, after the proposed interim dividend is taken into account.
- DIVIDENDS: The closing solvency position is stated after deducting the £11.8m proposed interim dividend (31 December 2020: £21.4m).
- OWN FUNDS: Own Funds have risen by £6.1m (pre-dividends). Drivers of growth include a rise in interest rates, equity growth and a UK withprofit transfer of £8.3m. These are offset by a strengthening of operating assumptions.
- SCR: The SCR has risen by £11.4m, mainly due to a material increase in equity risk (due to rising equity markets) and spread risk; partially offset by a decrease in expense and catastrophe risk.
- FOREIGN EXCHANGE: The surplus has been impacted by a foreign exchange hit of £10.6m during the period as a result of the appreciation of sterling against the euro and Swedish krona.



Prior to any dividend payment impact, the total Economic Value has increased by £14m

What is economic value?

Own funds are deemed to underestimate the commercial value of Chesnara due to contract boundaries, excessive risk margins and ring fenced fund restrictions. Therefore, we have adjusted our SII valuations for these items to create Economic Value (EcV). **EcV is risk-free and so does not include future investment returns** in excess of this nor does it include any value for the group's capability to write new business or complete acquisitions in the future.



- Prior to any dividend payment impact, the Economic Value increased by £14.2m since the start of the year.
- The closing position reflects earnings of £38.5m, driven by positive investment market conditions, offset by some operating losses in both Scildon and Movestic.
- The change in EcV over the year includes the impact of the payment of the final 2020 dividend.
- Material forex losses arose on translation of the Dutch and Swedish divisional results, representing the weakening of both the euro and Swedish krona against sterling.

DIVISIONAL EARNINGS

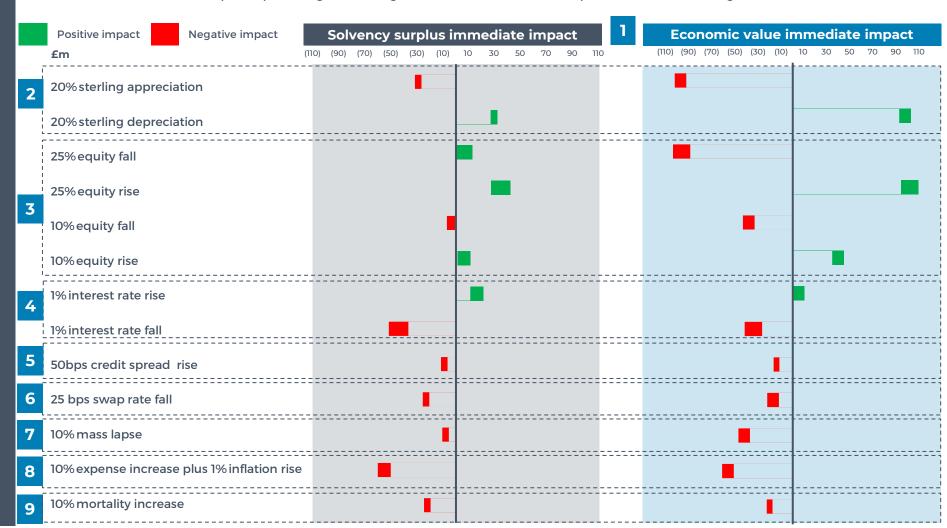
- CA growth is largely equity market and yield related.
- Movestic recorded strong economic gains offset by an operational strain of £24.8m in relation to higher policy transfers.
- Scildon contributed £5.7m, including new business profits of £2.1m. Economic gains are offset by the impact of its new expense provision to complete a system improvement programme.
- Waard has reported solid EcV earnings of £6.1m, including a £2.5m benefit delivered by the Brand New Day portfolio acquisition.

	2021 HY	2020 HY
	£m	£m
Countrywide Assured	13.7	(14.5)
Movestic	14.0	(41.6)
Scildon	5.7	(10.9)
Waard	6.1	(1.8)
Other group activities	(1.0)	(5.4)
EcV earnings	38.5	(74.1)
Forex	(24.2)	29.1
Pre-dividend EcV earnings	14.2	(45.0)



The charts provide insight into the potential range of impacts of certain sensitivities to which the group is exposed, covering solvency surplus and economic value

Whilst cash generation has not been shown in the diagrams below, the impact of these sensitivities on the group's solvency surplus has a direct read across to the immediate impact on cash generation. Each individual bar in the diagram illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive (green) or negative (red). Further details are provided on the following slide.



SENSITIVITIES



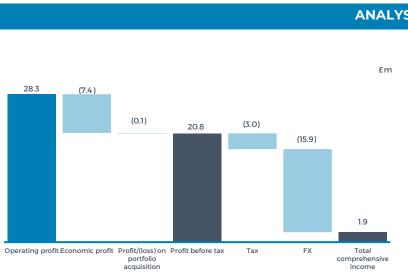
The charts on the page above provide insight into the potential range of impacts of certain sensitivities to which the group is exposed

Explanatory notes on the sensitivities on the previous slide are provided below:

- EcV tends to take the "full force" of adverse conditions whereas solvency surplus is often protected in the short term due to compensating impacts on our required capital.
- A material sterling appreciation reduces the value of surplus in our overseas divisions and hence has an immediate impact on group solvency surplus and EcV. It also reduces the value of overseas investments in CA.
 - The equity rise sensitivities cause both Own Funds and SCR to rise, as the value of the funds exposed to risk is higher. The increase in SCR can be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment. Conversely, in an equity fall, Own Funds and SCR both fall, to the extent to which the SCR reduction offsets the Own Funds depends on the stress applied. The impacts are not fully symmetrical due to management actions and tax. The change in symmetric adjustment has a significant impact (25% equity fall: -£35m to the SCR, 25% equity rise: +£16m to SCR). The EcV impacts are more intuitive as they are more directly linked to Own Funds impact. CA and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities.
- An interest rate rise is generally positive across the group. An interest rate fall results in a larger impact on Own Funds than an interest rate rise, given the current low interest rate environment. CA, Movestic and Scildon all contribute towards the total solvency surplus impact.
- A credit spread rise has an adverse impact on surplus and future cash generation, particularly in Scildon due to corporate and non-local government bond holdings that form part of the asset portfolios backing non-linked insurance liabilities. The impact on the other divisions is less severe.
- This sensitivity measures the impact of a fall in the swap discount curve with no change in the value of assets. The result is that liability values increase in isolation. The most material impacts are on CA and Scildon due to the size of the non-linked book.
- This sensitivity has a small impact on surplus as the reduction in Own Funds is largely offset by the SCR fall. However, with fewer policies on the books there is less potential for future profits. The division most affected is Movestic; the loss in future fee income following mass lapse hits Own Funds by more than the SCR reduction.
- The expense sensitivity hits the solvency position immediately as the increase in future expenses and inflation is capitalised into the balance sheet. Only a proportion of the sensitivity relates to inflation and is based on a 1% per annum increase above our assumed inflation rate. This is assumed to happen in isolation so does not recognise the compensating impact of moves in other variables.
- 9 This sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.

IFRS

IFRS profit before tax of £20.8m with strong divisional performance overall



ANALYSIS OF MOVEMENT

- The IFRS results reflect the natural dynamics of the group, which can be characterised in three major components: stable core; variable element; and growth operation
- Divisional pre-tax profits were ahead of expectations for the period, with a particularly strong contribution from the UK business.
- Operating profits of £28.3m underpin the result and reflect a material uplift on prior year result, though a large element of this was a release of reserves (c£10m) in Scildon.
- A small loss on economic activities was reported, whereby returns in the UK (due to rising interest rate yields) and Movestic (equity growth) have been off-set by the adverse impact of interest rate movements in the Dutch divisions.
- Total comprehensive income includes foreign exchange losses on translation of the Dutch and Swedish divisional results, owing to sterling appreciation against the euro and Swedish krona.

DIVISIONAL PERFORMANCE

- CA reported a strong result for the period, underpinned by both investment market related profits and operating profits in the period.
- Scildon a relatively strong IFRS result, which includes the reversal of the
 additional reserves of circa £10m, which were required in 2020 and arose
 from the liability adequacy test biting. This positive return has been offset by
 negative investment value growth arising from increases in interest rates.
- Movestic continues to contribute positively to the overall group IFRS result, with profits slightly ahead of the same period in the prior year. Positive investment returns, strong claims development and reduced operational expenses produced a favourable result year to date.
- Waard reflects economic losses arising from rising yields in the period.
 Whilst rising yields are generally good for the business, under IFRS 4
 reserving methods in the Netherlands, liabilities do not generally reduce in a
 rising yield environment, but the associated backing assets tend to fall. Also
 incurred slightly higher than expected acquisition related expenditure, which
 includes costs in relation to the purchase of the life insurance portfolio from
 Brand New Day.

	6 montr	ns enaea
	30 Jun 21	30 Jun 20
	£m	£m
CA	15.0	0.4
Movestic	6.7	4.0
Waard Group	1.3	(0.2)
Scildon	6.0	7.2
Chesnara	(5.1)	(5.8)
Consolidation adjustments	(2.8	(14.7)
Post completion loss on portfolio acquisition	(0.1)	-
Profit/(loss) before tax	20.8	(9.1)

6 months anded

DELIVERY AGAINST STRATEGIC OBJECTIVES

FINANCIAL OUTCOMES

OPERATIONAL DELIVERY AND TRANSITION

CUSTOMER OUTCOMES

ACQUISITIONS

NEW BUSINESS

INVESTMENT RETURN



We have continued to deliver successful operational change across all divisions

Countrywide Assured

Movestic



Scildon and Waard



Continued to meet the needs of our customers and support our staff during the ongoing Covid-19 pandemic

Received approval from the PRA for the use of the Volatility Adjustment

Changes implemented to allow customers to contact us in new ways

Operational resilience programme has continued and will support our return to the office in O4

Well positioned for the transition from LIBOR to SONIA for discounting insurance liabilities under Solvency II. This is expected to have an adverse impact of c£5.9m in the second half of 2021

Expansion of direct distribution capacity

Work has continued on diversifying the channels used to distribute the division's products

Significant expansion in custody accounts distribution

Ensuring appropriate **retention activities** in place

Migration and integration of the portfolio acquired from Brand New Day

Introduction of a new product with our white labelling partner Dazure

Launch of our Group Pension offering into the Dutch market with a conversion from our old system. Additional releases planned for the second half of the year

Agreed **reduced capital buffers** in Waard

Good progress with the group-wide IFRS 17 implementation programme, implementing our CSM tool and commencing our dry run cycle

DELIVERY AGAINST STRATEGIC OBJECTIVES

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INVESTMENT RETURN



Customers are central to our strategy and their fair treatment across the group is a key priority

Supporting customers through the pandemic

We continue to ensure that the ongoing needs of customers are met, including the swift payment of Covid-19 death claims. We are now starting the transition back to the office.

Creating financial security now and in the future

We are a financially secure group that provides the agreed standards of products and services as shown by our solvency position and customer service levels throughout 2021

Customers and their outcomes

Providing responsible and sustainable investment choices

We continue to develop a wider range of investments to ensure that customers can choose sustainable options. Our investment product in the Netherlands combines this with an easy digital application

Broader and improved methods of communication

We have continued to enhance our digital offering to ensure that we communicate with customers in the manner in which they want, whilst maintaining vitally important existing methods

Enhanced propositions

We launched a new group pension system in the Netherlands that will provide greater capabilities to our customers to manage their product

DELIVERY AGAINST STRATEGIC OBJECTIVES

FINANCIAL OUTCOMES

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CUSTOMER OUTCOMES

ACQUISITIONS

NEW BUSINESS

INVESTMENT RETURN

ACQUISITIONS

We are continually assessing opportunities for growth through well considered and appropriately priced acquisitions

Growth potential

Acquisitions

New business

Investment return above risk free

Criteria Cumulatively our future acquisitions must be suitably cash generative to continue to fund the Chesnara Cash generation dividend strategy Acquisitions are required to have a positive impact on the Economic Value per share under best estimate and Value enhancement certain more adverse scenarios Customer Acquisitions must ensure that we protect, or ideally enhance, customer interests outcomes Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside Risk appetite our risk appetite, the financial returns must be suitably compelling

Track record



Completed three acquisitions in addition to the original Countrywide Assured business acquired on inception of the group



Entered the market in 2015 and have completed five acquisitions

2021 saw the completion of the acquisition and successful migration of the Brand New Day portfolio.

The acquisition adds £3.4m of incremental value and takes the cumulative incremental value growth from acquisition over the last two years to c£15m.

Outlook

- We have an increased level of optimism that appropriate opportunities exist across the UK and Europe
- We will also see further opportunities for portfolios that can add to EcV and cash generation in the short term
- We have immediate funding capacity of c£120m before the need to raise Tier two or fresh equity
- Our leverage ratio remains low at 6.1% vs peers at c25-30%
- M&A is a very important part of our strategy

DELIVERY AGAINST STRATEGIC OBJECTIVES

FINANCIAL OUTCOMES

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ACQUISITIONS

NEW BUSINESS

INVESTMENT RETURN

NEW BUSINESS

Commercial new business profits of £6.6m replace 40% of the reduction in EcV caused by the dividend payments in the year on an annualised basis

Growth potential

Acquisitions

New business

Investment return above risk free

		Commercial value of new Incremental long business generation		Total po		licies in force	
	6 months to 30 June 2021	6 months to 30 June 2020	6 months to 30 6 months to 30 June 2021 June 2020		30 June 2021	31 December 2020	
Scildon	£3.9m	£5.0m	£7.1m	£8.4m	210k	203k	
Movestic	£2.7m	£1.7m	£5.5m	£4.2m	330k	365k	
Total	£6.6m	£6.7m	£12.7m	£12.6m			

Key messages

Scildon

Consistent commercial new business profits. Market shares have stabilised at the increased levels we achieved towards the end of 2020, illustrating the attractiveness of the Scildon Term Life proposition

Both Scildon and Movestic continue to generate positive VNB, and with policy growth and underlying market share, they are well positioned to take advantage of expected market recoveries

Movestic

We have developed our custody product in our Swedish business.
Reduction in policy count primarily relates to life and health policies which are not part of the Economic Value

DELIVERY AGAINST STRATEGIC OBJECTIVES

FINANCIAL OUTCOMES

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CUSTOMER OUTCOMES

ACQUISITIONS

NEW BUSINESS

INVESTMENT RETURN



Investment return is an important source of value growth and has provided substantial EcV gains of £73.0m in the period

Acquisitions

One of the control of

- Own Funds and Economic Value are both calculated assuming risk free returns
- Although real world returns are not necessarily smooth, the long-term steady state expectation is that returns and hence value growth will exceed risk free
- For large unit linked portfolios in particular, this expectation of real world returns creates a source of value growth not recognised in closing valuations
- Although there has been significant economic volatility over recent years, Chesnara's total EcV has benefitted from the cumulative impact of investment performance



The group is well positioned to continue to provide value to policyholders and shareholders

- Closed book cash generation, adjusted for the symmetric adjustment, gives 132% dividend coverage on an annualised basis
- Scildon surplus recovery creates improved dividend potential
- Equity growth has suppressed headline cash result in the period but has enhanced the outlook for future cash
- Pre-dividend increase in economic value of £14.2m, with all recurring growth sources making positive contributions
 - ✓ New business
 - √ Acquisitions
 - √ Real world returns
- Record level of assets under management of £8.7bn

 Remained active in Dutch acquisition market, established a new revolving credit facility and we have a positive assessment of market opportunities



ENHANCED LINE OF SIGHT TO FUTURE CASH



RECURRING VALUE
GROWTH SOURCES ARE
POSITIVE





IMPROVED OPTIMISM FOR FUTURE DEALS







FINANCIAL REVIEW: THE SYMMETRIC ADJUSTMENT

What is the symmetric adjustment?

A key element in the stability of the group's solvency is the symmetric adjustment. The Solvency II capital requirement calculation, when driven by the standard formula, includes an adjusting factor that reduces or increases the level of the equity capital required to be held depending on historical market conditions. Following periods of market growth, the factor tends to increase the level of capital required and conversely, in falling markets the capital requirement becomes less onerous. The adjustment is applied to the equity stress base percentage each reporting period. The rationale for the adjustment is to reduce the impact in a downwards market and reflect that if equities have already suffered a material fall, then a further 1-in-200 year fall would be less than in the typical position. As a business with a high level of unit-linked business, Chesnara benefits significantly from this mechanism.

How might the symmetric adjustment impact results in the future?

The symmetric adjustment can create a swing in the SCR value each period up to an adjustment of \pm -10%. If you are at one of the extremities of that range, then subsequent movement is more likely in one direction. For example if the adjustment is at \pm 9%, the maximum swing in the adjustment is \pm 1% or \pm 19%.

Who sets the symmetric adjustment?

The adjustment is set by the European Insurance and Occupational Pensions Authority (EIOPA) for the overseas divisions and by the PRA for Countrywide Assured. The adjustment is provided each month and is calculated on a rolling three year basis. The adjustment tends towards zero in a period of normal equity market movements but as it is calculated using a rolling average, a period of minimal movement can still see a shift in the adjustment. This information is publicly available on the EIOPA and PRA websites.



FINANCIAL REVIEW: MEASURING OUR PERFORMANCE

Throughout the Report & Accounts and this presentation, we use measures to assess and report our performance.

The range of measures is broad and includes many that are not based on IFRS.

The financial analysis of a life and pensions business also needs to recognise the importance of Solvency II figures, the basis of regulatory solvency.

FINANCIAL ADDITIONAL METRICS **STATEMENTS** Solvency II valuation **IFRS** net assets **Capital requirements** (own funds) Solvency SCR plus capital management requirement buffer **Economic Value** R Solvency **IFRS** profits В **Balance Earnings** sheet **Absolute STAKEHOLDER FOCUS:** Policyholders Investors Regulators **New business** Cash generation **Business partners** EcV Commercial Key performance Group **Divisional** Basis Basis indicators

SOLVENCY

Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold. Solvency can be reported as an absolute surplus value or as a ratio.

Solvency gives policyholders comfort regarding the security of their provider. This is also the case for investors together with giving them a sense of the level of potential surplus available to invest in the business or distribute as dividends (subject to other considerations and approvals).

ECONOMIC VALUE (EcV)

Economic Value (EcV) is deemed to be a more meaningful measure of the long term value of the group and it generally approximates to Embedded Value reporting. In essence, the IFRS balance sheet is not generally deemed to represent a fair commercial value of our business as it does not fully recognise the impact of future profit expectations from long term policies.

New business

An element of the EcV earnings each period is the economic value of new business. Factoring in the real world investment returns and removing the impact of risk margins is used by the group to determine the value of new business on a commercial basis.

CASH GENERATION

Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.

Group cash generation is calculated as the movement in the group's surplus own funds above the group's internally required capital.

Divisional cash generation represents the movement in surplus own funds above local capital management policies within the three operating divisions of Chesnara. Divisional cash generation is used as a measure of how much dividend potential a division has generated, subject to ensuring other constraints are managed.



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

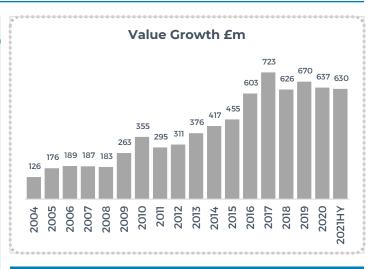
3 TERRITORIES

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.

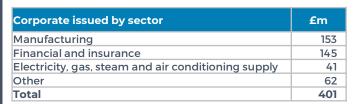
	June-21 (HY)	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16	Dec-15
IFRS profit £m (pre-tax)	20.8	24.6	96.1	27.0	89.6	40.7	42.8
EcV / EEV profit / (loss) £m (after tax) 1	38.5	(37.6)	104.0	(60.9)	139.5	72.5	57.5
EcV / EEV Shareholder equity £m 1	629.6	636.8	670.0	626.1	723.1	602.6	453.4
Solvency II ratio (UK) ³	142%	130%	131%	130%	130%	128%	135%
Solvency II ratio (Sweden) ³	139%	158%	155%	174%	153%	140%	154%
Solvency II ratio (Netherlands - Waard) ³	457%	438%	501%	624%	483%	712%	597%
Solvency II ratio (Netherlands - Scildon) ³	204%	178%	210%	203%	231%	n/a	n/a
Solvency II ratio (Group) 2,3	153%	156%	155%	158%	146%	158%	146%

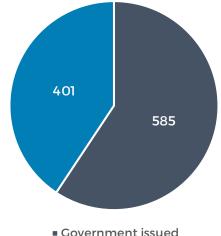
¹ From the 1st January 2016 we have moved from reporting on an embedded value basis to an economic value basis.

² December 2016 Group solvency includes the impact of the capital raise and associated costs for the acquisition of Scildon, removing this, the ratio is 144%.

³ All solvency ratios above are stated post dividend

Analysing the group's £986m of non-linked assets, 59% (£585m) is invested in government issued bonds and 41% (£401m) in corporate stock. The government issued bonds are spread over a number of countries and the corporate issued stock is spread across different sectors.





Corporate issued

Government issued by country	£m
Germany	127
France	117
Great Britain	113
Luxembourg	45
Netherlands	35
Belgium	32
Italy	30
Austria	29
Other	57
Total	585

	Corporate by credit rating						
300	256						
250							
200							
150							
100		60		72			
50	13				0		
0							
	AAA	AA	Α	BBB	BB		

INSIGHT

The group has £986m of non-linked debt securities.

82% of the corporate investments are in assets graded A or above and these investments are split across a range of sectors, with approximately three quarters invested in manufacturing and financial services.

Of the government-issued debt securities held, the top three are Germany, France and Great Britain respectively. In aggregate, these three countries cover over 60% of the total portfolio.

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