

*Strong cash generation,
robust solvency and growth*

FULL YEAR 2021 RESULTS

31 March 2022

Chesnara

OVERVIEW OF STRATEGIC DELIVERY

STEVE MURRAY, GROUP CHIEF EXECUTIVE OFFICER

DELIVERY AGAINST STRATEGIC PRIORITIES

DAVID RIMMINGTON, GROUP FINANCE DIRECTOR
STEVE MURRAY, GROUP CHIEF EXECUTIVE OFFICER

AREAS OF FOCUS, OUTLOOK AND SUMMARY

STEVE MURRAY, GROUP CHIEF EXECUTIVE OFFICER

PRESENTERS



Steve Murray

Group Chief Executive Officer
> 20 years of industry experience



Standard Life



David Rimmington

Group Finance Director
> 25 years of industry experience



OVERVIEW OF STRATEGIC DELIVERY

A photograph of a lighthouse on a rocky shore with a large circular graphic overlay. The lighthouse is black and white striped. The water is a mix of blue and green. The shore is rocky and covered in some vegetation. A large circular graphic, split into a light blue/green top half and a dark grey bottom half, is positioned over the lighthouse and water. The title text is in the top left, and the name and title are in the bottom left. A large white stone wall is visible on the right side of the image.

Steve Murray
Group Chief Executive Officer



2021 has seen continued delivery of strong cash generation, robust solvency & growth

Notes:

(1) Figures quoted are as at 31 December 2021

(2) Estimates based on average contributions expected over the medium term

(3) See appendix 1 for a further introduction to Chesnara

GROUP COMMERCIAL CASH GENERATION⁽¹⁾ OF £53M

GROUP CASH GENERATION OF £20M

CONTINUED ROBUST SOLVENCY AT 152%

STRONG ECONOMIC VALUE EARNINGS OF £58M

PRE FX AND DIVIDEND

PROPOSED 3% FINAL DIVIDEND INCREASE

COMMERCIAL NEW BUSINESS PROFITS OF £10M

IFRS PRE-TAX PROFITS OF £29M

Notes:

(1) Definition of commercial cash generation on page 10

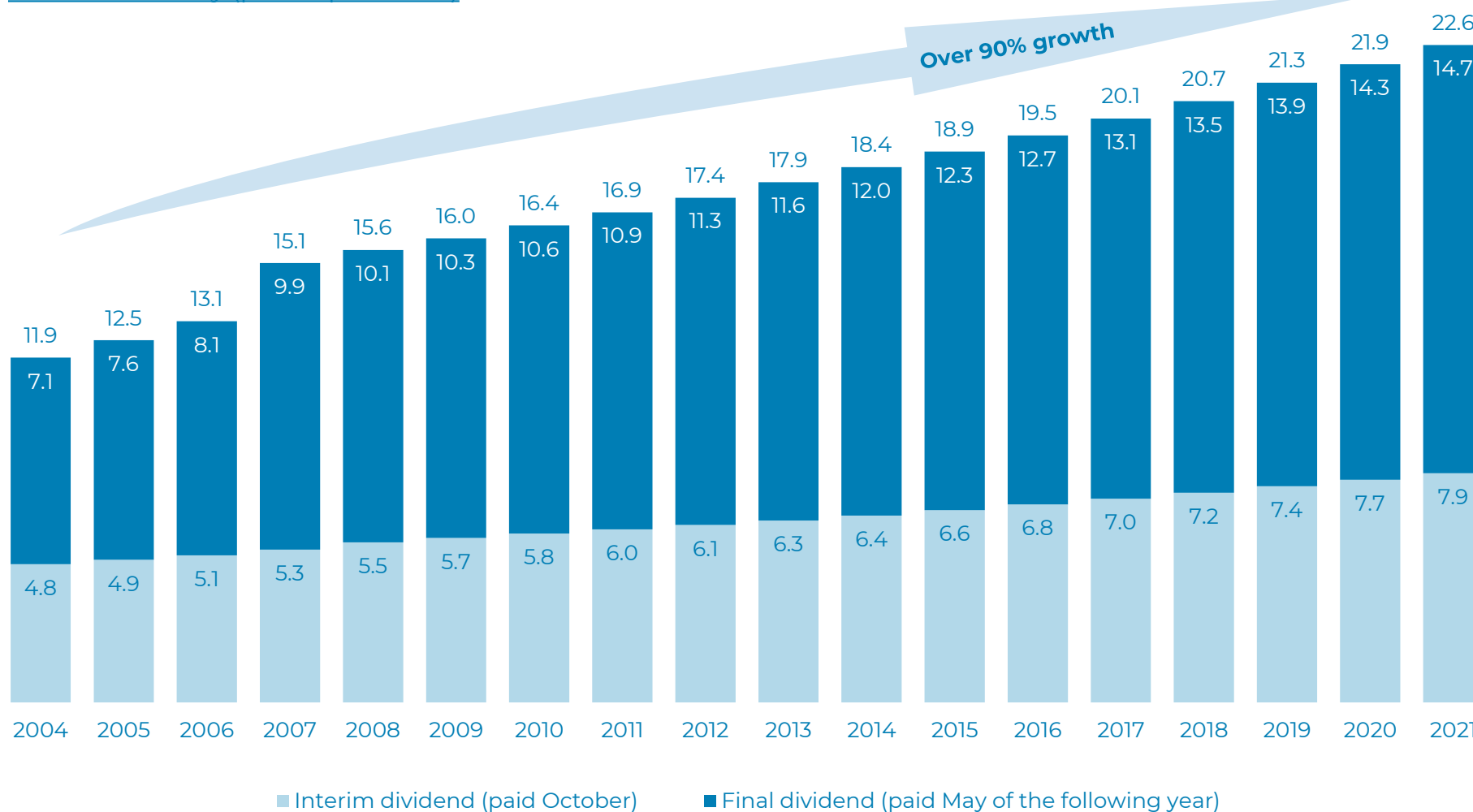
What have we done ⁽¹⁾	
01	<p>MAXIMISE VALUE FROM EXISTING BUSINESS</p> <ul style="list-style-type: none"> • Strong underlying cash generation and EcV growth • We have continued our dividend strategy of growth, with a proposed 3% increase • Increased solvency absolute surplus through management actions: UK annuity reinsurance (+£3.5m) and Dutch catastrophe risk reinsurance (+£3.4m) • Movestic unit linked transfers out have continued albeit the rate is slowing in Q4 2021 and into 2022 • Reduced Waard solvency buffer to 150% for dividend eligibility purposes • FUM up 7% to £9.1bn <p>ESG: Carbon 'net zero' for our direct operations and taken action to reduce our operational emissions across the Group</p>
02	<p>ACQUIRE LIFE AND PENSION BUSINESSES</p> <ul style="list-style-type: none"> • Acquisition of a portfolio of policies from Brand New Day completed - day 1 own funds gain of £2m • Announced two further acquisitions: Sanlam Life and Pensions UK Limited and Robein Leven N.V • Completed our inaugural Tier 2 debt raise of £200m, providing financial flexibility for future M&A⁽²⁾ • Announced key new personnel hires to enhance our expertise in the M&A market <p>ESG: We have updated our acquisition criteria to include ESG considerations</p>
03	<p>ENHANCE VALUE THROUGH NEW BUSINESS</p> <ul style="list-style-type: none"> • Total commercial VNB of £9.6m for 2021 • Long term incremental cash generation of £18.6m • Increased demand for our Swedish custodian business • Increasing market share in the Scildon term assurance business and further investment made in pensions systems <p>ESG: Development of responsible and sustainable investment solutions in Movestic</p>
<p><i>Strong commercial cash generation with actions taken to support the longer term growth strategy</i></p>	

Notes:

(1) See appendix 3 for more information on operational delivery over the course of 2021

(2) See appendix 6 for more information on the Tier 2 debt raise

Dividend History (pence per share)



The strength of our business model has enabled us to increase our dividend by 3%; and we have strong line of sight to future cash generation

ACQUISITIONS

During 2021, we announced two acquisitions: Sanlam Life and Pensions UK Limited and Robein Leven NV. Completion activities for these two acquisitions have continued during 2022 and we expect to finalise them in Q2 2022.

In total they are expected to **add £13m of EcV** to the group.

The acquisitions are also expected to **add approximately £6m⁽¹⁾ of cash generation** to the group's ongoing annual result.

ISSUANCE OF £200M OF TIER 2 DEBT

In February 2022, the group issued £200m of Tier 2 debt at a rate of 4.75%. This marks the group's inaugural raise and will enhance our position in the M&A market.

UKRAINE

The war in Ukraine is significant in driving near term market volatility and inflation pressure. Chesnara stands with the Ukrainian people and have donated a total of £50k across the Group to charities supporting them.

SOLVENCY IMPACT

Pro forma Solvency II ratio at the end of 2021, including the **acquisition impacts and the Tier 2 debt** imply expected rise from 152% to **182%**. Recent market volatility has had no significant impact on solvency.

Recent activity will provide additional cash generation, EcV and wider flexibility to support further strategic activity, including M&A

Notes:

(1) Estimates based on average contributions expected over medium term

DELIVERY AGAINST STRATEGIC PRIORITIES

A photograph of a white lighthouse with a dark green upper section, situated on a rocky shore. A large, semi-transparent circular graphic is overlaid on the image, with the title text centered within it. The background shows a clear sky and some coastal vegetation.

David Rimmington

Group Finance Director

Steve Murray

Group Chief Executive Officer

FINANCIAL OUTCOMES

CASH GENERATION

SOLVENCY

IFRS

GROWTH

ESG STRATEGY AND DELIVERY

CUSTOMER OUTCOMES

Financial performance		2021	2020
Dividends	Dividends per share ⁽¹⁾	22.60p	21.94p
Cash	Commercial cash generation ⁽²⁾	£53.0m	£27.7m
	Group cash generation	£20.3m	£27.7m
Economic value	Economic value earnings ⁽³⁾	£20.7m	(£0.9m)
IFRS	Profit before tax	£28.8m	£24.6m
New business	Commercial new business profit	£9.6m	£10.5m
	Incremental long term cash generation ⁽⁴⁾	£18.6m	£20.7m

Financial position		31 December 2021	31 December 2021 pro forma ⁽⁵⁾	31 December 2020
Solvency	Solvency ratio	152%	182%	156%
	Solvency surplus	£190.7m	£344.1m	£204.0m
Economic value	Economic value	£624.2m	£636.9m	£636.8m
	Economic value per share	£4.16	£4.24	£4.24
Assets	Assets under management	£9.1bn	£12.3bn	£8.5bn
Leverage	Leverage ratio ⁽⁶⁾	6.4%	30.4%	7.4%

Financial stability during the year combined with a clear expectation of future divisional dividends means we continue our dividend strategy of growth

Notes:

- (1) Dividends per share represent those paid/declared/proposed in relation to that year
- (2) The commercial cash metric removes the following items from underlying cash generation: symmetric adjustment, with profits fund restrictions; acquisition activity impacts; model changes and an adjustment in respect of the transition from LIBOR to SONIA. See the financial statements (section E) for more information on the basis of preparation for commercial cash
- (3) Economic value earnings include the impact of foreign exchange
- (4) Incremental long cash generation from new business represents the gross margin of commercial new business
- (5) Unaudited pro forma figures are the 31 December 2021 with the estimated pro forma acquisition impacts and Tier 2 debt impact included
- (6) Estimated Fitch leverage ratio: debt divided by debt plus equity
- (7) See appendix 4 for more information on the financial measures and appendix 9 for historical financial performance headlines

FINANCIAL OUTCOMES

CASH GENERATION

SOLVENCY

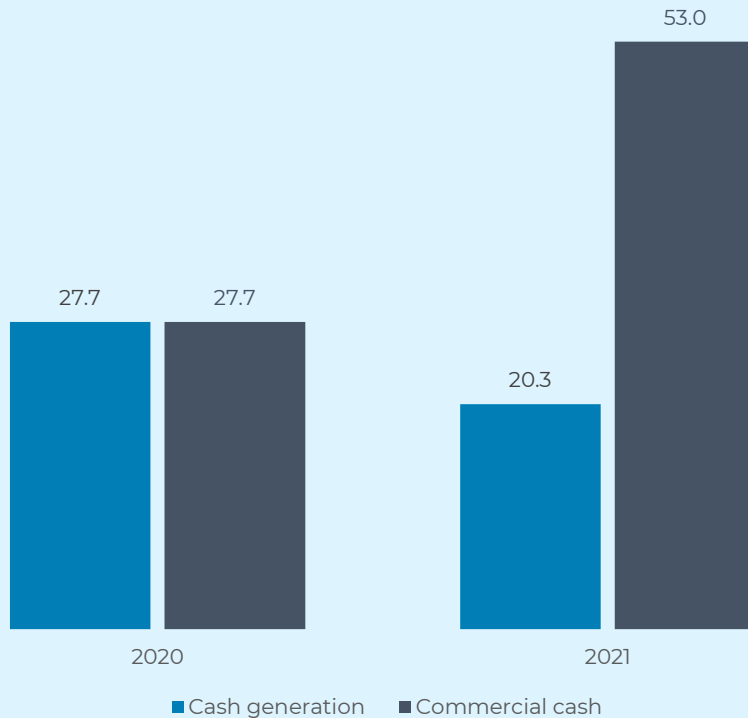
IFRS

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CUSTOMER OUTCOMES

Cash generation - total and commercial (£m)



Group cash generation of £20.3m which includes the temporary adverse impact of the symmetric adjustment (£26m) and FX losses of (£14m).

Looking through the symmetric adjustment and other less material technical impacts, **commercial cash⁽¹⁾ of £53.0m**.

All divisions have delivered positive levels of commercial cash illustrating the ongoing inherent **cash generative nature** of the businesses.

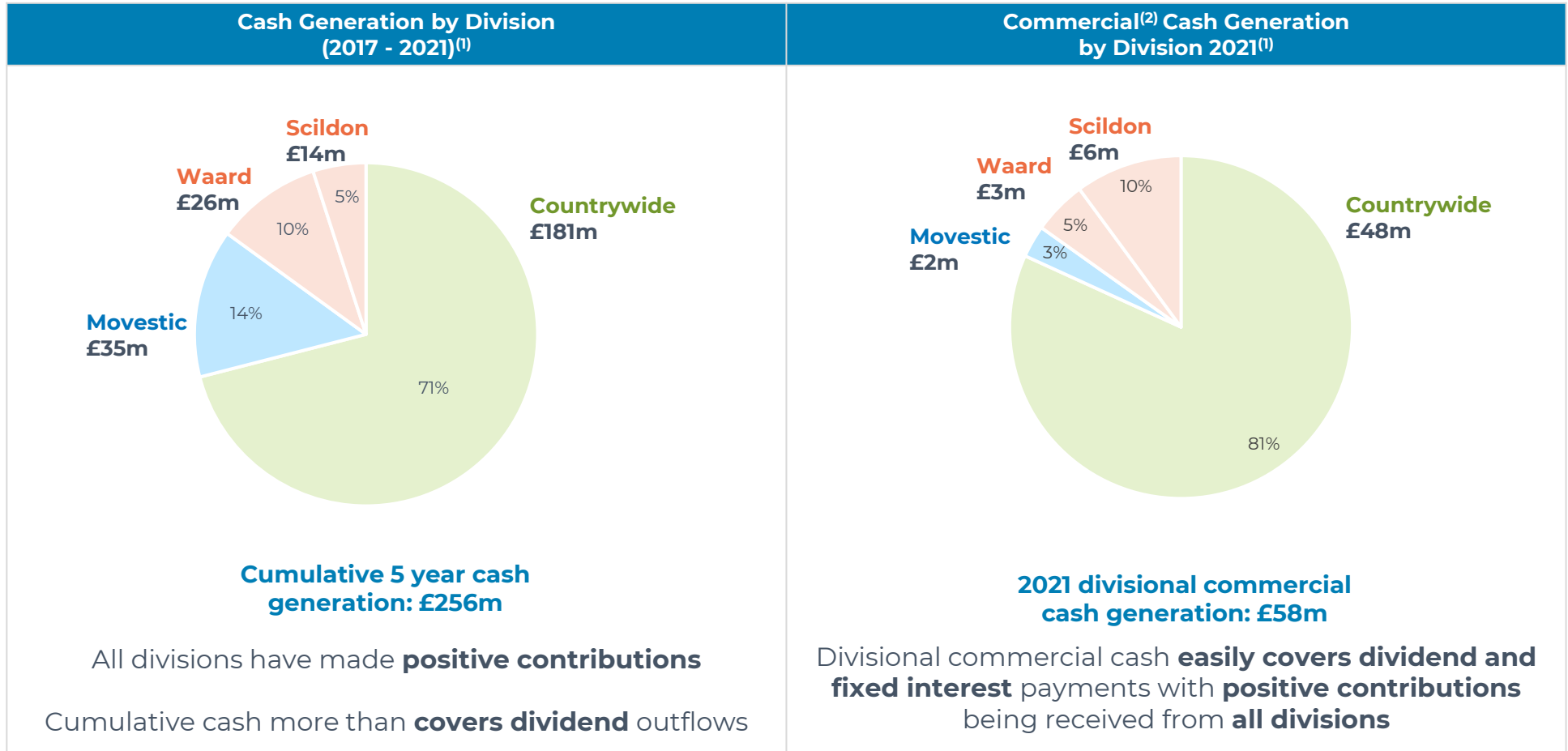
The commercial cash to dividend ratio is **156%**.

The movement in commercial cash against total cash generation between 2020 and 2021 is largely driven by the movement in symmetric adjustment⁽²⁾ (£1m in 2020 vs £26m in 2021).

We have generated significant commercial cash of £53m

Notes:

- (1) The commercial cash metric removes the following items from underlying cash generation: symmetric adjustment, with profits fund restrictions; acquisition activity impacts; model changes and an adjustment in respect of the transition from LIBOR to SONIA. See the financial statements (section E) for more information on the basis of preparation for commercial cash.
- (2) See appendix 5 for more detail on the commercial cash calculation for 2021.



All divisions make positive contributions and group cash generation has more than covered the shareholder dividend

Notes:

- (1) Split of cash generation is shown gross of "Other group activities" (i.e. central costs) and the one off impact relating to the acquisition of Scildon in 2017. To note, this is underlying cash generation, not commercial cash.
- (2) The commercial cash metric removes the following items from underlying cash generation: symmetric adjustment, with profits fund restrictions; acquisition activity impacts; model changes and an adjustment in respect of the transition from LIBOR to SONIA. See the financial statements (section E) for more information on the basis of preparation for commercial cash.

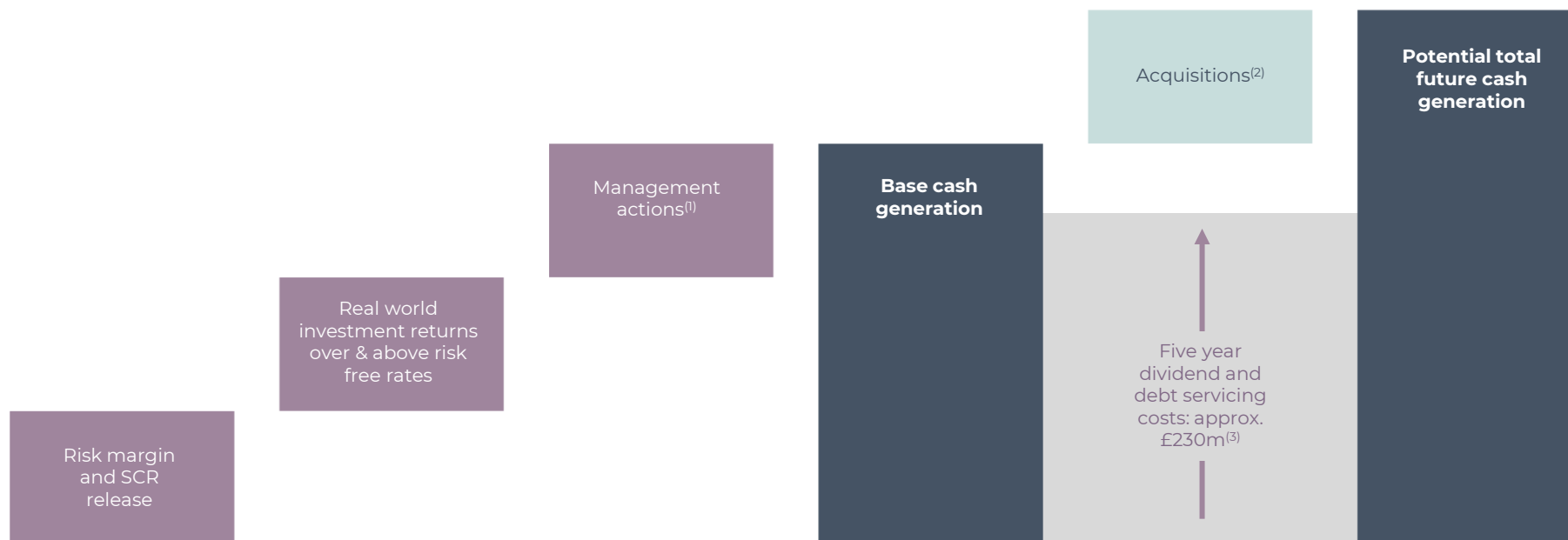
CASH GENERATION: STRONG VISIBILITY ON SOURCES OF FUTURE CASH



Sources of future cash generation composition (5 year estimate)

Risk margin and SCR run off coupled with real world investment returns over and above risk free rates **cover the majority** of the cost of **fixed interest and estimated dividend payments**. Including management actions, we have **excess cash** potential over and above expected outflows. We expect new business to generate cash over the longer term, but remain broadly neutral in the 5 year outlook..

The medium term cash impact of acquisitions depends on the specifics of each deal. Over the longer term, acquisitions will be cash generative. Including this impact, the excess cash increases, **supporting longer term value growth.**



We have a strong line of sight to sources of cash generation that more than cover our estimated cumulative dividend and debt servicing costs over our 5 year planning horizon. **EcV provides coverage for 18 years of dividend⁽⁴⁾**

Notes:

- (1) Management actions are not drawn to scale, as by nature, they can be 'lumpy'. But the bar indicates that we have a positive line of sight to further management actions that we can take.
- (2) Given their uncertainty, acquisitions are not drawn to scale.
- (3) Dividend cost is based on historical growth levels which are then rolled forward. The board will review our approach to dividend each year deciding on what an appropriate level is.
- (4) This metric is calculated as 2021 closing EcV divided by 2021 foreseeable total dividend cost

FINANCIAL OUTCOMES

CASH GENERATION

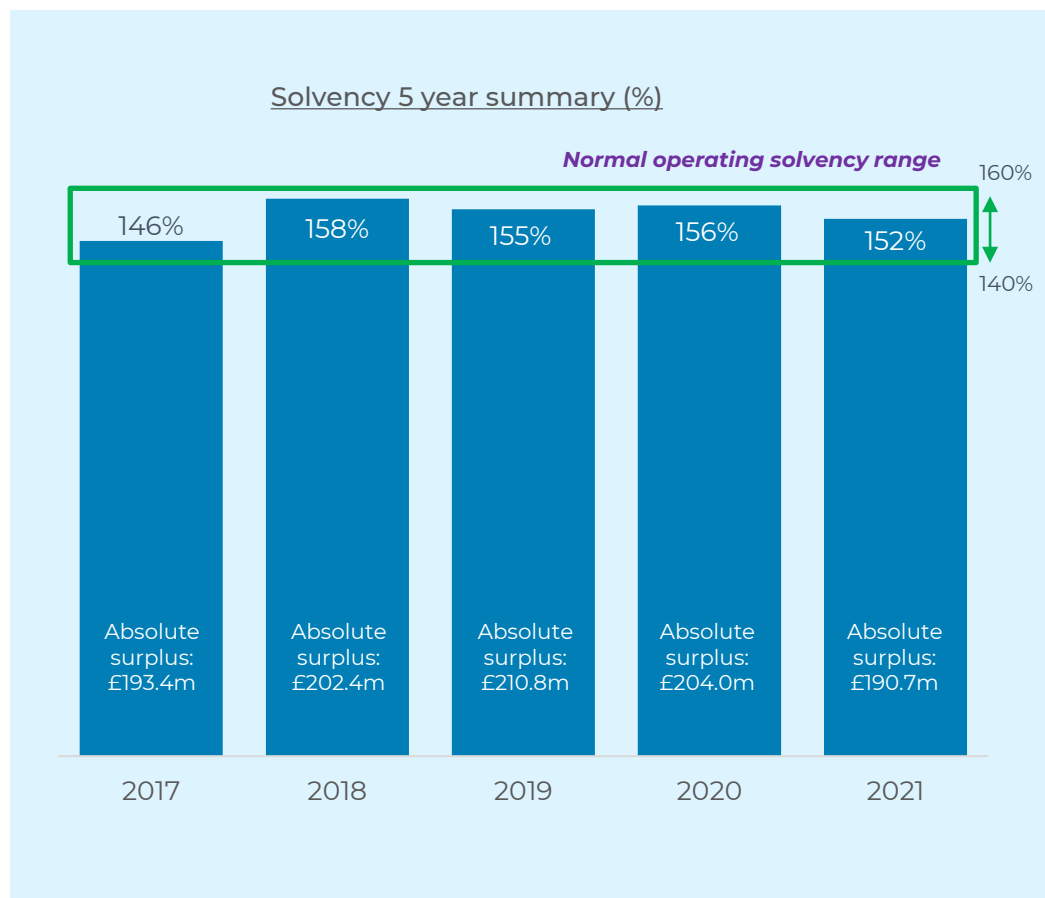
SOLVENCY

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CUSTOMER OUTCOMES



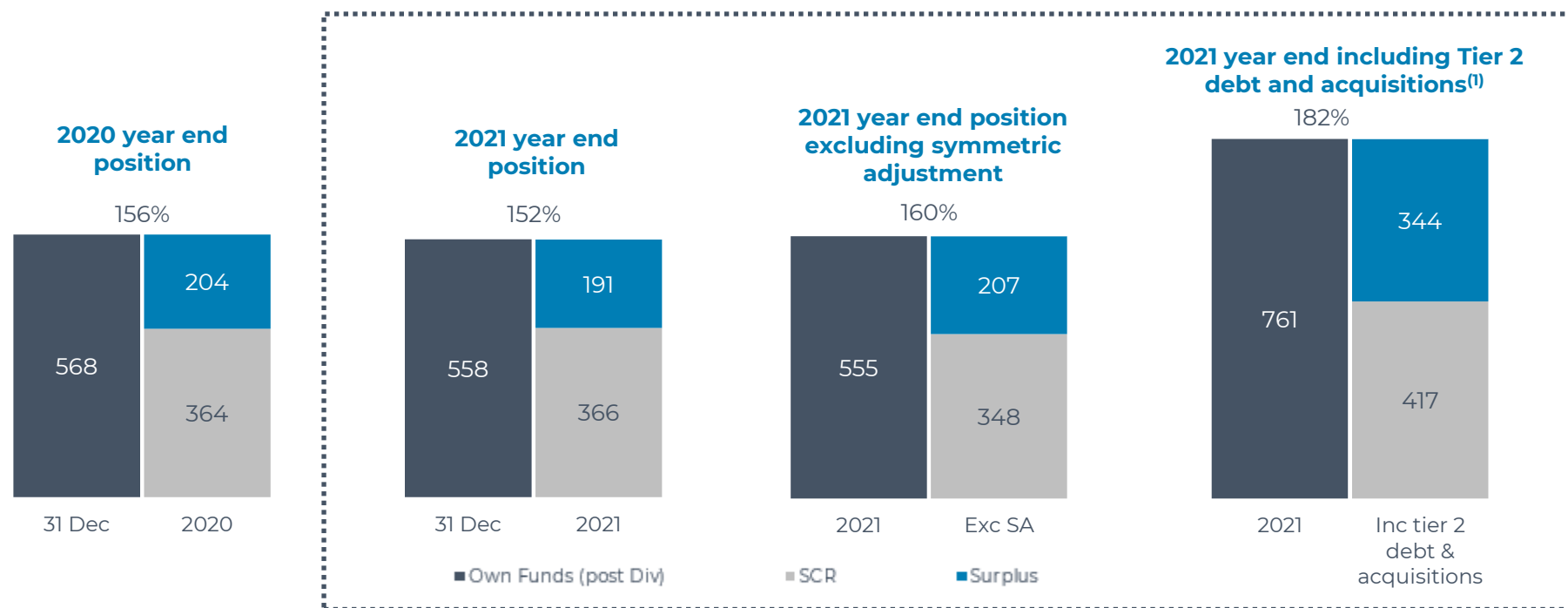
Chesnara continues to provide a **strong** and **stable** solvency performance, enhancing our capability to continue with our renewed focus on M&A, supported by a closing 2021 solvency ratio of 152%. This result **does not include the use of any transitional measures⁽¹⁾**.

The group's preferred solvency operating range is between **140% and 160%**, and the performance over the last 5 years is comfortably within that bracket.

Chesnara has a demonstrable track record of delivering strong and stable solvency levels within our preferred operating range

Notes:

- (1) As part of the Solvency II regime, transitional measures were permitted to allow organisations to spread the impact of the transition. We do not take advantage of these transitional measures but do use the volatility adjustment, which is another element of the long term guarantee package for Solvency II, in our Dutch and UK operations.
- (2) See appendix 8 for sensitivity analysis of the 2021 results



- Own funds has dropped between 2020 and 2021 by £10m, and SCR has increased by £3m, although, if the impact of the symmetric adjustment is removed from the 2021 position, SCR actually reduces by £16m between the two years.
- If the impacts of the symmetric adjustment are excluded, SCR reduces by c£19m from £366m to £348m, and the solvency ratio increases by 8% to 160%. There is also a small drop on own funds in respect of the impact on the with-profits funds.
- In 2022, the group has raised £200m of Tier 2 debt and is progressing the two acquisitions that were announced in 2021 (Sanlam and Robein). If the impact of these items are included, the solvency ratio increases to 182% and absolute surplus to £344m.
- Tier 2 debt is more capital efficient due to its treatment under Solvency II compared to senior debt and post the acquisition of Sanlam, we will fully utilise the SCR allowance. More information is available on appendix 6.

The group continues to be well capitalised with financial flexibility for further M&A

Notes:

(1) More information on the impact of the symmetric adjustment can be found in the financial statements including an explanation of the basis of preparation which can be found in section E.

(2) The impact of the acquisitions is based upon latest information available at the time of writing this report.

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GROUP 2021 MOVEMENT

IFRS result breakdown	2021 £m	2020 £m
Operating activities	40.7	30.6
Economic activities	(11.8)	21.2
AVIF impairment	-	(27.6)
Portfolio acquisition impact	(0.1)	0.4
Profit before tax	28.8	24.6
Tax	(1.5)	(3.4)
Profit after tax	27.3	21.2
Foreign exchange	(23.9)	22.6
Other comprehensive income	0.4	(0.5)
Total comprehensive income	3.8	43.3

Operating profits include a release of reserves (c£10m) in Scildon.

The loss on economic activities arises mainly from the adverse impact of interest rate movements on the value of Scildon investments.

Total comprehensive income includes significant foreign exchange losses.

Our IFRS 17 programme continues to progress in line with plans and 2022 will be a key year as we move through our cycle of testing and dry runs.

DIVISIONAL PERFORMANCE

Countrywide Assured (CA) – strong emergence of operating profits in the year and positive economic returns.

Movestic – positive result reflects higher fund rebates and fees as a result of higher FUM, together with positive claims experience.

Scildon – adverse investment return movements, as rising interest rates have had a negative impact on investment values. Also higher than anticipated project spend being incurred.

Waard – weaker investment performance due to market volatility.

	2021 £m	2020 £m
Countrywide Assured	35.6	35.7
Movestic	12.1	12.9
Scildon	(0.5)	14.6
Waard	-	4.1
Chesnara & consolidation adjustments	(18.4)	(42.6)
Profit before tax	28.8	24.6

IFRS profit before tax increased in 2021 and our plans for IFRS 17 are well progressed

FINANCIAL OUTCOMES

CASH GENERATION

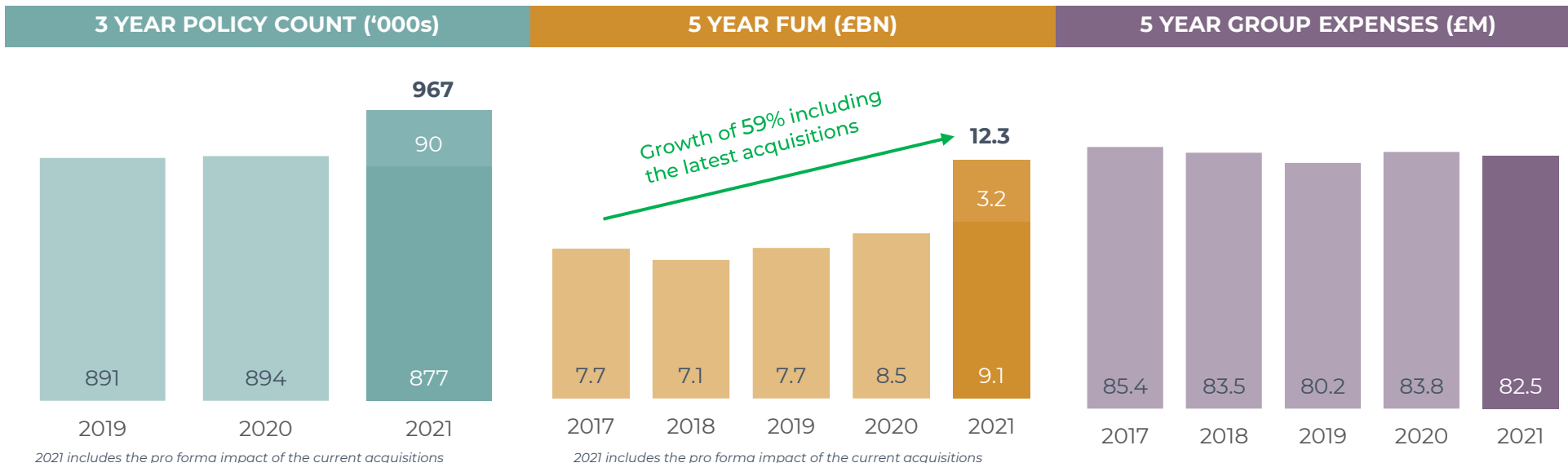
SOLVENCY

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Policy growth between 2019 and 2021 including pro forma acquisition impacts of **9%**

Excluding the impact of the recent acquisitions (Sanlam and Robein Leven), we have completed 3 acquisitions between 2019 and 2021, which have added c60k of policies, which has largely offset the natural run off from our closed books in the same period.

FUM is taken as the total value of financial assets on the balance sheet.

Including the pro forma balance for the **acquisitions, FUM** is estimated to have risen by 59% between 2017 and 2021, **a rise of £4.6bn.**

Despite a rising policy count and increasing FUM, the group has **maintained a steady cost base**, with a small reduction of £3m (3%).

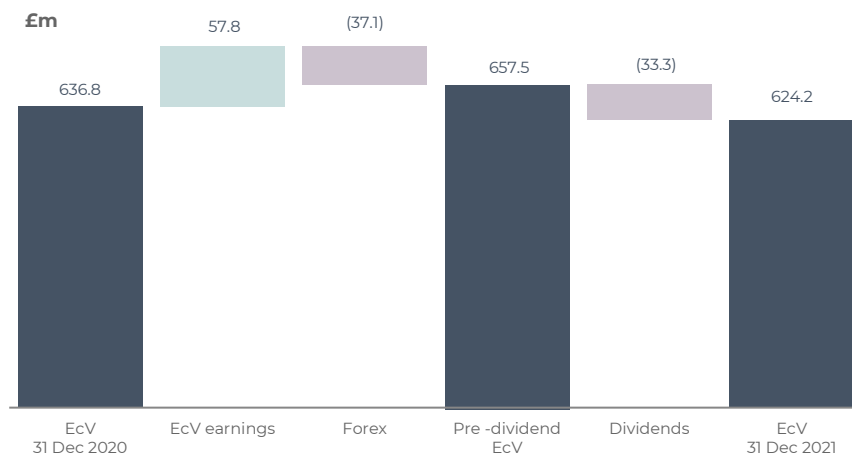
The chart does not include any estimates of the ongoing costs of Sanlam and Robein.

Despite being largely a closed book, Chesnara is growing in terms of policies and FUM, whilst maintaining a flat cost base

Notes:

(1) See appendix 7 for more detail on the non linked asset portfolio.

ECV MOVEMENT IN 2021



EcV is calculated assuming risk free returns on shareholder and policy holder assets. Over time, we expect average returns in excess of risk free and this is a key element of the Chesnara growth model.

In 2021, we have seen strong EcV growth (pre-dividend and FX impacts) of £58m largely driven by the performance from CA and Movestic.

There have been FX losses of £37m in 2021 as a result of the pound strengthening against the euro and SEK.

The result contains operating losses, largely as a result of the transfer market in Sweden and in Scildon relating to IT system investment.

ECV EARNINGS

CA – contribution of £28m driven by positive economic experience.

Movestic – earnings of £26m, which is largely driven by positive investment returns offset in part by the impact of a non recurring material operational strain. The strain of £29m is largely as a consequence of assumption changes in relation to dynamics around policy transfers.

Scildon – earnings of £6m compared to a loss in 2020, driven by a rise in interest rates, increased spreads and equities. The economic performance offsets operating losses incurred in the year.

Waard – reported earnings of £2m with modest operating earnings supported by economic profits arising from investment market conditions.

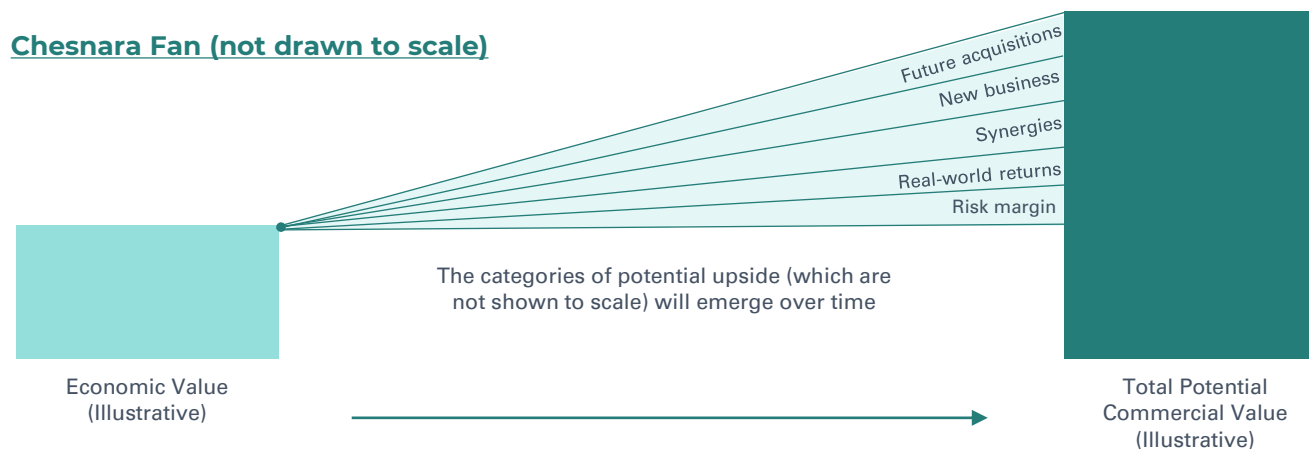
	2021 £m	2020 £m
Countrywide Assured	28.0	11.8
Movestic	26.1	(22.9)
Scildon	6.1	(13.4)
Waard	2.2	4.9
Other group activities	(4.6)	(18.0)
ECV earnings	57.8	(37.6)
Forex	(37.1)	36.7
Pre-dividend ECV earnings	20.7	(0.9)

We have grown EcV, excluding dividend and FX, by £57.8m

Notes:

(1) See appendix 8 for sensitivity analysis of the 2021 results

Chesnara's reported Economic Value does not recognise a number of further areas of potential future growth



COMMERCIAL VALUE AND CASH FLOW UPSIDE LEVERS

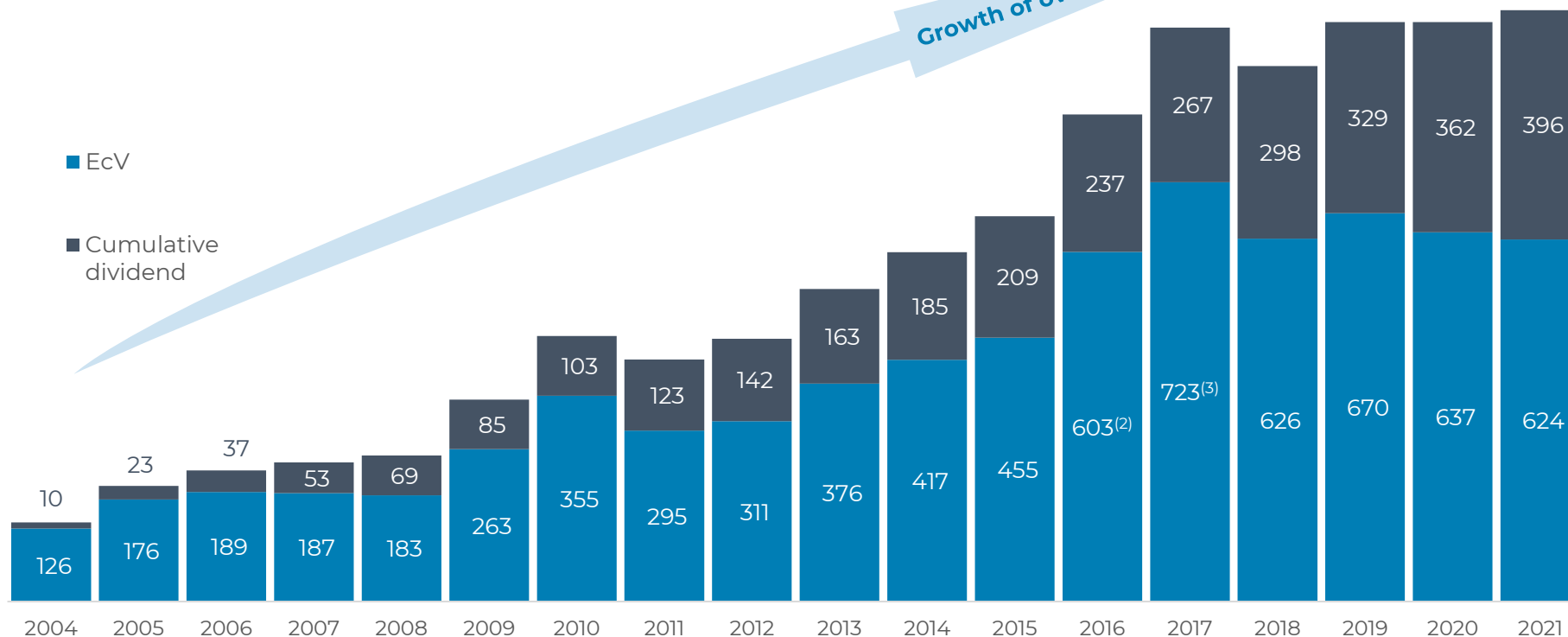
Over time, the most frequently achievable sources of additional upside are:

- Run-off of the risk margin included within EcV
- Real-world investment returns above risk-free rate
- Future expense synergies and capital efficiencies to be achieved from consolidation within existing markets
- New business opportunities
- Future acquisition activity

Chesnara has several levers available to support the delivery of further commercial and cash flow upside over the coming years

EcV Growth (£m)

Growth of over 648%⁽¹⁾



Over the last 5 years alone, underlying EcV (excluding the deduction of dividends and the impact of FX) has grown by 34%⁽⁴⁾

Notes:

(1) Growth metric excludes the deduction of dividends. On an EcV basis including the deduction of dividends, growth of 395%.

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

(3) The increase in 2017 was partly due to the acquisition of Scildon, which delivered a day 1 EcV gain of £65m. The decline in the following year (2018) was driven by the significant equity market falls seen in December 2018.

(4) The metric of 34% is calculated based on the following: opening EcV 2017 of £603m compared to closing ECV 2021 of £624m, plus cumulative dividends in the period and the cumulative FX impact (loss of £25m).



	Commercial value of new business		Incremental long term cash generation		Market share ⁽¹⁾	
	2021	2020	2021	2020	2021	2020
Scildon	£5.2m	£8.8m	£11.9m	£15.9m	16.1%	14.2%
Movestic	£4.3m	£1.6m	£6.7m	£4.8m	3.6%	4.5%
Total	£9.6m	£10.5m	£18.6m	£20.7m		

We continue to generate positive VNB despite challenging conditions, including the impact of the pandemic

Notes:
 (1) Market share for Scildon shown for the core term assurance product and for Movestic for the occupational pension products

Investment return is an important source of value growth and has provided substantial EcV gains of £110m⁽¹⁾ in the period



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**

We remain confident that over the long term, our asset portfolio will continue to deliver asset growth over and above that of risk free

Notes:

(1) Total investment growth is taken as the total economic earnings from the EcV calculation

The analysis below looks at the acquisitions of our three overseas divisions and compares the purchase price to the current EcV (with dividend and capital injections added back). It also considers what are the key drivers of that value growth since acquisition.

	£m	Movestic	Scildon	Waard	Total
	Purchase price	32.5	156.3	60.7	249.5
	EcV (net of divs and capital injections)	252.9	192.6	116.2	561.7
	Ratio of price to value	778%	123%	191%	225%
Value upside generators	Future expense synergies and capital efficiencies	✓✓	✓	✓	
	Run-off of the risk margin	✓	✓	✓✓	
	Investment returns	✓✓✓	✓	✓	
	New business	✓✓	✓✓		
	Acquisition activity/day 1 gain	✓✓	✓	✓✓	

Historical cash flows have been inflated to a 2021 value at a rate of 3.25% per annum, and FX rates are included at the prevailing rate in the year of transaction.

Movestic – Since 2017, Chesnara has received a consistent stream of dividends, following initial capital injections after the purchase in 2009. The purchase price compared to the EcV at the end of 2021 is substantial at almost 800% of the original investment.

Scildon – Scildon joined the group in 2017 and, since acquisition, the value of the division clearly outweighs the original investment.

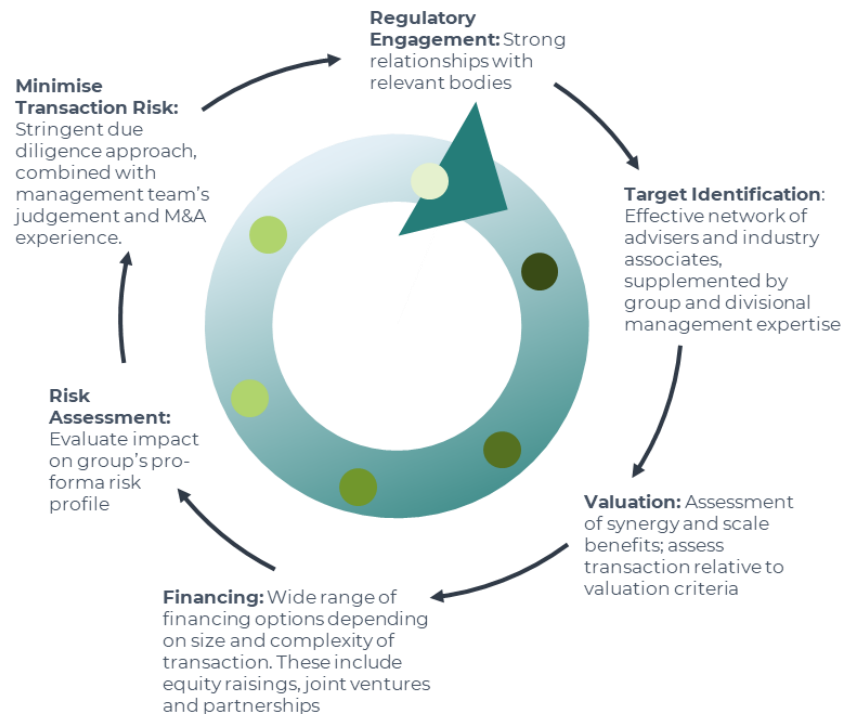
Waard – following the purchase in 2015, Chesnara has received a steady stream of dividends together with an increasing level of acquisition activity from Waard. The current value of the business excluding dividends is almost double the original investment.

It is important to note that the EcV in the tables above does not take into account any franchise value from the new business operations, which would further increase the commercial value of the open businesses.

The acquisition of our overseas divisions have all driven growth in excess of their purchase price, cumulatively at a price to value ratio of 225%



Key steps in our M&A process:



Our M&A assessment criteria:

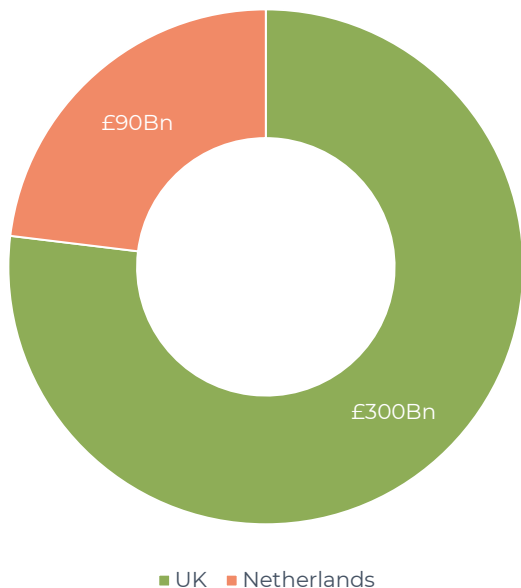
Criteria	Why this matters
Cash Generation	Collectively, acquisitions must be suitably cash generative to continue to fund the group's long-term cash requirements, including fixed charges and the progressive dividend strategy
Value Enhancement	Acquisitions are required to be accretive to Economic Value over the long-term, under both best estimate and certain adverse scenarios
Customer Outcomes	Acquisitions must ensure we protect, or ideally enhance, customer interests
Risk Appetite	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

See appendix 2 for more information on the recently announced acquisitions of Sanlam Life and Pensions UK Limited, and Robein Leven N.V.

We have a well-established M&A process and remained disciplined yet flexible in our approach

M&A Pipeline: Market Opportunity by Geography

Back-Book FUM by Geography, £Bn⁽¹⁾



It is estimated that approximately 80% of opportunities have FUM of £10bn to £50bn. The remaining 20% have FUM of less than £10bn.

Strategic Priorities

Deal size and financing

- Chesnara has been in a strong position to derive value from opportunities with <£10Bn of FUM
 - Usually less competition/ better value and lower execution risk
 - Likely to correspond to transaction values of c.£500m and below
- Fire power to fund a deal of over £100m from existing resources

Geographic Focus

- Primary focus on UK and Dutch markets currently
- Appetite to expand into further European markets depending on the opportunity

Business Mix

- Flexibility to accommodate wide product range
- Willingness to operate either open or closed if investment case supports

Our USPs

- ✓ UK listing and high standards of governance
- ✓ Positive and long standing relationships with multiple regulators
- ✓ UK and European operating platforms provide wider scope for range of portfolios and businesses with UK outsourcing model providing scalability
- ✓ Comfortable managing books of unit linked, life insurance, With Profit (WP) and individual annuities providing broad flexibility
- ✓ Broad range of transaction sizes
- ✓ Less likely to be a material competitor on new business than some other consolidators
- ✓ Flexibility on approach to managing assets / investment management
- ✓ Tier 2 debt and rating provide greater flexibility and confidence
- ✓ Long term owner of businesses with focus on stable longer term cash generation and returns.

Very large target markets with a number of M&A opportunities available. Capability and appetite to look at larger M&A opportunities and to expand into further geographies assuming compelling strategic and financial rationale

Notes:

1. Based on total FUM disclosed within company SFCRs for a range of UK and Netherlands insurance companies as at 31 December 2020

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CUSTOMER OUTCOMES

What have we done

ENVIRONMENTAL: The group supports the UN SDGs and the UN PRI. Movestic is a **signatory** to both the **UN PRI** and the **UN Global Compact Principles**

We continue to reduce our operational emissions and water usage across the group, through actions including:

- installing **solar generated power** in our Scildon office and replacing its car fleet with **electric cars**
- **reducing travel** by utilising electronic means of working
- significantly **reducing** our paper consumption and switching to **environmentally friendly alternatives**

We continue to **offset** our remaining operational carbon emissions. In 2021, we offset **200%** of our emissions through a mix of renewable energy projects and tree planting in the UK.

SOCIAL: We have transitioned to a **hybrid working model** to reflect the **wellbeing benefits** it brings to our staff.

We continued to support local charities, such as the **Foxton Centre** in the UK, and **Sherpa**, in the Netherlands.

We have made a donation to the Disasters Emergency Committee to provide support to the victims of the Ukraine crisis and a donation to the Red Cross in Sweden.

GOVERNANCE: We have enhanced our **board gender diversity** by recent non-executive board appointments.

We have reviewed our system of governance, enhanced our risk management system and have completed our first TCFD report.

What are doing

In 2022, our key tasks are:

- Launch a fully funded **group wide programme** to further progress our ESG agenda and work to make real world change, led by the group function but with significant levels of engagement and ownership by the divisions.
- **Continue to engage with experts** to provide the advice needed to fully embed the ESG programme into the Chesnara business model.
- Integrate ESG into our **strategic and operational performance reporting**, including evaluating opportunities for our businesses and stakeholders arising from climate change.
- Continue to **enhance our disclosures** to give our key stakeholders visibility of the ongoing progress of our programme.

We took further strides forward in 2021, building our ESG strategy. We need to do more to ensure we deliver the required real world change.

FINANCIAL OUTCOMES

CASH GENERATION

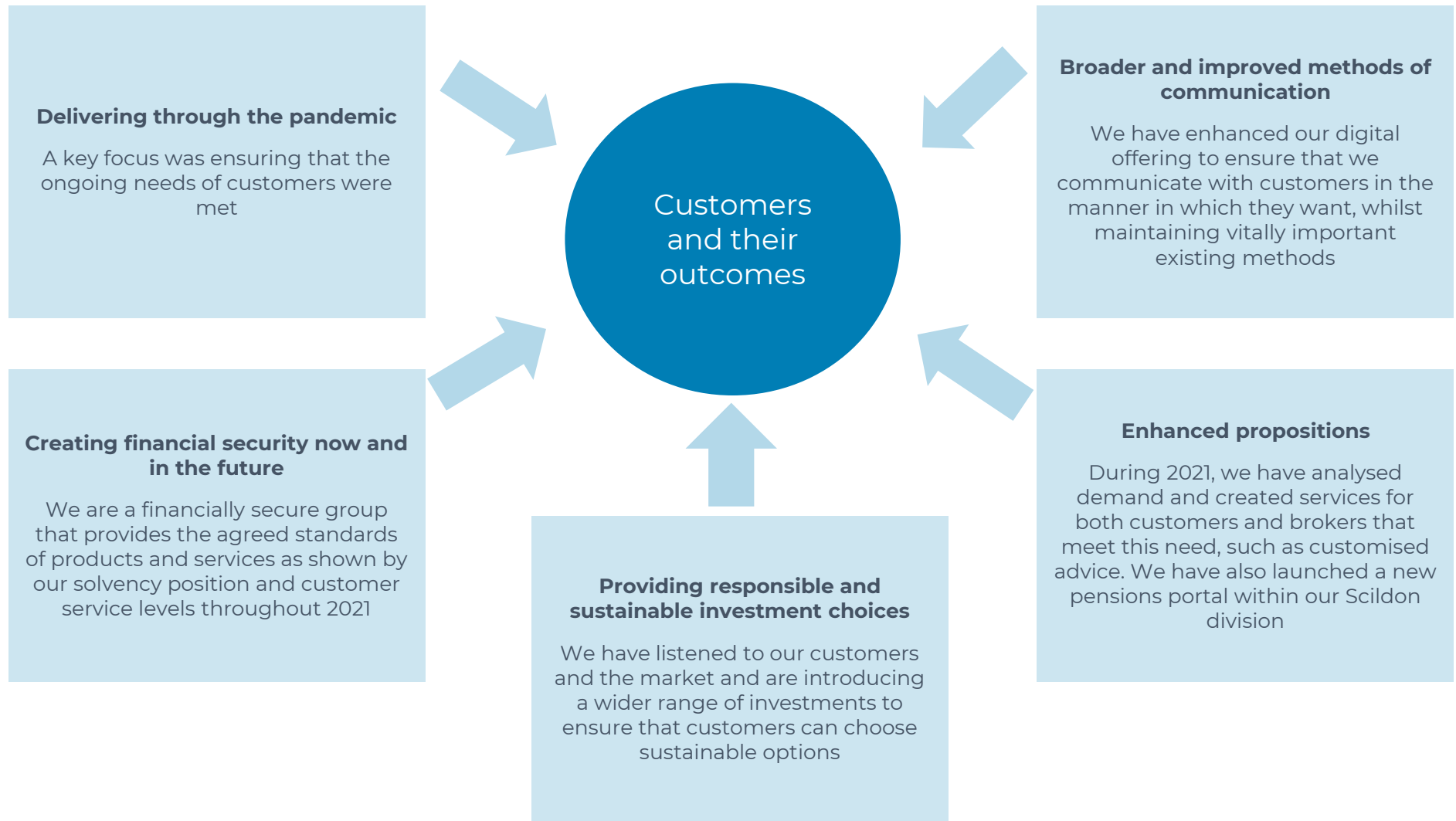
SOLVENCY

IFRS

GROWTH

ESG STRATEGY AND DELIVERY

CUSTOMER OUTCOMES



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

AREAS OF FOCUS, OUTLOOK AND SUMMARY

Steve Murray
Group Chief Executive Officer

Proactive balance sheet management

- Evaluate further opportunities to optimise the balance sheet, such as reinsurance and hedging
- Options to take some risk onto the balance sheet with material capital diversification benefits

Evolve investment strategy

- Consider opportunities to achieve a better risk / reward on assets invested
- Moving from 'very' conservative to conservative

Greater focus on M&A

- Active conversations with potential vendors
- Working with advisors to ensure they understand the Chesnara story
- Tier 2 provides funding flexibility for future M&A

Focus on Return on Capital

- Looking to make more proactive capital allocation decisions
- Developing our return on capital hurdle rates

Chesnara has **delivered** cash generation across **severe and volatile market conditions** in the past and we are confident it **can in the future**

Line of sight to **strong cash generation** over the next five years

Optimistic about our prospects to participate in M&A and we are well positioned to do so.

The M&A market remains buoyant - **a buoyant market is good for Chesnara**

Strong commercial cash generation of £53m and 3% increase in dividend

Clear line of sight to future cash generation more than covering potential future dividend and interest payments

Strong and stable solvency at 152% before impact of acquisitions and Tier 2



Chesnara

Further value to come from announced acquisitions with a positive outlook for further M&A activity

New business profits of £10m and growth in EcV of £58m with an increase in FUM and policies in force

The 'Chesnara Fan' shows the future growth levers available to us

QUESTIONS

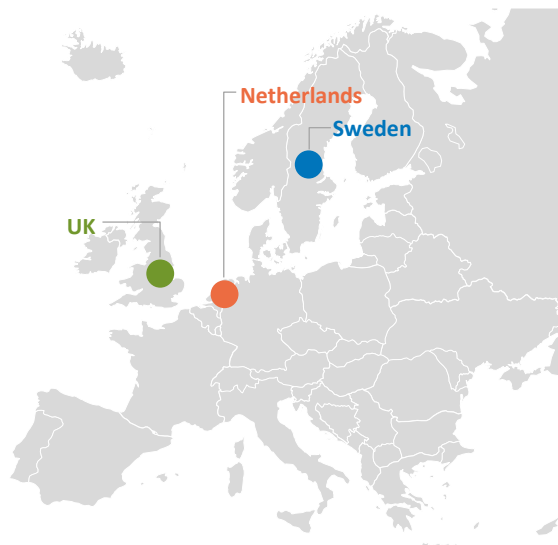
A scenic photograph of a lighthouse on a rocky shore at dusk. The lighthouse is a tall, cylindrical structure with a dark body and a white top section, illuminated from within. It stands on a grassy area with some trees and a small building nearby. The foreground is a rocky shoreline with shallow water reflecting the sky. The sky is a mix of deep blue and orange from the setting sun. A large, semi-transparent circle is overlaid on the right side of the image, partially obscuring the lighthouse and the sky.

APPENDICES



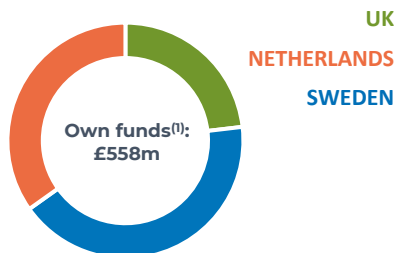
WHO WE ARE

- Chesnara plc was formed in 2004 and is listed on the London Stock Exchange.
- The group is a life assurance and pensions consolidator, having successfully completed nine acquisitions to date, with two further transactions expected to complete in 2022 – Sanlam Life & Pensions UK Limited and Robein Leven N.V.
- We are focused on three key markets: UK, Sweden and the Netherlands.
- Our new business franchises in Sweden and the Netherlands complement the group's long-term cash flow generation.

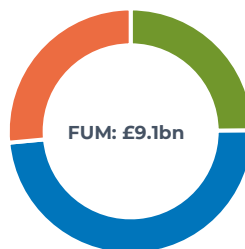


FINANCIAL KEY METRICS

As at 31 December 2021



Group Solvency II Ratio: 152%



Record level of FUM reached in 2021, and will grow significantly when the acquisition of Sanlam is complete



5 year cash generation of £256m, of which over 70% has come from the UK

THREE CORE STRATEGIC OBJECTIVES

01

MAXIMISE VALUE FROM EXISTING BUSINESS

- Efficient management of existing customers and financial resources to optimise long-term cash flow
- Key strategy across all three geographies – UK, Netherlands and Sweden

02

ACQUIRE LIFE AND PENSION BUSINESSES

- Disciplined M&A framework identifies opportunities that enhance value over the long-term
- UK and the Netherlands are the key target markets

03





ENHANCE VALUE THROUGH NEW BUSINESS

- New business franchises in Sweden and the Netherlands
- Focused on delivering long-term cash flow accretion for the group

Notes:

- Geographical split for UK includes other group activities
- Cumulative Cash Generation over FY16 to FY21. Shown gross of "Other Group Activities"

In the second half of 2021, we announced two acquisitions which we expect to complete in the first half of 2022

Sanlam Life and Pensions UK Limited	Robein Leven N.V
 <p>Consideration: £39m</p> <p>Discount to EcV: 19%</p> <p>FUM: Adding approximately £2.9bn of assets to the group</p> <p>Policies: an additional 80,000 policies (estimated to increase the 2021 UK policy count by over a third)</p>	 <p>Consideration: £13m</p> <p>Discount to EcV: 21%</p> <p>FUM: Adding approximately £0.3bn of assets to the group</p> <p>Policies: increasing policies by 7% to over 133,000</p>
<p>Sanlam marks the 4th acquisition in the UK</p> 	<p>Robein Leven marks the 6th acquisition in the Netherlands</p> 

The acquisitions add further scale and c£6m of annual cash generation

Notes:

All figures quoted above have been taken from the regulatory announcements, which can be found on our website <https://www.chesnara.co.uk/investor-relations/regulatory-announcements>

Countrywide Assured



Movestic



Scildon and Waard



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

Entered into an **agreement to purchase Sanlam Life and Pensions UK Limited**, which will increase FUM by 126% and has an expected day 1 EcV gain of £9m

Completion of **the annuity reinsurance project**, implemented in time for year end reporting, which increased absolute surplus by £3.5m

Implemented the **Volatility Adjustment** following regulatory approval which increased absolute surplus by £1.4m

Approved a decision to transfer **Actuarial Services from Capita to Willis Towers Watson**

Movestic has **strengthened its offering and distribution channels** within the custodian business

Extended cooperation has been entered into with the custody institution in the Swedish market

The divisions unit linked products were classified as 'Article 8' products under EU regulation on Sustainability disclosure meaning they **promote environmental or social characteristics**

Waard **completed the acquisition** of a portfolio of policies from Brand New Day

Entered into an **agreement to acquire Robein Leven** at a discount to EcV of 21%

Scildon entered **a new catastrophe risk reinsurance contract** and **renegotiated its reinsurance** for the term assurance business which increased absolute surplus by £3.4m

Successful negotiation with the regulator to reduce Waard's **buffer to 150%** for dividend eligibility purposes

Scildon has **launched** its group pensions portal

Group activity

Completed a Tier 2 debt raise in February 2022

Achieved an investment grade rating from Fitch

Continued with the group-wide IFRS 17 implementation programme

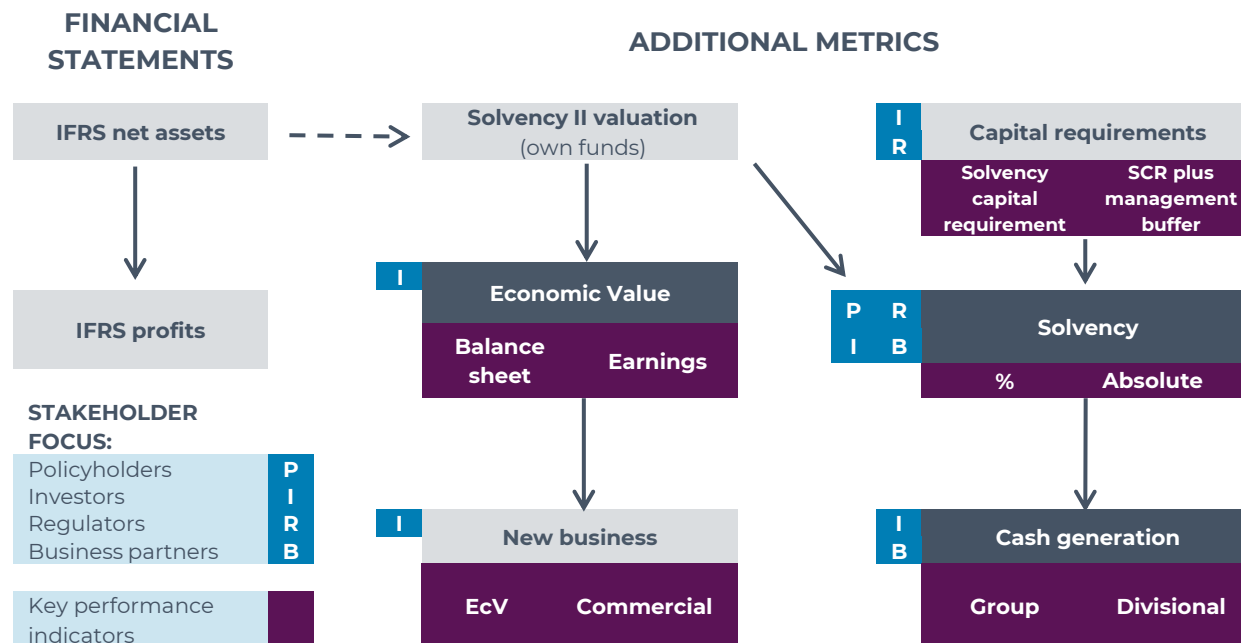
Operational delivery and implementing value-adding management actions is core to what we do

APPENDIX 4: 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.



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.

BASE CASH GENERATION:
£20.3m

COMMERCIAL CASH
GENERATION: £53.0m

DIVISIONAL COMMERCIAL CASH
GENERATION: £58.5m

			NETHERLANDS			
	UK	SWEDEN	WAARD	SCILDON	GROUP	TOTAL
Base cash generation	27.4	(14.4)	2.9	15.2	(10.8)	20.3
Symmetric adjustment	9.8	16.2	-	-	-	26.1
With-profits restrictions	6.3	-	-	-	-	6.3
Acquisition activity	-	-	0.1	-	1.3	1.4
Lapse SCR reversal	-	-	-	(4.0)	4.0	-
Model changes	(3.6)	-	-	(5.2)	-	(8.8)
LIBOR to SONIA	7.7	-	-	-	-	7.7
Commercial cash generation	47.7	1.9	3.0	6.0	(5.5)	53.0

For more information on the basis of prep and what is included within each category, please see section E of the financial statements.

In February 2022, we completed our inaugural Tier 2 debt issuance. The Group has an 'Insurer Financial Strength Rating' of A (for Countrywide Assured) and has a Long-term Insurer Default Rating of A-. The Tier 2 Notes were rated BBB- (all ratings were from Fitch).

Terms of the deal	Technical merits	Strategic benefits
<p>Amount: £200m</p> <p>Coupon: 4.75% per annum</p> <p>Term: 10.5 years</p> <p>Maturity date: 2032</p>	<p>Under the Solvency II rules, the Tier 2 debt can count as Eligible Own Funds and within the Group solvency ratio, subject to a cap of 50% of the Group SCR</p> <p>Capital efficient route due to the treatment of Tier 2 compared to less capital efficient senior debt</p>	<p>Further improve and optimise the capital position of Chesnara</p> <p>Diversify sources of capital and initiate a debt capital markets presence</p> <p>To be utilised for general corporate purposes, including investments and acquisitions</p>

Case study of typical senior debt financing vs Tier 2 debt using an example deal of £90m at a discount to own funds of 10% and an SCR of £70m:

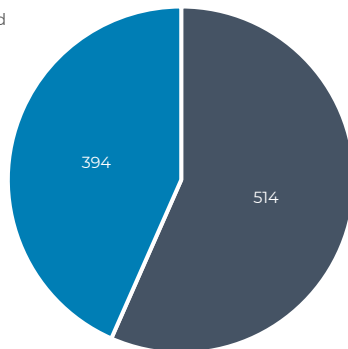
£m	Base result (31/12/2021)	Using typical senior debt funding	Using Tier 2 debt funding
Own funds	558	568	658
SCR	367	437	437
Surplus	191	131	221
Solvency %	152%	130%	151%

The numbers show the high-level impact of the transaction under the different funding methods, but do not take into account any change in interest cost. Under traditional senior debt financing, own funds would increase by the value of the acquisition but be offset by the consideration (£90m) so a net gain to own funds of £10m, with no benefits from using typical senior debt. Using Tier 2 debt, own funds would increase by £100m being a combination of the value of the acquisition less the consideration (£10m), plus £90m as the Tier 2 debt used to fund the consideration counts as own funds, creating an increased solvency position and a more capital efficient structure.

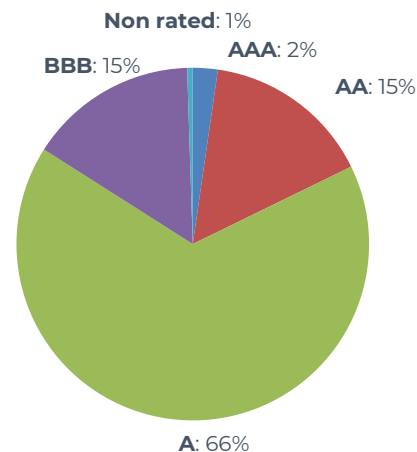
BREAKDOWN OF INVESTMENT PORTFOLIO BY ASSET CLASS

Total non linked assets of **£908m** at the end of 2021

■ Government issued
■ Corporate issued

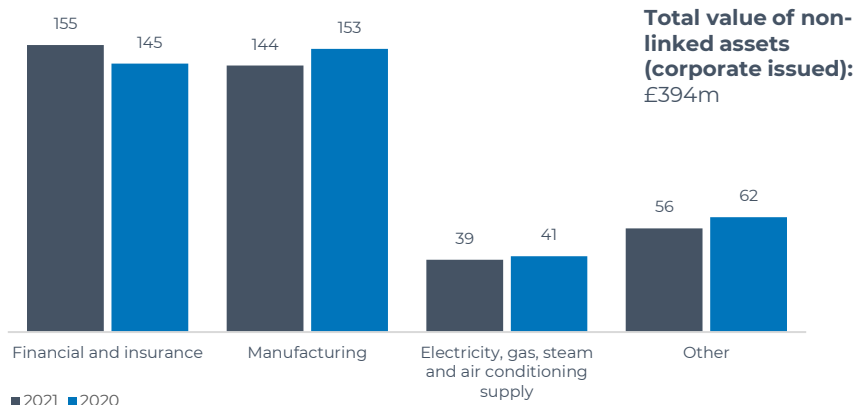


CREDIT QUALITY OF NON-LINKED & SHAREHOLDER DEBT SECURITIES

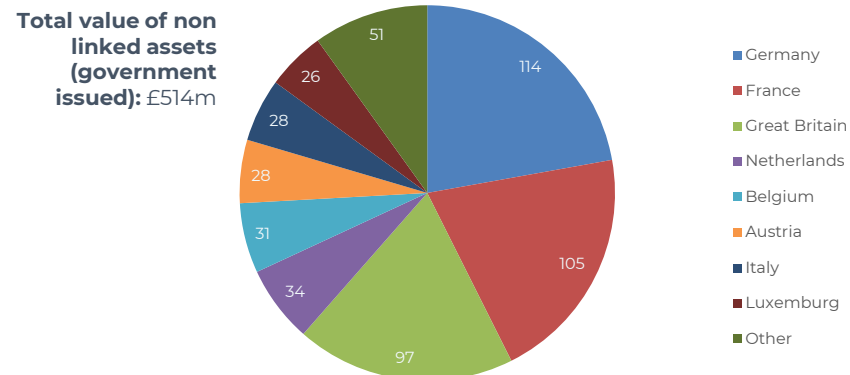


Total value of non-linked assets (corporate issued): £394m

CORPORATE ISSUED - SECTOR SPLIT (£m)



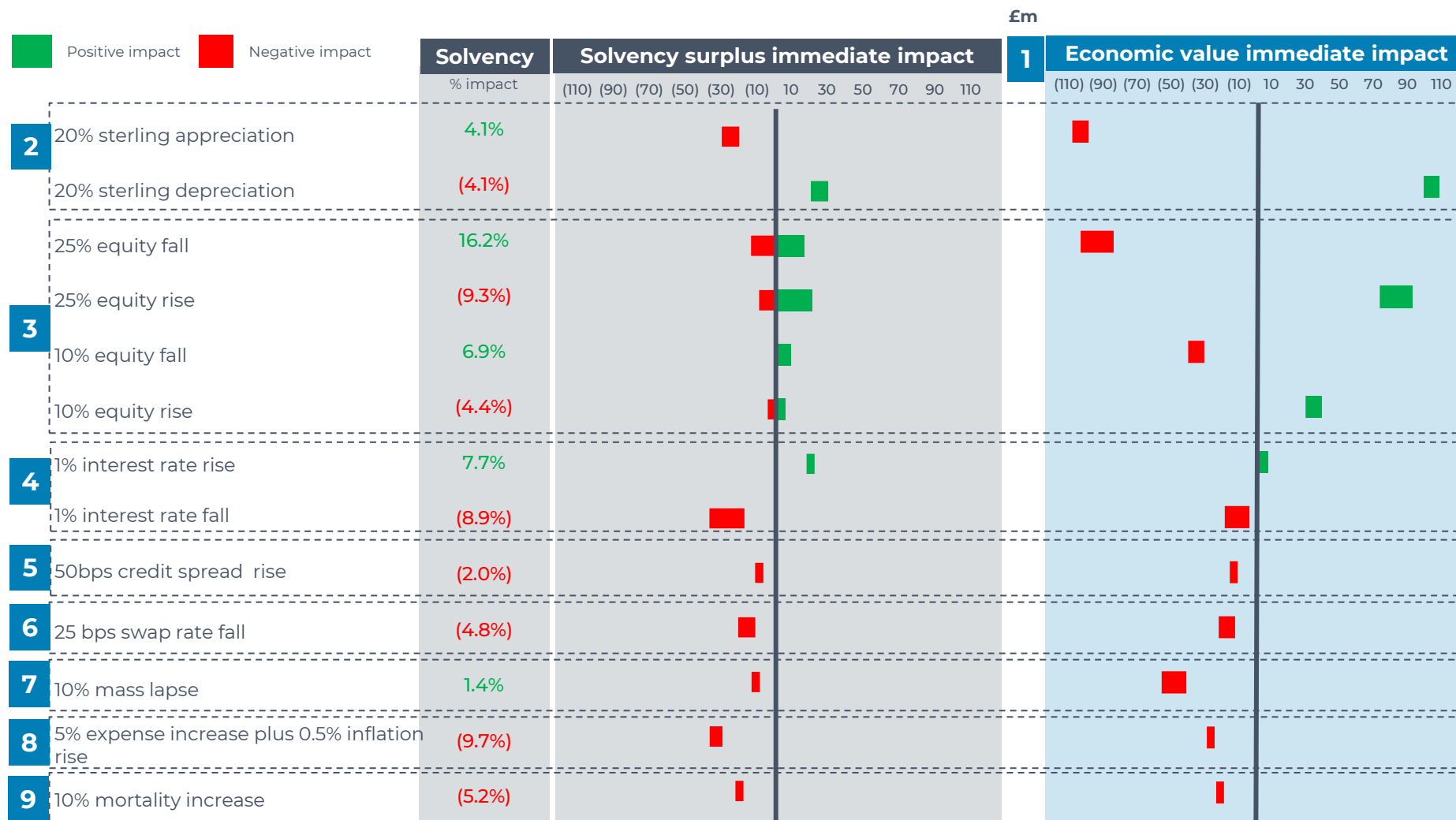
GOVERNMENT ISSUED - GEOGRAPHICAL AREA SPLIT (£m)



Low risk investment portfolio, with strong weighting towards high quality fixed income assets

The charts below provide some insight into the potential range of impacts of certain sensitivities that the group is exposed to, covering 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.



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

1

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.

2

20% sterling appreciation/depreciation: A material sterling appreciation reduces the value of surplus in our overseas divisions and hence has an immediate adverse impact on the solvency surplus and EcV. Conversely, a sterling depreciation has the opposite effect.

3

Equity sensitivities: 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 the solvency ratio, 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: -£29m to the SCR, 25% equity rise: +£10m 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.

4

Interest rate sensitivities: 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 group impact.

5

50bps credit spread rise: A credit spread rise has an adverse impact on solvency, 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.

6

25bps swap rate fall: 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.

7

10% mass lapse: This sensitivity has a small impact on solvency as the reduction in Own Funds is largely offset by a reduction in SCR. 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.

8

5% expense rise + 0.5% inflation rise: The expense sensitivity hits the solvency ratio immediately as the increase in future expenses and inflation is capitalised into the balance sheet.

9

10% mortality increase: This sensitivity has an adverse impact on solvency and EcV, particularly for Scildon due to their term products.

APPENDIX 9: HISTORICAL PERFORMANCE



	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
IFRS profit £m (pre-tax)	28.8	24.6	96.1	27.0	89.6	40.7
EcV / EEV profit / (loss) £m (after tax) ¹	57.8	(37.6)	104.0	(60.9)	139.5	72.5
EcV / EEV Shareholder equity £m ¹	624.2	636.8	670.0	626.1	723.1	602.6
Solvency II ratio (UK) ³	130%	130%	131%	130%	130%	128%
Solvency II ratio (Sweden) ³	148%	158%	155%	174%	153%	140%
Solvency II ratio (Netherlands - Waard) ³	399%	438%	501%	624%	483%	712%
Solvency II ratio (Netherlands - Scildon) ³	192%	178%	210%	203%	231%	n/a
Solvency II ratio (Group) ^{2,3}	152%	156%	155%	158%	146%	158%

Notes:

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 LGN (renamed Scildon), removing this, the ratio is 144%

3. All solvency ratios above are stated post dividend

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