

28 March 2024

LEI Number: 213800VFRMBRTSZ3SJ06

**Chesnara plc (CSN.L)**  
("Chesnara" or "the Company")

## CONTINUED STRONG CASH GENERATION WITH POSITIVE OUTLOOK FOR FURTHER M&A

Chesnara reports its 2023 full year results. Key highlights are:

- Completion of the acquisition of Conservatrix's insurance portfolio in the Netherlands
- Acquisition of an individual protection portfolio from Canada Life UK
- New UK strategic partnership with SS&C Technologies for policy administration
- Strong group commercial cash generation of £53.0m (FY 2022: £46.6m)
- Robust solvency of 205% (FY 2022: 197%), materially above our 140 - 160% normal operating range
- Economic value ("EcV") of £524.7m, 348p per share (FY 2022: £511.7m, 340p per share)
- Commercial value of new business of £10.1m (FY 2022: £9.5m)
- Proposed 3% increase to the full year dividend (total 2023 dividend of 23.97p per share)
- IFRS pre-tax profit of £1.8m (FY 2022: £62.1m loss)

### **Commenting on the results, Steve Murray, Group CEO, said:**

*"The two acquisitions we delivered in 2023 show we have continued momentum behind our acquisition strategy. We have seen significant delivery across the Group in the period including IFRS 17 and our new strategic partnership with SS&C for policy administration, which supports Chesnara's future growth ambitions in the UK. The wider business has continued to deliver for our customers and has also performed robustly despite continuing market volatility delivering economic value growth. Our solvency position remains strong and significantly above our normal operating range. On M&A, we begin 2024 with a positive pipeline and are optimistic about our ability to participate in future deals. And we remain confident in our ability to finance and execute transactions on attractive terms for both vendors and our shareholders and deliver positive outcomes for customers."*

A full year results presentation is being held at 9:30am on 28 March 2024 – participants can register [here](#).

Further details on the financial results are as follows:

### **2023 FULL YEAR FINANCIAL AND STRATEGIC HIGHLIGHTS**

---

## **CASH GENERATION AND DIVIDENDS - 19 YEARS OF DIVIDEND GROWTH**

- Group commercial cash<sup>(1)</sup> generation of £53.0m in FY 2023 (FY 2022: £46.6m).
- Divisional commercial cash generation<sup>(1)</sup> of £72.8m in FY 2023 (FY 2022: £25.9m)
- The results during the year, combined with the group's balance sheet strength, support a further year of dividend growth for 2023.
- The Board has proposed a 2023 final dividend of 15.61p per share (2023 total dividend of 23.97p), which equates to £36.1m and a 3% increase compared to 2022 (£35.0m) and extends the period of uninterrupted dividend growth to 19 years.

## FINANCIAL RESILIENCE - FLEXIBILITY IN FINANCING FUTURE M&A

- Solvency II ratio of 205% as at 31 December 2023 (31 December 2022: 197%), materially above our normal operating range of between 140 - 160%.
- Cash balances at group holding companies increased over the period to £124.1m (31 December 2022: £108.1m), providing substantial resources to fund future acquisitions.
- Leverage ratio<sup>(2)</sup> of 29.2% as at 31 December 2023 (restated 31 December 2022: 30.3%) following the introduction of IFRS 17 over the period and a change in leverage definition to include 'net of tax and reinsurance CSM'.

## DELIVERING VALUE – GROWTH THROUGH ACQUISITIONS

- The acquisition of the Conservatrix insurance portfolio was completed and the Canada Life UK protection portfolio transaction executed during 2023, adding further scale to the Group's Dutch and UK businesses and generating a combined day one EcV gain of £28.4m. The Group looks after c1m policyholders.
- Commercial new business profit<sup>(3)</sup> increased to £10.1m in FY 2023 (FY 2022: £9.5m).
- Economic Value ("EcV") of £524.7m as at 31 December 2023 (31 December 2022: £511.7m) has grown over the year due to the Conservatrix and Canada Life acquisitions as well as positive equity markets, partly offset by the payment of dividends and the negative impact of foreign exchange rates.
- The new SS&C partnership for policy administration services will enable a scalable platform for M&A in the UK.

## INTRODUCTION OF IFRS 17

- Introduction of IFRS 17 during the period, with IFRS pre-tax profits of £1.8m in FY 2023 (FY 2022 restated IFRS pre-tax losses: £(62.1)m), driven by positive investment returns over the period.
- Increase in CSM of £53.8m (£42.4m net of tax) over the year, largely due to the completion of the two acquisitions over the period.
- IFRS capital base<sup>(4)</sup>, incorporating net equity and CSM (net of reinsurance and tax), increased to £487.4m as at 31 December 2023 (31 December 2022: £469.2m).

## DIVIDEND DETAILS

- The recommended final dividend of 15.61p per share is expected to be paid on 28 May 2024. The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 11 April 2024. The record date for eligibility for payment will be 12 April 2024.

## ANALYST PRESENTATION

- A presentation for analysts will be held at 9.30am on 28 March 2024 at the offices of RBC Capital Markets, 100 Bishopsgate, London, EC2N 4AA, which will be available to join online and subsequently be posted to the corporate website at [www.chesnara.co.uk](http://www.chesnara.co.uk).
- To join the webcast, please register using the following link [here](#).

### Investor Enquiries

Sam Perowne

Head of Strategic Development & Investor Relations

Chesnara plc

E – [sam.perowne@chesnara.co.uk](mailto:sam.perowne@chesnara.co.uk)

## Media Enquiries

Roddy Watt

Director, Capital Markets

FWD

T - 020 7280 0651 / 07714 770 493

E - roddy.watt@fwdconsulting.co.uk

## Notes to Editors

Chesnara (CSN.L) is a European life and pensions consolidator listed on the London Stock Exchange. It administers approximately one million policies and operates as Countrywide Assured in the UK, as The Waard Group and Scildon in the Netherlands, and as Movestic in Sweden.

Following a three-pillar strategy, Chesnara's primary responsibility is the efficient administration of its customers' life and savings policies, ensuring good customer outcomes and providing a secure and compliant environment to protect policyholder interests. It also adds value by writing profitable new business in Sweden and the Netherlands and by undertaking value-adding acquisitions of either companies or portfolios.

Consistent delivery of the Company strategy has enabled Chesnara to increase its dividend for 19 years in succession. Further details are available on the Company's website ([www.chesnara.co.uk](http://www.chesnara.co.uk)).

## Notes

Note 1 **Group cash generation** represents the surplus cash that the group has generated in the period. Cash generation is largely a function of the movement in the solvency position and is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring that other constraints are managed.

**Divisional cash generation** represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.

**Commercial cash generation** is used as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of the commercial cash generated by the business.

Note 2 The **leverage ratio** is a financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as 'debt' divided by 'net equity plus debt plus net of tax and reinsurance CSM', as measured under IFRS.

Note 3 **Commercial new business profit** is a more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business. This provides a fair commercial reflection of the value added by new business operations.

Note 4 **IFRS capital base** is the IFRS net equity for the group plus the consolidated CSM net of reinsurance and tax. It is a better measure of the value of the business than net equity as it takes into account the store of deferred profits held in the balance sheet, as represented by the CSM, including those as yet unrecognised profits from writing new business and acquisitions.

The Board approved this statement on 27 March 2024.

### CAUTIONARY STATEMENT

This document may contain forward-looking statements with respect to certain plans and current expectations relating to the future financial condition, business performance and results of Chesnara plc. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Chesnara plc including, amongst other things, UK domestic, Swedish domestic, Dutch domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates, currency exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Chesnara plc and its subsidiaries operate. As a result, Chesnara plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

# 2023 HIGHLIGHTS

## COMMERCIAL CASH GENERATION £53.0M 2022 £46.6M

## GROUP CASH GENERATION £32.5M 2022 £82.7M

The group has again reported strong results across both cash metrics in 2023. Group cash generation includes a material adverse impact from the symmetric adjustment (SA) of £13.1m (2022: +£28.2m). The recovery we have seen across equity markets since 2022, whilst a positive overall for the group, means we are required to hold additional capital which has a short term impact on cash generation.

Commercial cash generation looks through the SA impact and is deemed to better reflect the underlying business performance. Total divisional commercial cash, excluding FX impacts, was £76.5m which provides over 210% coverage of the 2023 full year dividend. The strong group and divisional commercial cash result shows that Chesnara continues to deliver cash generation through a wide variety of market conditions.

## GROUP SOLVENCY 205% 2022 197%

The group's solvency has increased in the year and is well above our normal operating range of 140-160%. The ratio does not include any temporary impacts from either transitional benefits or a positive closing SA position. The solvency position benefits from the capital efficiencies of the Tier 2 debt raised in 2022 and provides substantial headroom for future acquisitions.

## FUNDS UNDER MANAGEMENT £11.5BN 2022 £10.6BN

FuM have increased by c8.5% since the start of the year. This is due to a combination of investment returns on the existing business and the value added through both new business written and the acquisitions completed in the year.

## ECONOMIC VALUE £524.7M 2022 £511.7M

EcV has increased since the start of the year, as positive earnings (£59.1m) offset the impact of dividend payments (£35.4m) and foreign exchange consolidation impacts (£10.8m).

## ECONOMIC VALUE EARNINGS £59.1M 2022 £84.7M LOSS

EcV earnings of £59.1m has been delivered (pre-dividend payments and FX impact). Acquisition gains and real world returns have provided the most material contributions, with Part VII synergies and new business further positive contributing factors.

## COMMERCIAL NEW BUSINESS PROFIT £10.1M 2022 £9.5M

Commercial new business profits exceed the prior year return with the UK business also contributing new business alongside Movestic in Sweden and Scildon in the Netherlands.

## IFRS PRE-TAX PROFIT £1.8M 2022 £62.1M LOSS (restated as a result of IFRS 17 being applied retrospectively)

The IFRS results are being reported for the first time on an IFRS 17 basis in the Annual Report & Accounts, and the comparatives have been adjusted to apply this retrospectively. Profit before tax of £1.8m includes a net insurance service loss of £5.1m and an investment result of £71.7m (2022: £13.3m profit and £39.0m loss respectively).

## IFRS TOTAL COMPREHENSIVE INCOME £10.3M 2022 £26.1M LOSS (restated as a result of IFRS 17 being applied retrospectively)

Total comprehensive income includes a foreign exchange loss of £7.8m (2022: £6.9m gain).

The adoption of IFRS 17 provides some more insight into the future profits that are expected to emerge from the group's life insurance business. However, the accounting standard does not include the group's significant amount of policies that are classified as investment contracts, which also represent a future profit stream for the business. As a result, whilst IFRS 17 does provide some level of alignment with the valuation regime of Solvency II, it does not replace it and therefore the group continues to primarily focus on Solvency II and its derivative KPIs of Economic Value and cash generation in assessing the performance of the business.

## FULL YEAR DIVIDEND INCREASED FOR THE 19<sup>th</sup> CONSECUTIVE YEAR

Increase in the full year dividend for the year of 3% to 23.97p per share (8.36p interim and 15.61p proposed final), supported by material divisional cash contributions in the year and a strong group solvency. Both of the acquisitions that were executed in the year are expected to positively support future cash generation and we continue to have clear line of sight to sources of mid to long term cash generation.

## VOLATILE INVESTMENT MARKET CONDITIONS HAVE CONTINUED

Overall, it has been a period of economic growth although volatility has remained across most asset classes. As a result there have been comparatively modest investment returns and mixed economic results in our operating divisions with the varied economic factors having impacted each of the businesses and our key financial metrics in different ways. We have seen some

equity market growth which has had a positive impact on the UK's and Sweden's EcV growth but has dampened cash generation in these territories, and we have seen the impact of falling yields putting some downward pressure on the EcV of our Dutch businesses, but less so on cash generation. Sterling appreciation against both EUR and SEK has caused adverse foreign exchange impacts on the translation of our overseas divisional results, although this has had some mitigation from our foreign exchange hedge. As we look forward there continues to remain some uncertainty around economics with inflation and interest rates persisting at a higher level than forecast by central banks.

## THE GROUP CONTINUES TO EXPAND THROUGH M&A

2023 was another busy period for Chesnara with two acquisitions in the year, delivering a combined day one EcV gain of £28.4m. Following the announcement late in 2022, we completed the acquisition of the insurance portfolio of Conservatrix in the Netherlands, with an EcV gain of £21.7m and increase in Waard's policies under administration of c70,000. In May, expansion in the UK continued for the second year running, with the acquisition of a protection portfolio from Canada Life. The acquisition has initially been executed through entering into a 100% reinsurance agreement with Canada Life, and these policies will subsequently transfer to the division through a Part VII transfer process. The transaction has delivered an immediate EcV gain of £6.7m and additional policies of c47,000 to the UK division.

Our 2024 acquisition pipeline looks positive and we remain optimistic about the outlook for future deals. We have the operational bandwidth, material solvency headroom, liquid resources and other financing levers to support our ambitions.

## NEW OUTSOURCING PARTNERSHIP, BUSINESS INTEGRATIONS, NEW PEOPLE AND IFRS 17 DELIVERY

In the UK, we have entered into a new long-term strategic partnership for the outsourcing of operations for the majority of the division, providing surety over the future operating costs of the business over a minimum 10 year period. The Part VII transfer of the policies of CASLP to Countrywide Assured was also successfully completed at the end of 2023. In the Netherlands, the Conservatrix insurance portfolio was successfully integrated into the Waard Group. At a group and divisional level, IFRS 17 has been implemented for this first reporting year, with reporting processes now bedding down into our business as usual operations following several years of planning and implementation. From a people perspective we have seen some key changes over the course of the year, with three new divisional CEOs joining the group, coupled with the announcement of the change in our group CFO planned for the first half of 2024.

## WE ARE COMMITTED TO BECOMING A SUSTAINABLE CHESNARA

The group's sustainability programme has progressed well over the course of the year. We are committed to delivering against our three key targets: to be a net zero emitter; to invest in positive solutions; and to be an inclusive place for all stakeholders. We have successfully baselined our financed and operational emissions and also set our initial interim targets for financed emissions. More detail can be found in our Annual Sustainability Report ([www.chesnara.co.uk/sustainability](http://www.chesnara.co.uk/sustainability)).

*These financial highlights include the use of Alternative Performance Measures (APMs) that are not required to be reported under International Financial Reporting Standards.*

*1 – Group cash generation represents the surplus cash that the group has generated in the period. Cash generation is largely a function of the movement in the solvency position, used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.*

*2 – Divisional cash generation represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.*

*3 – Commercial cash generation is used as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of the Commercial cash generated by the business.*

*4 – Funds Under Management (FuM) represents the sum of all financial assets on the IFRS balance sheet.*

*5 – Economic Value (EcV) is a financial metric derived from Solvency II. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.*

*6 – Economic Value earnings are a measure of the value generated in the period, recognising the longer-term nature of the group's insurance and investment contracts.*

*7 – Commercial new business represents the best estimate of cash flows expected to emerge from new business written in the period. It is deemed to be a more commercially relevant and market consistent measurement of the value generated through the writing of new business, in comparison to the restrictions imposed under the Solvency II regime.*

*8 – Economic profit is a measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future.*



9 – Operating profit is a measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.

## MEASURING OUR PERFORMANCE

Throughout our Report & Accounts we use measures to assess and report how well we have performed. The range of measures is broad and includes many measures 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. In addition, the measures aim to assess performance from the perspective of all stakeholders.

### FINANCIAL ANALYSIS OF A LIFE AND PENSION BUSINESS

The IFRS results form the core of the Report & Accounts and hence retain prominence as a key financial performance metric. However, the Report & Accounts also adopt several Alternative Performance Measures (APMs).

These measures compliment the IFRS metrics and present additional insight into the financial position and performance of the business, from the perspective of all stakeholders.

The non-IFRS APMs have at their heart the Solvency II valuation known as Own Funds and, as such, all major financial APMs are derived from a defined rules-based regime. The list below shows the core financial metrics that sit alongside the IFRS results, together with their associated KPIs and interested parties.

### FINANCIAL STATEMENT KPIs:

- IFRS net assets (£359.9m)
- IFRS profits

### ADDITIONAL METRICS:

- **Solvency**
  - Own Funds (£683.7m)
  - Solvency Capital Requirement (SCR)
  - SCR plus management buffer
  - Solvency position (absolute value)
  - Solvency position ratio
- **Cash generation**
  - Group cash generation
  - Divisional cash generation
- **Economic Value**
  - Balance sheet
  - Earnings
- **New business**
  - EcV
  - Commercial

### 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 – the Solvency Capital Requirement (SCR). 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 is derived from Solvency II ('SII') Own Funds. It recognises the impact of certain items that are not recognised in SII Own Funds, and also takes a more commercial view of the risk margin than under Solvency II.

An element of the EcV earnings each period is the Economic Value of new business. By factoring in real world investment returns and removing the impact of risk margins, the group determines 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, as determined by applying the group's Capital Management Policy, which has Solvency II rules at its heart.

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.

Commercial cash generation excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of cash generated by the business.

#### OPERATIONAL AND OTHER PERFORMANCE MEASURES

In addition to the financial performance measures, the Report & Accounts includes measures that consider and assess the performance of all our key stakeholder groups. The table below summarises the performance measures adopted throughout the Report & Accounts.

MEASURE	WHAT IS IT AND WHY IS IT IMPORTANT?
<b>Customer service levels</b>	How well we service our customers is of paramount importance and so through various means we aim to assess customer service levels. The business reviews within the Report & Accounts refer to a number of indicators of customer service levels.
<b>Broker satisfaction</b>	Broker satisfaction is important because they sell our new policies, provide ongoing service to their customers and influence book persistency. We include several measures within the Report & Accounts, including direct broker assessment ratings for Movestic and general assessment of how our brands fare in industry performance awards in the Netherlands.
<b>Policy investment performance</b>	This is a measure of how the assets are performing that underpin policyholder returns. It is important as it indicates to the customer the returns that their contributions are generating, and options available to invest in funds that focus on environmental, social and governance factors.
<b>Industry performance assessments</b>	This is a comparative measure of how well our investments are performing against the rest of the industry, which provides valuable context to our performance.
<b>Emissions and energy usage</b>	Tracking our scope 1, 2 and 3 emissions is a core part of our transition to be a net zero and sustainable group.
<b>Funds under management</b>	This shows the value of the investments that the business manages. This is important because scale influences operational sustainability in run-off books and operational efficiency in growing books. Funds under management are also a strong indicator of fee income.
<b>Policy count</b>	Policy count is the number of policies that the group manages on behalf of customers. This is important to show the scale of the business, particularly to provide context to the rate at which the closed book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.
<b>Total shareholder returns</b>	This includes dividend growth and yield and shows the return that an investor is generating on the shares that they hold. It is highly important as it shows the success of the business in translating its operations into a return for shareholders.
<b>New business profitability</b>	This shows our ability to write profitable new business which increases the value of the group. This is an important indicator given one of our core objectives is to "enhance value through profitable new business".
<b>New business market share</b>	This shows our success at writing new business relative to the rest of the market and is important context for considering our success at writing new business against our target market shares.
<b>Gearing ratio</b>	The gearing is a financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.
<b>Knowledge, skills and experience of the Board of Directors</b>	This is a key measure given our view that the quality, balance and effectiveness of the board of directors has a direct bearing on delivering positive outcomes to all stakeholders. This includes holding the management teams accountable for the delivery of set objectives and the proper assessment of known and emerging risks and opportunities, e.g. those arising from climate change.

\* For the purposes of this key performance indicator assessment business partners refers to major suppliers and outsource partners.

## CHAIR'S STATEMENT

The group has delivered strong cash generation and Economic Value growth during the period whilst continuing to have a strong solvency position. This has supported an increase in the full year dividend for a 19th consecutive year and provides headroom for future M&A.

LUKE SAVAGE, CHAIR

## STRONG CASH GENERATION AND SOLVENCY

Chesnara has continued its strong track record of delivering cash generation across a variety of market conditions in 2023. Total commercial cash generation of £53.0m supports us continuing to extend our dividend growth track record. We are recommending that our shareholders will receive a final dividend of 15.61p per share, an increase of 3% in the full year dividend for the 19th consecutive year.

Having a strong and stable solvency position provides financial security for customers and is also critical to the investment case for both our equity and debt investors. And having material solvency headroom also supports our ability to execute further M&A.

I am pleased to report a continued strong Solvency II ratio of 205%. This remains significantly above our normal operating range of 140-160%, providing us with considerable strategic flexibility. Our solvency position remains underpinned by a well-diversified business model, a focus on responsible, risk-based management and resilient and reliable cash flows from our businesses. And our businesses have delivered EcV growth even after the impact of FX and dividends.

Steve talks about these financial dynamics further in his report.

## PEOPLE AND OPERATIONAL DELIVERY

Across the group, our people continue to deliver, which includes the execution of another two deals in the period. Firstly, we completed the acquisition of the Conservatrix insurance portfolio in the Netherlands on 1 January. Later in May, we announced the acquisition of Canada Life's protection portfolio in the UK, which has been initially executed through a reinsurance arrangement. The deals have created significant value for investors with £28.4m of day 1 EcV gains and we expect them to be an important source of value in the long-term. Our teams in the Netherlands and UK have worked extremely hard to integrate the newly acquired businesses and portfolios, including Sanlam Life and Pensions (CASLP) which we purchased in the previous year. We have completed the Part VII transfer of the CASLP policies into our main UK insurance company Countrywide Assured, which has also had a positive impact on cash generation and EcV, and the insurance portfolio of Conservatrix is now fully integrated into the Waard Group.

Another major development during the period has been the announcement of a new outsource partner in the UK, SS&C. This positive development creates a sound commercial and operational foundation for long term customer support and business development.

In Movestic we have continued to work on improving our customer service, launching a new unique digital service in the year that allows customers to customise how they utilise their occupational pension scheme. We have also continued to build our custodian business through new partnerships in the year.

And in the Netherlands Scildon has continued with its IT upgrade programme, improving its customer and broker front end capabilities.

The transition to the new insurance contract accounting regime, IFRS 17, has gone live in 2023 and our full year accounts have fully complied with the statutory requirements of the new standard. This is the cumulation of several hard years of planning and execution from teams across the group.

And finally, we have also been working hard to transition a number of leadership roles. During the year, September saw Pauline Derkman become CEO of Scildon and Jackie Ronson become our UK CEO and in December Sara Lindberg became our CEO of Movestic. We wish them the very best in their roles. On behalf of the board, I also wanted to thank Gert-Jan Fritzsche, Linnéa Echoville and Ken Hogg for everything they have done for Scildon, Movestic and CA respectively over the six, six and seven years they were CEOs of their respective businesses.

We also announced that David Rimmington will not be seeking re-election at our Annual General Meeting in May 2024 and that he will be stepping down from the board and leaving his role as Group Finance Director at that meeting. He will be replaced by Tom Howard who will become Group Chief Financial Officer, subject to regulatory approval and should start with us no later than 1 May 2024. On behalf of the board, I want to thank David for everything he has achieved at Chesnara over the last ten years and he leaves with our best wishes. At the same time, we are delighted to be welcoming Tom to Chesnara plc. He has extensive financial services experience particularly in life insurance and asset management as well as expertise in M&A; these skills align strongly with the group's strategic ambition.

It has been a period of significant operational delivery and I would like to take this opportunity to thank staff for their continued commitment and efforts. We remain mindful that significant periods of operational delivery, although rewarding, can be stressful and so we remain committed to investing in staff welfare programmes to support our people.

## PURPOSE

At Chesnara, we help protect customers and their dependants through the provision of life, health, and disability cover or by providing savings and pensions products to meet future financial needs. These are very often customers that have come to us through acquisition, and we are committed to ensuring that they remain positively supported by us.



We have always managed our business in a responsible way and have a strong sense of acting in a fair manner, giving full regard to the relative interests of all stakeholders.

Delivering cash generation, EcV growth and solvency, will always remain of key importance for many reasons. These include our desire to offer competitive returns to shareholders and fund our debt investor coupon payments but also because it creates financial stability for customers. We continue to be very conscious of the need for the business to serve a wider purpose with an increasing balance of focus across the 3Ps: Profit, People and Planet.

Governance is a core foundation to our business model and we have a well-established governance framework. We continue to increase our focus on environmental and social matters and are committed to becoming a sustainable Chesnara. Alongside this document, we have published our 2023 Annual Sustainability Report which details our wider ambitions and progress against our targets and commitments. I encourage you to read the report and please provide any feedback or thoughts to me or a member of the Chesnara team.

The path to sustainability will be long and complicated but we are investing in sustainability-focused resource and infrastructure to support the group on this journey. A very visible and encouraging development was the success of our first group-wide Sustainability Summit held in June. I was hugely encouraged by the level of engagement from all levels across the group and by the clear alignment of ambitions leading to the identification of key workstreams and objectives. The objectives are a mix of items that create solid foundations for longer term change together with some shorter term actions that will begin to make a real world positive impact. I am confident that we will deliver against those objectives, and I look forward to updating you on our progress.

## OUTLOOK

Overall, it has been a good year of delivery and strong cash generation. The start of 2024 has continued to show volatile market conditions with inflation and interest rates persisting at higher levels than we have seen in recent years. That said, we have seen more positive signs from equity markets and stronger signals from central banks that we will return to normality in terms of macro-economic conditions.

Our business model has delivered positively in these volatile environments, and we continue to expect the UK and European M&A markets to be active. Our strong and stable solvency, alongside the parent company cash balance, leave us well positioned to participate in these markets.

And as we reach our 20th year as a listed company, the board and I look forward to continuing to deliver for our shareholders in the future.

Luke Savage,  
Chair  
27 March 2024

# CHIEF EXECUTIVE OFFICER'S REPORT

---

The group has generated material EcV earnings and delivered strong cash generation. Our people have delivered two acquisitions, secured a new UK strategic partnership and made the successful transition to IFRS 17. And we are continuing to see plenty of M&A opportunities.

STEVE MURRAY, CEO

## INTRODUCTION & RESULTS

The key strategic areas of focus for 2023 have remained the same across Chesnara namely:

1. Running in-force insurance and pensions books efficiently and effectively;
2. Seeking out and delivering value enhancing M&A opportunities; and
3. Writing focused, profitable new business where we are satisfied an appropriate return can be made.

The momentum behind our acquisition strategy has continued with a further two deals recognised in the year (five now in the last two years). These two acquisitions have added £28m of immediate additional value to the group against consideration paid of £9m and total group capital deployed of £35m. Conservatrix and Robein Leven are now both fully integrated into Waard and the UK completed the Part VII of CASLP policies into CA in December, which has created synergies that have had a positive impact on cash generation and EcV. We also saw an improved contribution from new business for the period at £10m, including nearly £2m from the UK.

We have c1 million customers in Chesnara and we take the responsibility of delivering for them every day very seriously. Our UK team have been working hard to implement the new UK Consumer Duty regulation which will help continue to ensure we focus on good outcomes and value for money for customers.

A major highlight in the year is the signing of a new outsource arrangement in the UK, which we announced in May. Sixty-eight Chesnara colleagues transferred to SS&C in August and we have a major programme of activity underway to migrate our UK policies to our new operating platform including both CASLP and those policies being acquired from Canada Life UK. SS&C will be a key partner for us, enabling the UK business to continue to deliver high quality and cost effective servicing with the capacity and flexibility to support continued M&A developments in the UK where we see good opportunities.

In Scildon, work has continued to improve the efficiency and usability of our Individual Life platform which has seen positive feedback from brokers. And for Sweden, further automation and use of AI alongside the build of digital tools such as the pension calculator have also been material developments.

As Luke mentions, there has been an increased focus on defining and delivering the group sustainability vision in line with the commitments we set out in our Annual Sustainability Report (ASR), including our new initial interim targets for financed emissions. We are committed to a 50% reduction by 2030 in our scope 1 and 2 financed emissions investments that are within our control or influence, which represents a material component of our assets under management. We will also be working with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes.

The production of our transition plans will be a key step in identifying the more detailed actions we will take to tackle all our financed emissions and will also factor in how we manage a just transition which considers the needs of all stakeholders, including nature and biodiversity. I am pleased to report that we are taking tangible steps on our journey, including implementing new platforms and tools to enable us to baseline our financed and operational emissions. I share Luke's confidence that we will be able to successfully deliver against our sustainability objectives and look forward to providing updates on our future progress.

After five years of intensive work, there has also been a significant focus on ensuring we could report on the new IFRS 17 basis. I am delighted to report that our 2023 financial statements are compliant.

Process wise, we are in good shape regarding transitioning from the project to recurring business as usual operations and the financial impact of the transition to the new reporting framework is positive and in line with the guidance we gave investors alongside our full year 2022 results.

Before the proposed FY dividend and FX impacts, the group Economic Value grew materially by 12% (up £59.1m). We saw all components of the "Chesnara Fan" growth model deliver positively over the year. We invested further in central resources to support major projects such as IFRS 17 and M&A activity as well as continuing to pay the coupon on our £200m Tier 2 debt instrument.

The derivative we put in place towards the end of 2022 to reduce the exposure of our capital surplus to extreme FX movements has been renewed and slightly broadened in 2023. Whilst this mitigates against extreme movements we do remain exposed to the risks and opportunities relating to FX movements within the cap and floor of the derivative. A primary driver of the hedge was to reduce the capital we need to hold against currency risk and to limit more extreme EcV exposure, rather than to fully hedge FX exposures across all metrics. During 2023 sterling has strengthened slightly against the euro and Swedish krona resulting in a negative FX impact on EcV of £10.8m.

The group continued to generate cash with total commercial cash generation of £53.0m. We see this as a strong result given the underlying economic conditions in the year. Our cash generation has benefitted from delivering a mass lapse reinsurance arrangement in the UK towards the end of the year, and has also been positively impacted by the UK's Solvency II reform, which resulted in a reduction in the level of risk margin we are required to hold in our UK business.

In terms of cash resources, we have again seen a significant flow of dividends in the period from our divisions with £71m having been remitted to Chesnara during the year. This contributed to a £16m increase in the parent company surplus cash balance (including holding companies) and a closing amount of £124m (which is post payment of the full year 2022 and interim 2023 dividends). Our group solvency ratio has also improved further during the period closing at 205% (31 December 2022:197%). As Luke highlighted, this is materially above our normal operating range of 140-160% and provides us with substantial headroom to support further strategic activity.

Our inaugural IFRS 17 numbers show a £51.5m increase in net equity as at 31 December 2022. As at 31 December 2023 total net equity is £359.9m with a contractual service margin (CSM) of £166.5m. This results in a leverage ratio of 29.2% (including the CSM net of tax) which is a significant reduction compared to the ratio of 37.6% reported at 31 December 2022 under the previous IFRS reporting regime. Whilst the CSM gives a useful indication of future profits on our insurance business it should be noted that in fact only 42% of our total portfolio is classified as insurance. As such, the CSM by no means represents the full future profit of the group as it excludes investment contracts.

Whilst the move to IFRS 17 has been a very material programme of work for the group, you will note that my wider review continues to focus on metrics linked to Solvency II. We continue to believe that the Solvency II metrics better support a commercial assessment of the business and remain the metrics upon which we manage the group.

## CASH GENERATION, GROUP LIQUIDITY AND STRONG SOLVENCY

At the heart of the Chesnara financial model and investment case is resilient cash generation and stable solvency, across a wide variety of market conditions.

### STRONG CASH GENERATION

The total group commercial cash generation (excluding the impact of acquisitions) during the year was £53.0m (2022: £46.6m). This more than covers the proposed full year 2023 dividend of £36.1m.

Looking at how our businesses have generated cash, the divisional commercial cash generation for the year, excluding FX translation impacts, was £76.5m (2022: £28.3m). This represents c212% coverage of the total 2023 dividend and shows we continue to have significant future dividend paying capacity. The cash generation results include some positive impacts from management actions taken during the year, including the impact of mass lapse reinsurance in the UK and the benefits from the UK Solvency II reforms.

#### Commercial cash generation by territory:

£m	
UK	48.5
Sweden	2.3
Netherlands	25.7
<b>Divisional total</b>	<b>76.5</b>
Other group	(19.2)
FX	(4.3)
<b>Total</b>	<b>53.0</b>

### DIVISIONAL COMMERCIAL CASH GENERATION REPRESENTS c212% COVERAGE OF THE 2023 SHAREHOLDER DIVIDEND<sup>Δ</sup>

<sup>Δ</sup> excluding FX consolidation impacts

The Chesnara parent company cash (including holding companies) and instant access liquidity fund balance at the year end has increased to £124m (31 December 2022: £108m). Cash reserves have benefitted from the £71m of divisional dividend receipts during the year. This provides substantial resources for future acquisitions and further supports the sustainable funding of the group dividend and payment of our Tier 2 debt coupon. The group continues to retain a Revolving Credit Facility with a further £100m of capacity and an additional £50m accordion.

Looking forward, we continue to have a strong line of sight to future cash generation over the medium and longer term from the unwind of risk margin and SCR, investment returns above risk free rates, wider synergies and management actions. And that's before further potential benefits from new business and further acquisitions.

#### STRONG SOLVENCY

During the year we have seen a further increase in the group solvency ratio to 205% (2022: 197%).

	Solvency ratio %*	Solvency surplus £m
2018	155	210.8
2019	156	204.0
2020	152	190.7
2021	197	298.0
2022	205	351.0

\*Normal operating solvency range = 140% to 160%

The closing headline solvency ratio of 205% is significantly above our normal operating range of between 140% and 160%. Unlike many of our peers, the solvency ratio does not adopt any of the temporary benefits available from Solvency II transitional arrangements, although we do apply the volatility adjustment in our UK and Dutch divisions. The ratio does include the benefit of the capital efficiencies relating to the Tier 2 debt raised in 2022.

We expect to utilise this additional capital surplus as we undertake acquisitions, which should result in the ratio reverting back to within the robust and stable 140% to 160% historical range.

*Symmetric adjustment: the Solvency II capital requirement calculation includes an adjusting factor that reduces or increases the level of the equity capital required 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 LONG TERM OUTLOOK FOR GROWTH REMAINS POSITIVE, PARTICULARLY THROUGH M&A

The 'Chesnara fan' illustrates the additional areas of growth potential the group may benefit from that aren't fully reflected in our Economic Value metric.

We have previously highlighted that over the medium term, we expect all components of the growth model to be positive, although there can be a level of shorter-term volatility in each element. Over the year all components have made positive contributions, although synergy related gains are offset by the impact of central costs (development costs and Tier 2 interest).

Although there are limitations to tracking the growth metrics over short time periods, it remains useful to assess how the results for the period mapped against the value growth components of the 'Chesnara fan'.

A key element of the growth model is real world investment returns. The reported EcV of the group assumes risk free returns on shareholder and policyholder assets. Given the direct link to external market performance this source of value tends to be the most volatile of the growth sources. During the year, real-world returns added c£43m to EcV. This gain partially offsets the significant economic value reduction from lower real world investment returns we saw in 2022, whilst demonstrating the value potential from even modestly beneficial economic conditions.

Over time, we expect improvements to operational effectiveness to be a source of value creation, be that through M&A synergies, scale benefits or other positive management actions (such as our recently announced partnership with SS&C). During the year, the deals completed have generated positive synergies. I am also pleased to report £10.1m of value growth resulting from commercial new business profits which have slightly increased versus 2022.

Acquisitions in the period have also added £28.4m of EcV. We see continued momentum behind the M&A strategy which is now materially contributing to the growth of the group. Its worth noting that further value growth expectations from this M&A are not recognised in the day one gains.

## FOCUSSED WRITING OF NEW BUSINESS

Writing new business is the third area of focus in the Chesnara strategy. Not only is new business value-adding in its own right, importantly it adds scale which in turn enhances operational effectiveness and improves the sustainability of the financial model. During the year, we have seen positive commercial new business profits of £10.1m (2022: £9.5m). This has included a contribution of almost £2m from the UK.

We have grown our Funds Under Management (FuM) in 2023, largely through the completion of the acquisition of the insurance portfolio of Conservatrix and we have also reported a growth in underlying asset values.

### Growth in FuM

GROWTH OF 61% SINCE 2018

Funds Under Management	£bn
2018	7.1
2019	7.7
2020	8.5
2021	9.1
2022	10.6
2023	11.5

## FOLLOWING THE RECENT ACQUISITIONS, WE NOW LOOK AFTER c1 MILLION POLICIES FOR CUSTOMERS WHO HAVE £11.5BN OF THEIR ASSETS WITH US

### CONTINUED DELIVERY OF ACQUISITIVE GROWTH

The primary purpose of Chesnara when it was formed back in 2004 was to acquire other closed book businesses and acquisition activity has been a core component of our historical EcV growth. As well as the immediate benefit from incoming EcV, acquisitions also improve the future growth outlook by enhancing the potential from the other value elements of the 'Chesnara fan'.

Successful acquisitions have been key to Chesnara's development historically and will remain so in the future. During 2023 we delivered two acquisitions. The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a second material closed book consolidation business alongside Chesnara's existing UK platform. The Conservatrix transaction increased the group's EcV by £21.7m and provides further EcV accretion potential, including from future real world investment returns and the run-off of the risk margin. We have already seen significant recycling of some of the capital deployed to support the acquisition.

On 16 May 2023 Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK, which was closed to new business in November 2022. As a result of the acquisition, the life insurance and critical illness policies for approximately 47,000 customers will transfer to Chesnara's UK subsidiary, Countrywide Assured plc (CA plc). In the interim period, Canada Life UK will reinsure the portfolio to CA plc, effective from 31 December 2022. The initial commission as part of the

reinsurance agreement was £9.0m, funded from internal group resources, and the transaction has increased the group's Economic Value by £6.7m.

Positive progress continues on the work to complete the transition of CASLP into our target operating platform and the approval of the Part VII transfer of CASLP into CA in December was a further important milestone here and also had a positive impact on EcV.

## CONFIDENCE IN OUR ABILITY TO EXECUTE FUTURE M&A

We remain optimistic about the prospect of future acquisitions and believe that we can deliver further value accretive deals. Even relatively small transactions can have a material positive cumulative impact, as the group delivers synergies from integrating businesses and portfolios into its existing operations.

2023 has continued to see an active M&A market across European insurance for deals of £1bn and below with large international insurance groups continuing to focus their strategies and management teams actively managing business portfolios to release capital and simplify operations. Even with the ongoing market volatility and macro-economic environment, we expect the positive levels of insurance M&A to continue. An active market provides opportunities for Chesnara as a consolidator and the five deals that we have announced over the past two years is indicative of the momentum that we have in this key strategic objective, providing confidence on our ability to execute future M&A.

We continue to have material financial resources to deploy, with cash balances of £124m at a group level. Our revolving credit facility is not currently utilised and creates an additional level of working capital capacity of £150m. For more transformational deals, we retain the ability to raise equity and are mindful of the potential benefits from other funding arrangements such as joint ventures or vendor part-ownership.

Our assessment of the market potential, our track record of delivery and the actions we have taken to enhance our ability to execute M&A means we are confident that acquisitions will continue to contribute to Chesnara's success in the future.

## PEOPLE CHANGES

There have been a number of changes in key personnel of the group over the course of the year, as summarised below.

- In February 2023, we announced that after six years as our Scildon CEO, Gert-Jan Fritzsche would be leaving the business. Having conducted a full market search, we were delighted to announce in July that Pauline Derkman agreed to take up the position of Scildon CEO on 1 September. She has a huge amount of Dutch market experience including M&A from her time at Aegon, ASR and PWC.
- In August 2023 we also announced that after six years as Movestic CEO, Linnéa Ecorcheville would be leaving the business. Sara Lindberg, who is a key member of our Movestic management team, was initially appointed as interim CEO whilst a formal market search was performed. Sara was part of this process and it was clear that Sara was the strongest candidate to fulfil this position not least given her strong performance in the interim role and she was consequently appointed as CEO on a permanent basis.
- In September 2023 we announced that after seven years Ken Hogg, UK CEO would be leaving the business. We were delighted to announce that Jackie Ronson would be taking up the role of UK CEO and started with Chesnara on 14 September. She brings with her over 25 years of experience across financial services and beyond, working in a range of businesses from start-ups to FTSE 100 organisations.
- Regulatory approval was received for all three new appointments and a full transition of responsibilities completed. I want to thank Gert-Jan, Ken and Linnéa for all their efforts at Chesnara and wish them the very best for the future.
- And in December we announced that David Rimmington, Group Finance Director would not be seeking re-election at the 2024 AGM and that he would step down as a director at that time. David has seen through the year end 2023 financial reporting process, including the inaugural annual reporting of the group's results under IFRS 17. I would like to thank him for his service to the business over the last 10 years, particularly the support and guidance he has given me over the last two years. We wish him well as he considers the next steps in his career.
- Having delivered the year end reporting process and associated releases, David will support the orderly transition of his role to Tom Howard, who will be joining us from Aviva in April. Tom has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. Tom brings with him European actuarial and financial reporting capabilities and a strong track record of leadership in finance, M&A, capital management and business transformation. I am looking forward to working closely with Tom as we push forward delivering the group's renewed strategy.

I am confident that these changes will put us in a strong position to deliver our ambitious plans for the future.

## A SUSTAINABLE CHESNARA

We are committed to becoming a sustainable group and our principles are: "Do no harm. Do good. Act now for later.". As a steward and a safe harbour for our c1 million policyholders and £11.5bn of policyholder and shareholder assets, we have a real responsibility to help drive the change needed to deliver decarbonisation, protect nature and ensure a sustainable society and economy. The path to sustainability will be long and complicated but we are working to put sustainability at the heart of everything we do and during the year we have taken action to embed sustainability into decision-making across the group.



Our work is overseen by the Board and our Group Sustainability Committee which is chaired by our Senior Independent Director, Jane Dale. The committee consists of executive management from across the group with executive sponsorship from myself and is focused on delivery of real world actions.

Our commitments are detailed within our Annual Sustainability Report and simply put, we will make decisions based on all of our stakeholders, including the planet and its natural resources. Based on this, we're committed to:

- 1. **Supporting a sustainable future**, including our net zero transition plans
- 2. **Making a positive impact**, including our plans to invest in positive solutions
- 3. **Creating a fairer world**, ensuring our group is an inclusive environment for all employees, customers and stakeholders

As I highlighted earlier, these commitments are shaping what we do and how we do it and we have set our initial interim 2030 targets for financed emissions.

In addition, we will be reporting on our sustainability position and activities in line with the appropriate reporting frameworks. We have reported under TCFD (Task Force on Climate-Related Financial Disclosures) for several years, are reporting under the CFD regulations (Climate-related Financial Disclosure) for the first time this year as required by an amendment to the Companies Act, and we have commenced our work on CSRD (the EU Corporate Sustainability Reporting Directive) reporting.

OUTLOOK

It has been pleasing to see economic earnings gains in the year as well as continued strong cash generation. Whilst a volatile macro-economic backdrop will continue to be a material factor in all our markets, we remain confident that the Chesnara business model will continue to generate cash across a wide variety of market conditions, as it has done over its history.

We also remain positive on the outlook for further M&A and are starting 2024 with a positive pipeline of opportunities. The two deals delivered in 2023 providing further evidence of the renewed momentum we have behind our M&A activity.

Finally, the operational delivery we have seen during the year would not have been possible without the fantastic efforts of our teams across the group.

In 2024, Chesnara will be celebrating the 20th anniversary of its listing. It's a privilege to be leading the business in its 20th year and looking ahead, I continue to believe there is a lot to look forward to here at Chesnara.

Steve Murray,  
Chief Executive Officer  
27 March 2024

MANAGEMENT REPORT

OUR STRATEGY

Our strategy focuses on delivering value to customers and shareholders, mindful of the interests of other stakeholders, through our three strategic pillars, executed across our three territories.

STRATEGIC OBJECTIVES		
<div>1.</div> <div>MAXIMISE THE VALUE FROM EXISTING BUSINESS</div> <div>Managing our existing customers fairly and efficiently is core to delivering our overall strategic aims.</div>	<div>2.</div> <div>ACQUIRE LIFE AND PENSIONS BUSINESSES</div> <div>Acquiring and integrating companies into our business model is key to continuing our growth journey.</div>	<div>3.</div> <div>ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS</div> <div>Writing profitable new business supports the growth of our group and helps mitigate the natural run-off of our book.</div>
<div>KPIs</div> <div>Cash generation EcV earnings Customer outcomes</div>	<div>KPIs</div> <div>Cash generation EcV growth Customer outcomes Risk appetite</div>	<div>KPIs</div> <div>EcV growth Customer outcomes</div>

## OUR CULTURE AND VALUES – RESPONSIBLE RISK BASED MANAGEMENT

RESPONSIBLE RISK BASED MANAGEMENT FOR THE BENEFIT OF ALL OUR STAKEHOLDERS	FAIR TREATMENT OF CUSTOMERS	MAINTAIN ADEQUATE FINANCIAL RESOURCES	PROVIDE A COMPETITIVE RETURN TO OUR INVESTORS	ROBUST REGULATORY COMPLIANCE	A JUST TRANSITION TO A SUSTAINABLE GROUP
------------------------------------------------------------------------------------------	-----------------------------------	------------------------------------------------	--------------------------------------------------------	------------------------------------	------------------------------------------------------

## BUSINESS REVIEW | UK

The UK division consists of the operating company Countrywide Assured plc which now includes the insurance business of CASLP following the Part VII transfer on 31 December 2023. The business also reflects the impact of the Canada Life deal that was entered into in May 2023.

The division manages c291,000 policies covering linked pension business, life insurance, endowments, annuities and some with-profit business. The division is largely closed to new business, but generates future value through a small amount of new business, investment returns on linked policies, increments to existing policies and periodic acquisitions.

### MAXIMISE VALUE FROM EXISTING BUSINESS

#### CAPITAL AND VALUE MANAGEMENT

##### BACKGROUND INFORMATION

As a largely closed book, the division creates value through managing the following key value drivers: expenses; policy attrition; investment returns; and reinsurance strategy.

In general, surplus regulatory capital emerges as the book runs off. The level of required capital is closely linked to the level of risk to which the division is exposed. Management's risk-based decision-making process seeks to continually manage and monitor the balance of making value enhancing decisions whilst maintaining a risk profile in line with the board's risk appetite.

At the heart of maintaining value is ensuring that the division is governed well from a regulatory and customer perspective.

##### INITIATIVES AND PROGRESS IN 2023

- In May 2023 the division entered into a new long-term strategic partnership with Fin Tech market leader, SS&C Technologies. SS&C will service the front to back office operations for the majority of the UK division. This represents a landmark agreement for the division, and provides a modern platform that delivers surety of future operating costs over the longer term, will improve the efficiency of the existing business and establishes a solid platform to scale the business via future acquisitions.
- This has initiated a programme of work to migrate the business operations of CASLP to the SS&C target operating model. The first key milestone of transferring CASLP staff to SS&C was met during the year.
- The planned Part VII insurance business transfer of CASLP into CA plc completed on 31 December 2023 and has resulted in the realisation of some immediate capital synergies. This also supports the delivery of future operational efficiencies.
- In May 2023 the division agreed to acquire Canada Life's individual protection business of 47,000 policies. This was initially executed via a reinsurance agreement, with the policies expected to transfer to CA through a Part VII insurance business transfer process following court approval.
- CA has continued to optimise the risk/reward balance of its investment portfolio, having executed a change in the assets backing the non-linked, non-volatility adjustment portfolio during the year.
- In Q4 CA entered into a mass lapse reinsurance arrangement. This provides cover against the risk of a large outflow of policies and as a result reduces the amount of capital that is required to be held in a mass lapse scenario.
- As a result of the Solvency II risk margin reforms that came into force on 31 December 2023 the risk margin has reduced by £13.2m.
- The UK business paid total dividends of £56.0m to Chesnara plc in the year and is reporting a year end 2023 dividend of £35.0m to be paid later in 2024, with a closing post dividend solvency ratio of 149%.

##### FUTURE PRIORITIES

- Continued migration of the majority of the existing and the acquired books of business to SS&C as strategic outsource partner.
- Complete the final stages of the integration plans of CASLP into CA, including deauthorising and the subsequent dissolution of CASLP Limited.
- Complete the work necessary to prepare for the transfer the policies of Canada Life into CA plc.
- Continue to focus on maintaining an efficient and cost-effective operating model.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.

- Support Chesnara in identifying and delivering UK acquisitions.

## KPIs

### Economic Value - UK

£m	2019	2020	2021	2022	2023
EcV	204.6	187.4	181.9	209.3	191.4
Cumulative dividends		29.0	62.5	90.0	146.0
<b>Total</b>	<b>204.6</b>	<b>216.4</b>	<b>244.4</b>	<b>299.3</b>	<b>337.4</b>

The closing EcV at 31 December 2023 includes a £6.7m gain arising on the Canada Life deal.

### Cash generation – UK

£m	2019	2020	2021	2022	2023
Cash generation	33.6	29.5	27.4	40.8	45.0

## CUSTOMER OUTCOMES

### BACKGROUND INFORMATION

Delivering good customer outcomes is one of our primary responsibilities. We strive to do this by providing good customer service, competitive fund performance and offering overall fair value for money. We seek to offer additional support to customers who may need it and provide easy to understand information about our products and the benefits provided. We are committed to meeting our regulatory responsibilities, including remaining operationally resilient and maintaining a strong solvency position.

### INITIATIVES AND PROGRESS IN 2023

- An ongoing focus of the division is to ensure that it complies with the requirements of the FCA's "Consumer Duty". The business unit met the requirements in relation to its open business by the regulatory deadline of 31 July 2023 and the closed book operations are on track to comply with the requirements by the later deadline of 31 July 2024.
- Another important multi-year focus is to ensure compliance with the FCA's "Operational Resilience" regulations by 31 March 2025. This remains on track and has included supporting the PRA in its industry-wide data collection programme.
- The policies of CASLP were transferred to CA plc on 31 December 2023 following court approval on 21 December 2023. As part of this process an independent expert for the transfer confirmed that all policyholders could expect to receive the same benefits in their existing policies with the same level of security under the transfer.

### FUTURE PRIORITIES

- Continued focus on the operational resilience programme to ensure the regulatory deadline of March 2025 is achieved.
- Execute the board agreed plans and progress any actions needed to meet the requirements of the Consumer Duty regulation by July 2024.
- Continued focus on delivering good customer outcomes and maintaining strong service performance from all customer facing suppliers and providers.

## KPIs

### Policyholder fund performance – UK

	12 months ended 31 Dec 2023	12 months ended 31 Dec 2022
CA Managed Pension	7.5	(7.9)
CWA Balanced Managed Pension	7.5	(7.9)
S&P Managed Pension	7	(8.4)
Benchmark - ABI Mixed Inv 40%-85% shares	8.2	(9.8)
CASLP Manged Pension	6.7	(10.7)
Benchmark – ABI Mixed Inv 20%-40% shares	7.1	(9.7)

Throughout the year our main managed funds performed ahead of industry benchmarks.

## GOVERNANCE

### BACKGROUND INFORMATION

Maintaining effective governance and a constructive relationship with regulators underpins the successful delivery of the division's strategic plans.

Having robust governance processes provides management with a platform to deliver the other aspects of the business strategy. As a result, a significant proportion of management's time and attention continues to be focused on ensuring that both the existing governance processes, coupled with future developments, are delivered.

## INITIATIVES AND PROGRESS IN 2023

- In September Jackie Ronson joined Chesnara, succeeding Ken Hogg as UK CEO. As well as overseeing the day to day operations of the division, Jackie will apply her experience in M&A and leading large scale transformation to deliver the UK's business strategy.
- During the course of the year the division successfully delivered the integration of the policies and governance frameworks of CASLP with CA. This was in preparation for the Part VII transfer of CASLP into CA at the end of the year, and puts the CA board in good stead for overseeing the enlarged business through a combined oversight structure going forward.
- Following entering into the new strategic partnership with SS&C during the year, coupled with the new arrangement with Canada Life, the division has focused on ensuring that its governance and oversight routines have been adapted to reflect these new arrangements.
- CA has implemented IFRS 17 reporting into its overall financial reporting framework, as required to support Chesnara's year end 2023 IFRS 17 reporting.
- The division has supported the wider group's sustainability programme over the course of the year and will continue to focus on local initiatives for 2024.

## FUTURE PRIORITIES

- Continue embedding the new IFRS 17 financial reporting processes into business as usual routines.
- Ensure appropriate governance arrangements are in place as the division transitions the majority of its front to back operations to SS&C.
- Continue to horizon scan for future regulatory changes
- Continue engaging with our asset managers on progress towards net zero and investing in positive solutions.
- Support the wider group-wide sustainability programme to becoming a more sustainable group, including focusing on our operations, social purpose, and ensuring the group's and division's reporting needs are met.

## KPIs

Divisional solvency remains strong and stable with surplus generated in the year increasing the pre-dividend solvency ratio from 135 % to 183%.

## SOLVENCY RATIO: 149%

	£m	Solvency Ratio
31 Dec 2022 surplus	35.7	135%
Surplus generation	49.2	
31 Dec 2023 surplus (pre-div)	84.9	183%
2023 div	(35.0)	
<b>31 Dec 2023 surplus</b>	<b>49.9</b>	<b>149%</b>

## BUSINESS REVIEW | SWEDEN

Our Swedish division consists of Movestic, a life and pensions business which is open to new business. It offers personalised unit-linked pension and savings solutions through brokers, together with custodian products via a number of private banks and is well-regarded within both communities.

## MAXIMISE VALUE FROM EXISTING BUSINESS

### CAPITAL AND VALUE MANAGEMENT

#### BACKGROUND INFORMATION

Movestic creates value predominantly by generating growth in unit-linked Funds Under Management (FuM), whilst assuring a high-quality customer proposition and maintaining an efficient operating model. FuM growth is dependent upon positive client cash flows and positive investment performance. Capital surplus is a factor of both the value and capital requirements and hence surplus can also be optimised by effective management of capital.

## INITIATIVES AND PROGRESS IN 2023

- 2023 continued to see geopolitical uncertainty in many parts of the world, which drove rising interest and inflation rates, although the trend turned later in the year. The financial markets have been volatile, but overall positive, due to an upswing in US and wider tech markets; this development was reflected in the favourable returns on policyholders' investment assets.
- Movestic continued to improve its offerings within both the unit-linked and custody account segments through a number of activities for example, continuing to monitor developments and ensuring products remain relevant. In addition, Movestic has continued its retention initiatives during the year, albeit high transfer activity is expected to remain a market feature due to simplified processes and new regulations that have come into force.

- Over the year, Movestic has continued to develop its digital offering such as: through extending its digital processing; establishing new partnerships; and through continuing efforts to streamline processes and increase the use of automation. New customer demands and a greater digitalisation on the market overall have also caused the division to intensify its efforts to create services that are easier and more efficient for customers and partners to use. The work with automation and digitalisation is also expected to add future synergies as we will be able to scale up the business.
- Movestic's solvency ratio remains robust despite the development of the symmetric adjustment following positive investment markets which requires additional capital to be held. The closing FUM balance of £4.4bn represents a full year increase of 18.5% when compared to 2022, driven by overall favourable market conditions.

## FUTURE PRIORITIES

- The Swedish life insurance industry is going through a major transformation. Recent regulatory and technology developments (e.g. AI) will create opportunities, but also lead to higher customer demand for accessibility, information, and personalised products and services. Movestic will keep working to increase the use of automation; streamline its processes and improve its administrative efficiency and control.
- Continue to build solid and long-term sustainable value creation for customers and owners through a diversified business model with continued profitable growth of volumes and market shares in selected segments.
- Remain focused on customer loyalty and providing attractive offerings to both retain customers and reach more volumes on the transfer market.
- Provide a predictable and sustainable dividend to Chesnara.
- Seek out opportunities to bring in additional scale through M&A, working collaboratively with the group.

KPIs (all comparatives have been presented using 2023 exchange rates)

### Economic Value

£m	2019	2020	2021	2022	2023
Reported value	240.9	213.9	232.8	193.8	189.6
Cumulative dividends		5.9	11.0	14.0	25.2
<b>Total</b>	<b>240.9</b>	<b>219.8</b>	<b>243.8</b>	<b>207.8</b>	<b>214.8</b>

## CUSTOMER OUTCOMES

### BACKGROUND INFORMATION

Movestic provides personalised long-term savings, insurance policies and occupational pensions for individuals and business owners. We believe that recurring independent financial advice increases the likelihood of a solid and well-planned financial status, hence we are offering our products and services through advisors and licenced brokers.

### INITIATIVES AND PROGRESS IN 2023

- Movestic have developed a new sustainability rating for funds on its platform, with the aim of providing an aggregated valuation of different sustainability ratings that are available on the investment market (more information is available on the Movestic website).
- Work to automate processes and make them more efficient has taken place over the year. In addition, a new customer service case management system was implemented over 2023. Both activities will help to ensure smoother administration and improved customer service.
- Movestic continued to expand the custodian offering by establishing new partnerships.
- To help customers plan their retirement, Movestic has developed a unique digital service where customers can: plan; start withdrawing; and change how they receive their occupational pension. In 2023, seven out of every ten of the company's customers used this service to start withdrawing their pension.
- A new digital medical underwriting tool and an improved digital investment tool have been launched, making it easier for customers to choose and exchange the funds in their portfolios.
- The long-term trend with more satisfied customers is continuing as the company's Customer Satisfaction Index rose for the third consecutive year.

## FUTURE PRIORITIES

- Continued development of new digital self-service solutions and tools to support the brokers' value enhancing customer proposition, and to facilitate smooth administrative processes making Movestic a partner that is easy to do business with.
- Further strengthen the relationship with brokers and partners through increased presence, both physical and digital.
- Continue to capitalise on the new rules that came into effect in July 2022 that enhances the business's ability to transfer policies onto its own platform where it is in the interest of customers to do so.

KPIs (all comparatives have been presented using 2023 exchange rates)

### Broker assessment rating (out of 5)

	2019	2020	2021	2022	2023
--	------	------	------	------	------



Rating	3.5	3.3	3.6	3.8	3.8
--------	-----	-----	-----	-----	-----

POLICYHOLDER AVERAGE INVESTMENT RETURN:  
11.8%

## GOVERNANCE

### BACKGROUND INFORMATION

Movestic operates to exacting regulatory standards and adopts a robust approach to risk management.

Maintaining strong governance is a critical platform to delivering the various value-enhancing initiatives planned by the division.

### INITIATIVES AND PROGRESS IN 2023

- IFRS 17 and IFRS 9 – the division has delivered its first full year-end for 2023 under the new group accounting standards.
- Sustainability has remained a key focus area with work progressing in a number of areas. A key example is work over the year to develop a solution to digitally provide customers with individual sustainability annual statements which is in accordance with new regulation that came into force on 1 January 2023. Additionally, work has progressed in respect of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting. Movestic initiated an impact assessment in December 2023, and we are working to understand the likely effective date, given the complexities of the legislation.
- Analysis of the Global Minimum Tax (GMT) regulatory framework is also underway, to determine how the new law affects the company's tax situation.
- Work has commenced to implement the new regulatory framework, Digital Operational Resilience Act (DORA), which is effective from January 2025. DORA is designed to improve the ability to withstand cyber threats and the risks associated with information security.

### FUTURE PRIORITIES

- Ensure new reporting processes are embedded into BAU operations to support IFRS 17 requirements.
- Continue implementation of sustainability regulations.

KPIs (all comparatives have been presented using 2023 exchange rates)

### SOLVENCY RATIO: 147%

Solvency remains strong post a foreseeable dividend of £7.8m

	£m	Solvency Ratio
31 Dec 2022 surplus	64.7	162%
Surplus generation	(2.6)	
31 Dec 2023 surplus (pre-div)	62.1	153%
2023 div	(7.8)	
<b>31 Dec 2023 surplus</b>	<b>54.3</b>	<b>147%</b>

## ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

### BACKGROUND INFORMATION

As an "open" business, Movestic not only adds value from sales but as it gains scale, it will become increasingly cash generative which will fund further growth or contribute towards the group's attractive dividend. Movestic continues to adopt a profitable pricing strategy.

### INITIATIVES AND PROGRESS IN 2023

- Sales volumes for the unit-linked business have developed positively over the year, representing a 15% rise on the prior year. The custodian sales volumes slowed down during the year due to the less favourable financial market conditions, particularly a lack of local IPOs.
- The division delivered a commercial new business profit of £2.8m, which is slightly below last year, in part due to salary increases below the inflation rate, which led to lower increment contributions.
- Movestic will continue to develop its pension and savings offering to increase competitiveness and build customer loyalty.
- For the second year in a row, Movestic have been awarded 'Unit-linked Insurance Company of the Year' for 2023 by Söderberg & Partners

### FUTURE PRIORITIES

- Launch new risk product offerings in the broker channel, including a new technical solution for administration.
- Continue to strengthen distribution capacity within all channels and work to launch new partner collaboration within all lines of business.

KPIs (all comparatives have been presented using 2023 exchange rates)

#### Occupational pension market share %

%	2019	2020	2021	2022	2023
Market share	7.0	4.7	3.6	4.1	4.4

#### New business profit

£m	2019	2020	2021	2022	2023
New business profit	6.3	1.5	3.9	3.2	2.8

## BUSINESS REVIEW | NETHERLANDS

Our Dutch businesses deliver growth through our acquisitive closed book business Waard, which increased in size as a result of the Conservatrix acquisition at the start of the year, and our open book business Scildon, which seeks to write profitable term, investments and savings business.

### MAXIMISE VALUE FROM EXISTING BUSINESS

#### CAPITAL AND VALUE MANAGEMENT

##### BACKGROUND INFORMATION

Both Waard and Scildon have a common aim to make capital available to the Chesnara group to fund further acquisitions or to contribute to the dividend funding. Whilst their aims are common, the dynamics by which the businesses add value differ:

- Waard is in run-off and has the benefit that the capital requirements reduce in-line with the attrition of the book.
- As an “open business”, Scildon’s capital position does not benefit from book run-off. It therefore adds value and creates surplus capital through writing new business and by efficient operational management and capital optimisation.

##### INITIATIVES AND PROGRESS IN 2023

- On 1 January 2023, Waard executed the acquisition of an insurance portfolio from Conservatrix, a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The integration of both the portfolio and staff, were successfully completed in 2023
- Scildon’s IT system improvement project has progressed well over the year, and cost efficiencies have materialised in line with the business case. The project is expected to conclude in 2024.
- Over the year, Waard combined all holdings (excluding unit linked) to one custodian. This will both save costs and enable to us to better track our financed emissions and progress towards our net zero target.
- Both Waard and Scildon continue to have strong solvency positions at the end of 2023, inclusive of the use of the volatility adjustment, with Scildon at 184% and Waard at 353%.

##### FUTURE PRIORITIES

- Effective management of the closed book run-off in Waard to enable ongoing dividend payments to Chesnara.
- Complete the IT improvement project and ensure the planned efficiencies are delivered.
- Continue to focus on maintaining an efficient and cost-effective operating model.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Support Chesnara in identifying and delivering Dutch acquisitions.

KPIs (all comparatives have been presented using 2023 exchange rates)

#### Economic Value – The Netherlands

£m	2019	2020	2021	2022	2023
EcV	217.6	224.3	213.4	218.3	255.1
Cumulative dividends		5.0	5.0	10.2	14.5
<b>Total</b>	<b>217.6</b>	<b>229.3</b>	<b>218.4</b>	<b>228.5</b>	<b>269.9</b>

### CUSTOMER OUTCOMES

##### BACKGROUND INFORMATION

Great importance is placed on providing customers with high quality service and positive outcomes.

Whilst the ultimate priority is the end customer, in Scildon we also see the brokers who distribute our products as being customers, and hence developing processes to best support their needs is a key focus.

## INITIATIVES AND PROGRESS IN 2023

- Scildon has continued to make improvements to its customer offering through new products and digitalisation options where possible. These improvements will also reduce the level of physical mail, making all communications with IFA's and customers digital.
- Scildon retained high customer satisfaction and Net Promotor Score (NPS) in 2023.
- Through the acquisition of Conservatrix, Waard has safeguarded policyholder interests and provided certainty to staff. Processes were put in place to support the contact issues policyholders faced at the start of the year with many policyholders restarting their premiums in the second half of the year.
- Waard has also progressed work on digitalising its customer portal to both make it easier for customers to access documents but also to reduce the level of printing required, in turn helping the group decarbonise. This is expected to be launched in 2024.

## FUTURE PRIORITIES

- Regular engagement with customers to improve service quality and to enhance and develop existing processes, infrastructure, and customer experiences.
- Launch the new digital portal in Waard.

KPIs (all comparatives have been presented using 2023 exchange rates)

### Scildon client satisfaction rating (out of 10)\*

	2019	2020	2021	2022	2022
Rating	7.7	7.8	8.1	8.3	8.3

\*Source MWM<sup>®</sup> market research agency, Netherlands

## GOVERNANCE

### BACKGROUND INFORMATION

Waard and Scildon operate in a regulated environment and comply with rules and regulations both from a prudential and from a financial conduct point of view.

## INITIATIVES AND PROGRESS IN 2023

- Work is progressing to embed IFRS 17 and IFRS 9 processes into normal finance activity, with significant strides being made during the year, with this set of results being the first audited set of numbers under the new accounting standard.
- Both business units have been progressing their sustainability activity with a significant programme of work expected over 2024.
- Work has started on consideration of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting and we are working to understand the likely effective date, given the complexities of the legislation.

## FUTURE PRIORITIES

- Continue to work to fully embed IFRS 17.
- Progress the implementation of the Corporate Sustainability Reporting Directive (CSRD).

KPIs (all comparatives have been presented using 2023 exchange rates)

### SOLVENCY RATIO: SCILDON 184%; WAARD 353%

Solvency is robust in both businesses, with post-dividend solvency ratios (inclusive of the volatility adjustment) of 184% and 353% for Scildon and Waard respectively.

#### Scildon

	£m	Solvency Ratio
31 Dec 2022 surplus	60.7	188%
Surplus generation	0.2	
<b>31 Dec 2023 surplus</b>	<b>60.9</b>	<b>184%</b>

#### Waard

	£m	Solvency Ratio
31 Dec 2022 surplus	64.7	591%

Surplus generation	12.7	
31 Dec 2023 surplus (pre-div)	77.4	377%
2023 div	(6.9)	
<b>31 Dec 2023 surplus</b>	<b>70.5</b>	<b>353%</b>

*Note: The 2022 closing solvency ratio for Waard includes additional capital held in respect of the purchase of Conservatrix, with the acquisition and business integration completing in 2023.*

## ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

### BACKGROUND INFORMATION

Scildon brings a “New business” dimension to the Dutch division. Scildon sell protection, individual savings, and group pensions contracts via a broker-led distribution model. The aim is to deliver meaningful value growth from a realistic market share. New business also helps the business maintain scale and hence contributes to unit cost management.

### INITIATIVES AND PROGRESS IN 2023

- Scildon continues to generate solid new business profits, with a commercial new business result of £5.4m for 2023 (pre-tax). The market remains tough with pressure on pricing, but we have a solid base to drive further growth.
- Underpinning this, Scildon APE and policy count continue to increase, closing the year with more than 236,000 policies. The market share for the Scildon term product over 2023 was 10.5% (2022: 10.6%).
- Scildon were awarded a 5-star rating for the second year in a row for its lifestyle product, by independent trade body, Moneyview.

### FUTURE PRIORITIES

- Continue to deliver product innovation and cost management actions.
- Consider alternative routes to market that do not compromise our existing broker relationships, such as further product white labelling.
- Scildon continues to look to offer sustainable solutions for their unit linked proposition.

KPIs (all comparatives have been presented using 2023 exchange rates)

#### Scildon – term assurance market share %

%	Jun 2022	Dec 2022	Jun 2023	Dec 2023
Market share	11.6	10.6	12.1	10.5

#### Scildon – new business profit

£m	2019	2020	2021	2022	2023
New business profit	7.7	8.6	5.3	6.3	5.4

## BUSINESS REVIEW | ACQUIRE LIFE AND PENSION BUSINESSES

During 2023 we completed the acquisition of the insurance portfolio of Conservatrix in the Netherlands and entered into a deal in the UK with Canada Life to transfer its onshore protection business to the group.

### HOW WE DELIVER OUR ACQUISITION STRATEGY

- Identify potential deals through an effective network of own contacts and advisers and industry associates, utilising both group and divisional management expertise as appropriate.
- We primarily focus on acquisitions in our existing territories, although we will consider other territories should the opportunity arise and this is supportive of our strategic objectives.
- We assess deals by applying well established criteria which consider the impact on cash generation and Economic Value under best estimate and stressed scenarios.
- We work cooperatively with regulators.
- The financial benefits are viewed in the context of the impact the deal will have on the enlarged group's risk profile.
- Transaction risk is reduced through stringent risk-based due diligence procedures and the senior management team's acquisition experience and positive track record.
- We fund deals with a combination of own resources, debt or equity depending on the size and cash flows of each opportunity and commercial considerations.

## HOW WE ASSESS DEALS

### Cash generation

- Collectively our future acquisitions must be suitably cash generative to continue to support Chesnara delivering attractive dividends.

### Value enhancement

- Acquisitions are required to have a positive impact on the Economic Value per share in the medium term under best estimate and certain more adverse scenarios.

### Customer outcomes

- Acquisitions must ensure we protect, or ideally enhance, customer interests with deals always giving full regard to Consumer Duty responsibilities.

### 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.

## TRANSACTIONS IN 2023

### CONSERVATRIX

Territory	EcV	New policies	Customer outcomes	Risk appetite
NL	£21.7m day 1 gain	70,000	Stable future in a well capitalised business	In line with existing group

The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a second material closed book consolidation business alongside Chesnara's existing UK platform.

The Conservatrix transaction increased the group's EcV by £21.7m on day 1 and provides further EcV accretion potential from future real world investment returns and the run-off of the risk margin. The Conservatrix portfolio was integrated into the Waard business over the course of the year, including allowing customers the option to restart their premiums on their policies.

### CANADA LIFE UK

Territory	EcV	New policies	Customer outcomes	Risk appetite
UK	£6.7m day 1 gain	47,000	Part VII into CA in 2025, a well capitalised company.	In line with existing group

Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK in May 2023. As a result of the acquisition, the life insurance and critical illness policies for approximately 47,000 policies will transfer to Chesnara's UK subsidiary, Countrywide Assured plc ("CA plc").

Canada Life UK will reinsure the portfolio to CA plc, effective from 31 December 2022. The consideration as part of the reinsurance agreement was £9 million, funded from internal group resources, and the transaction resulted in an immediate day 1 EcV gain of £6.7m.

Customers' policies are expected to formally transfer to CA plc after completion of a court-approved Part VII transfer. This is following the successful completion in 2023 of the Part VII transfer of the CASLP entity to CA plc.

## ACQUISITION OUTLOOK

- We continue to see a healthy flow of acquisition opportunities across the European insurance market.
- Key drivers for owners to divest portfolios continue to remain relevant and create a strong pipeline. These include better uses of capital (e.g. return to investors or supporting other business lines), operational challenges (e.g. end of life systems), management distraction, regulatory challenges and wider business and strategic needs.
- Our expectation is that sales of portfolios will continue and our strong expertise and knowledge, good regulatory relationships and the flexibility of our operating model means that Chesnara is very well placed to manage the additional complexity associated with these portfolio transfers and provide beneficial outcomes for all stakeholders. These transactions may not be suitable for all potential consolidators, in particular those who do not have existing regulatory licenses.
- We continue to have immediately available acquisition firepower of over £200m, noting we seek to hold cash reserves to cover costs for 12 months (dividend, coupon and working capital). We will continue to explore how we can increase our funding capability further, including consideration of partnerships as well as equity and debt to ensure we can compete for larger deals.



- Our financing considerations, when looking at new deals, are: that we operate in our normal operating solvency range of 140 – 160%; we maintain our investment grade rating through managing our leverage ratio; we retain liquid resources to cover the dividend, coupon and working capital for approximately one year; and we continue to have the capacity to finance smaller transactions without extra fundraising.

## CAPITAL MANAGEMENT | SOLVENCY II

Subject to ensuring other constraints are managed, surplus capital is a useful proxy measure for liquid resources available to fund items such as dividends, acquisitions or business investment. As such, Chesnara defines cash generation as the movement in surplus, above management buffers, during the period.

### GROUP SOLVENCY SOLVENCY POSITION

£m	31 Dec 2023	31 Dec 2022
Own funds	684	605
SCR	333	307
Surplus	351	298
Solvency ratio %	205%	197%

### SOLVENCY SURPLUS MOVEMENT\*

\*PRE INTRAGROUP DIVIDENDS

£m	
<b>Group surplus at 31 Dec 2022</b>	<b>298.4</b>
UK	45.1
Movestic	(2.6)
Waard	16.2
Scildon	0.2
Chesnara / consol adj	(19.1)
Change in T2/T3 restrictions	46.4
Acquisition	8.8
Exchange rates	(6.2)
Dividends	(36.1)
<b>Group surplus at 31 Dec 2023</b>	<b>351.0</b>

#### Surplus:

The group has £351m of surplus over and above the capital requirements under Solvency II, compared to £298m at the end of 2022. The group solvency ratio has increased from 197% to 205%.

#### Own Funds:

Own Funds have risen by £115m (pre-dividends). The most material drivers are the acquisition of the insurance portfolio of Conservatrix in Waard and the reinsurance of policies from Canada Life in CA, which contributed £32m of Own Funds on completion, coupled with the reduction in Tier 2 restrictions.

#### SCR:

The SCR has increased by £26m, owing mainly to a rise in equity risk (due to the rise in equity markets and symmetric adjustment) and increases in market and life underwriting SCR from the 2023 acquisitions.

#### Solvency II background

- Solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold.
- The value of the company is referred to as its "Own Funds" (OF) and this is measured in accordance with the rules of the newly adopted Solvency II regime.
- The capital requirement is again defined by Solvency II rules and the primary requirement is referred to as the Solvency Capital Requirement (SCR).
- Solvency is expressed as either a ratio: **OF/SCR %** or as an absolute surplus: **OF less SCR**.

#### WHAT ARE OWN FUNDS?

A valuation which reflects the net assets of the company and includes a value for future profits expected to arise from in-force policies.

**The Own Funds valuation:** A restriction is applied to reduce the aggregate value of Tier 2 and eligible Tier 3 assets down to 50% of the reported SCR.

**Contract boundaries:** Solvency II rules do not allow for the recognition of future cash flows on certain policies despite a high probability of receipt.

**Risk margin:** The Solvency II rules require a 'risk margin' liability which is deemed to be above the realistic cost.

**Restricted with profit surpluses:** Surpluses in the group's with-profit funds are not recognised in Solvency II Own Funds despite their commercial value.

We define Economic Value (EcV) as being the Own Funds adjusted for the items above. As such our Own Funds and EcV have many common characteristics and tend to be impacted by the same factors.

Transitional measures, introduced as part of the long-term guarantee package when Solvency II was introduced, are available to temporarily increase Own Funds. Chesnara does not take advantage of such measures, however we do apply the volatility adjustment within our Dutch and UK divisions.

#### How do Own Funds change?

Own Funds (and Economic Value) are sensitive to economic conditions. In general, positive equity markets and increasing yields lead to OF growth and vice versa. Other factors that improve OF include writing profitable new business, reducing the expense base and improvements to lapse rates.

#### WHAT IS CAPITAL REQUIREMENT?

The solvency capital requirement can be calculated using a "standard formula" or "internal model". Chesnara adopts the "standard formula".

#### There are three levels of capital requirement:

##### Minimum dividend paying requirement/risk appetite requirement

The board sets a minimum solvency level above the SCR which means a more prudent level is applied when making dividend decisions.

##### Solvency Capital Requirement

Amount of capital required to withstand a 1 in 200 event. The SCR acts as an intervention point for supervisory action including cancellation or the deferral of distributions to investors.

##### Minimum Capital Requirement

The MCR is between 45% and 25% of the SCR. At this point Chesnara would need to submit a recovery plan which if not effective within three months may result in authorisation being withdrawn.

#### How does the SCR change?

Given the largest component of Chesnara's SCR is market risk, changes in investment mix or changes in the overall value of our assets has the greatest impact on the SCR. For example, equity assets require more capital than low risk bonds. Also, positive investment growth in general creates an increase in SCR. Book run-off will tend to reduce SCR, but this will be partially offset by an increase as a result of new business.

*The HMT's reforms to Solvency II were laid before parliament on 8 December, and came into force on 31 December 2023. The reforms updated the risk margin calculation for CA. We continue to monitor any further proposed changes closely and future financial statements will report on the UK specific application of Solvency II as it diverges from the EU's regime. We see no specific reason to expect the PRA to use their enhanced freedoms to take a route that systemically makes it harder to do business in the UK.*

*EIOPA has proposed provisional reforms to Solvency II. These reforms need to be presented to member states and the European Parliament for approval.*

We are well capitalised at both a group and subsidiary level. We have applied the volatility adjustment in Scildon, Waard Leven and CA, but have not used any other elements of the long-term guarantee package within the group. The Volatility Adjustment is an optional measure that can be used in solvency calculations to reduce volatility arising from large movements in bond spreads.

*The numbers that follow present the divisional view of the solvency position which may differ to the position of the individual insurance company(ies) within the consolidated numbers. Note that year end 2022 figures have been restated using 31 December 2023 exchange rates in order to aid comparison at a divisional level.*

UK

£m

31 Dec 2023

31 Dec 2022

Own funds (post dividend)	152	135
SCR	103	100
Buffer	21	20
Surplus	29	15
Solvency ratio %	149%	135%

**Surplus:** £29.4m above board's capital management policy.

**Dividends:** Solvency position is stated after £35.0m proposed dividend (2022: £56.0m).

**Own Funds:** Increased by £51.5m (pre dividend), including the Canada Life day 1 gain, positive economic experience, Part VII synergies and a decrease in the risk margin due to the SII reforms.

**SCR:** Increased by £2.3m primarily due a fall in lapse risk due to the mass lapse reinsurance, offset by increases as a result of the Canada Life deal, Part VII synergies and a rise in equity risk capital.

## SWEDEN

£m	31 Dec 2023	31 Dec 2022
Own funds (post dividend)	171	169
SCR	117	104
Buffer	23	21
Surplus	31	44
Solvency ratio %	147%	162%

**Surplus:** £30.9m above board's capital management policy.

**Dividends:** Solvency position is stated after £7.8m (100 MSEK) proposed dividend (2022: £11.7m – 150 MSEK).

**Own Funds:** Increased by £10.1m (pre-dividend) largely owing to positive economic movements, being offset by operating strain, primarily arising from adverse lapse experience.

**SCR:** Increased by £12.7m due to positive equity growth and moderate rise in currency and lapse risks.

## NETHERLANDS - WAARD

£m	31 Dec 2023	31 Dec 2022
Own funds (post dividend)	98	78
SCR	28	13
Buffer	10	5
Surplus	61	60
Solvency ratio %	353%	591%

**Surplus:** £60.7m above board's capital management policy.

**Dividends:** Solvency position stated after £6.9m proposed dividend (2022: £4.3m).

**Own Funds:** Increased by £28.3m (pre-dividend) largely due to the Conservatrix deal, coupled with some positive operating items.

**SCR:** Increased by £14.7m, mainly due to the Conservatrix deal, which has mostly impacted longevity, lapse and concentration risk.

## NETHERLANDS - SCILDON

£m	31 Dec 2023	31 Dec 2022
Own funds (post dividend)	134	129
SCR	73	69
Buffer	55	52

Surplus	6	9
Solvency ratio %	184%	188%

**Surplus:** £6.2m above board's capital management policy.

**Dividends:** No foreseeable dividend is proposed (2022: £nil).

**Own Funds:** Increased by £4.3m due to positive operating variances and new business profits.

**SCR:** Increased by £4.1m, chiefly made up of an increase in mortality and catastrophe risks, offset by an increase in LACDT.

## CAPITAL MANAGEMENT | SENSITIVITIES

The group's solvency position can be affected by a number of factors over time. As a consequence, the group's EcV and cash generation, both of which are derived from the group's solvency calculations, are also sensitive to these factors.

The table below provides some insight into the immediate impact of certain sensitivities that the group is exposed to, covering solvency surplus and Economic Value. As can be seen, EcV tends to take the 'full force' of adverse conditions immediately (where the impacts are calculated on the cash flows for the life of our portfolios) whereas solvency is often protected in the short term and, to a certain extent, the longer term due to compensating impacts on required capital.

Tier 2 debt has a material impact on the reported sensitivities because, as capital requirements move, the amount of the Tier 2 debt able to be recognised in the Own Funds also moves. For example, where FX movements reduce the SCR, we also experience a corresponding reduction in base Own Funds and Own Funds relating to Tier 2 capital. The total surplus is now more exposed to downside risks than before the tier 2 debt but, importantly, the Tier 2 debt itself has created more than sufficient additional headroom to accommodate this.

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.

	Solvency ratio	Solvency surplus	EcV
	Impact %	Impact range £m	Impact range £m
20% sterling appreciation	10.7%	(33.4) to (23.4)	(69.2) to (59.2)
20% sterling depreciation	(16.1)%	3.8 to 13.8	77.2 to 87.2
25% equity fall	7.9%	(59.1) to (29.1)	(86.2) to (66.2)
25% equity rise	(15.4)%	2.5 to 32.5	70.3 to 90.3
10% equity fall	3.4%	(20.8) to (10.8)	(34.6) to (24.6)
10% equity rise	(5.5)%	3.5 to 13.5	27.3 to 37.3
1% interest rate rise	5.7%	3.1 to 13.1	0.0 to 6.8
1% interest rate fall	(8.0)%	(26.3) to (6.3)	(18.8) to (3.8)
50bps credit spread rise	(5.1)%	(22.1) to (12.1)	(17.7) to (12.7)
25bps swap rate fall	(4.5)%	(15.6) to (5.6)	(13.5) to (3.5)
10% mass lapse	2.7%	(21.2) to (11.2)	(35.8) to (25.8)
1% inflation	(10.2)%	(33.9) to (23.9)	(29.4) to (19.4)
5% mortality increase	(3.2)%	(13.7) to (8.7)	(13.7) to (8.7)

### INSIGHT\*

**20% sterling appreciation:** A material sterling appreciation reduces the value of surplus in our overseas divisions and any overseas investments in our UK entities, however this is partially mitigated by the group currency hedge so the overall impact on solvency is reduced.

**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 surplus, depending on the starting point of the symmetric adjustment. The converse applies to an equity fall sensitivity, although the impacts are not fully symmetrical due to management actions and tax. The Tier 2 debt value also changes materially in these sensitivities. The change in symmetric adjustment can have a significant impact (25% equity fall: -£20.1m to the SCR, 25% equity rise: +£30.2m 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.

**Interest rate sensitivities:** An interest rate fall has a more adverse effect on group economic value than an interest rate rise. Group solvency is less exposed to rising interest rates as a rise in rates causes capital requirements to fall, increasing solvency.

**50bps credit spread rise:** 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.

**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.

**10% mass lapse:** In this sensitivity Own Funds fall as there are fewer policies on the books, thus less potential for future profits. This is largely offset by a fall in SCR, although the amount of eligible Tier 2 capital also falls. The division most affected is Movestic as it has the largest concentration of unit-linked business.

**1% inflation rise:** This sensitivity measures a permanent increase in inflation in every future year (above existing valuation assumptions). Such a rise in inflation increases the amount of expected future expenses. This is capitalised into the balance sheet and hits the solvency position immediately.

**10% mortality increase:** This sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.

#### \*BASIS OF PREPARATION ON REPORTING:

Although it is not a precise exercise, the general aim is that the sensitivities modelled are deemed to be broadly similar (with the exception that the 10% equity movements are naturally more likely to arise) in terms of likelihood. Whilst sensitivities provide a useful guide, in practice, how our results react to changing conditions is complex and the exact level of impact can vary due to the interactions of events and starting position.

## FINANCIAL REVIEW

Our key performance indicators provide a good indication of how the business has performed in delivering its three strategic objectives.

*Summary of each KPI:*

### CASH GENERATION

GROUP CASH GENERATION excluding the impact of acquisitions £32.5M 2022: £82.7M

DIVISIONAL CASH GENERATION excluding the impact of acquisitions £50.1M 2022: £61.9M

#### What is it?

Cash generation is calculated as being the movement in Solvency II Own Funds over the internally required capital, excluding the impact of tier 2 debt. The internally required capital is determined with reference to the group's capital management policies, which have Solvency II rules at their heart. 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.

#### Why is it important?

Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'. However, our cash generation is always managed in the context of our stated value of maintaining strong solvency positions within the regulated entities of the group.

#### Risks

The ability of the underlying regulated subsidiaries within the group to generate cash is affected by a number of our principal risks and uncertainties. Whilst cash generation is a function of the regulatory surplus, as opposed to the IFRS surplus, it is impacted by similar drivers, and therefore factors such as yields on fixed interest securities and equity and property performance contribute significantly to the level of cash generation within the group.

£m	2023
UK	45.0
Sweden	(7.0)
Netherlands – Waard	15.3
Netherlands – Scildon	(3.1)
<b>Divisional cash generation</b>	<b>50.1</b>
Other group activities	(17.6)



- Group cash generation was £32.5m for the year (2022: £82.7m) and contains a material adverse impact from the symmetric adjustment of £13.1m (2022: +£28.2m), which is a key component of the year on year movement.
- The divisional result, despite the negative impact of the symmetric adjustment, was again strong, with £50.1m reported for the year. The UK division again underpinned divisional cash with £45.0m generated, while there was also very positive contributions from Waard. Economic factors supported the value growth in the UK, while cash generation in the Netherlands was driven by the operating profits, offsetting the loss in Sweden owing to the market driven rise capital requirements.
- The central group result includes the adverse impact of some non-recurring development items (including M&A), central overheads and Tier 2 coupon payments. The FX hedge had a positive cash impact of £2.5m, offsetting some of the adverse FX movements experienced on consolidation of divisional results.

## IFRS

PRE-TAX PROFIT: £1.8M 2022: PRE-TAX LOSS £62.1M

TOTAL COMPREHENSIVE INCOME: £10.3M 2022: £26.1M LOSS

### What is it?

Presentation of the results in accordance with International Financial Reporting Standards (IFRS) aims to recognise the profit arising from the longer-term insurance and investment contracts over the life of the policy.

### Why is it important?

The IFRS results form the core of reporting and hence retain prominence as a key financial performance metric. We believe that, for Chesnara, the IFRS results in isolation do not recognise the wider financial performance of the business, hence the use of supplementary Alternative Performance Measures to enhance understanding of financial performance.

### Risks

IFRS 17 is effective from 1 January 2023 and has been applied in the financial statements in Section C. As a result, several accounting policies and significant judgements and estimates have changed. IFRS 17 introduces a new concept of insurance revenue which aims to reflect the insurance contract services provided in each period in the income statement by establishing an explicit measure of future profit (the Contractual Service Margin (CSM)) and provides a framework as to how the CSM is recognised in a given period. The 'investment result' is presented separately from the 'insurance result' on the face of the income statement. Market volatility impacting the surplus assets will result in volatility in investment result and the IFRS pre-tax profit/(loss). Foreign currency fluctuations will further affect total comprehensive income.

£m	2023
<b>Net insurance service result</b>	<b>(5.1)</b>
<b>Net investment result</b>	<b>71.7</b>
Fee, commission and other operating income	89.4
Other operating expenses	(149.9)
Financing costs	(11.0)
Profit arising on business combinations and portfolio acquisitions	6.7
<b>Profit before income taxes</b>	<b>1.8</b>
Tax	16.9
Forex & other	(8.4)
<b>Total comprehensive income</b>	<b>10.3</b>

- Profit before tax for the year of £1.8m includes a net insurance service loss of £5.1m and an investment result of £71.7m (2022: £13.3m profit and £39.0m loss respectively).
- The negative insurance service result has been driven primarily by adverse experience and assumption changes on lines of business, termed 'onerous contracts', for which the CSM has been extinguished meaning such losses must be taken to the P&L rather than to the CSM. In 2022 this effect was much more benign.
- The positive investment result in the year, is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields.

## ECONOMIC VALUE (EcV)

£524.7M 31 DECEMBER 2022: £511.7M

### What is it?

Economic value (EcV) was introduced following the introduction of Solvency II at the start of 2016, with EcV being derived from Solvency II Own Funds. EcV reflects a market-consistent assessment of the value of the existing insurance business, plus the adjusted net asset value of the non-insurance businesses within the group.

### Why is it important?

EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time.

The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives, in particular the value created from acquiring life and pensions businesses and enhancing our value through writing profitable new business. It ignores the potential of new business to be written in the future (the franchise value of our Swedish and Dutch businesses) and the value of the company's ability to acquire further businesses.

### Risks

The Economic Value of the group is affected by economic factors such as equity and property markets, yields on fixed interest securities and bond spreads. In addition, the EcV position of the group can be materially affected by exchange rate fluctuations. For example, a 20.0% weakening of the Swedish krona and euro against sterling would reduce the EcV of the group within a range of £59m-£69m, based on the composition of the group's EcV at 31 December 2023.

£m	
<b>EcV 31 Dec 2022</b>	<b>511.7</b>
EcV earnings before acquisitions	30.7
Acquisitions	28.4
Forex	(10.8)
<b>Pre-dividend EcV 31 Dec 2023</b>	<b>560.1</b>
Dividends	(35.4)
<b>EcV 31 Dec 2023</b>	<b>524.7</b>

- Economic Value increased 12% in 2023 prior to the impact of dividend payments and FX losses (arising on consolidation).
- Growth has been delivered through a range of areas, with strong new business profits, economic returns and significant gains through the acquisitions delivered in the year. While economic profits form a material part of the result, economic conditions have meant it was still a relatively modest period for economic growth. The result also includes pleasing operating profits in the Dutch divisions, as well as the adverse impact of some exceptional non-recurring central costs. These factors combined, give further reassurance of the robustness of the group and provides confidence of future growth under more beneficial economic conditions.

## ECV EARNINGS

£59.1M (including the impact of acquisitions) 2022: £84.7M Loss

### What is it?

In recognition of the longer-term nature of the group's insurance and investment contracts, supplementary information is presented that provides information on the Economic Value of our business.

### The principal underlying components of the Economic Value result are:

- The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force);
- Value added by the writing of new business;
- Variations in actual experience from that assumed in the opening valuation;
- The impact of restating assumptions underlying the determination of expected cash flows; and
- The impact of acquisitions.

### Why is it important?

A different perspective is provided in the performance of the group and on the valuation of the business. Economic Value earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The Economic Value earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives. This includes new business profits generated from writing profitable new business, Economic Value profit emergence from our existing businesses, and the Economic Value impact of acquisitions.

### Risks

The EcV earnings of the group can be affected by a number of factors, including those highlighted within our principal risks and uncertainties and sensitivities analysis. In addition to the factors that affect the IFRS pre-tax profit and cash generation of the group, the EcV earnings can be more sensitive to other factors such as the expense base and persistency assumptions. This is primarily due to the fact that assumption changes in EcV affect our long-term view of the future cash flows arising from our books of business.

£m		2023
Total operating earnings		(7.7)
Economic earnings		42.9

Other	(4.5)
Acquisitions	28.4
<b>Total EcV earnings</b>	<b>59.1</b>

- Economic earnings were the largest component of the result, with strong contributions from the UK and Swedish divisions, predominantly through the positive impact of equity market growth on expected future fee income in our unit linked policyholder funds. The Dutch divisions reported smaller economic losses, with different economic factors being less beneficial and offsetting one another to a certain extent.
- The operating loss of £7.7m has been impacted by a number of one-off items, including investing in our M&A activity and future growth of the group. It is pleasing to reporting strong operating profits from the Dutch division, reflecting a marked improvement on prior years.
- Acquisitions in the year added £28.4m of growth, with £21.7m on the Conservatrix portfolio in the Netherlands and a further £6.7m on the protection portfolio of Canada Life in the UK.
- The "Other" category includes risk margin movement, tax impacts and the cost of Tier 2 coupon payments.

## CASH GENERATION

There is no reporting framework defined by the regulators for cash generation and there is therefore inconsistency across the sector. We define cash generation as being the movement in Solvency II own funds over and above the group's internally required capital, which is based on Solvency II rules.

**GROUP CASH GENERATION** excluding the impact of acquisitions

£32.5M 2022: £82.7M

### DIVISIONAL CASH GENERATION

£50.1M 2022: £61.9M

Cash generation in 2023 was impacted, at a divisional level, by adverse movement in the symmetric adjustment (£13.1m – 2022: +£28.2m) following equity market growth, while the group result also contains the impact of exceptional and non-recurring central costs. Cash is generated from increases in the group's solvency surplus, which is represented by the excess of own funds held over management's internal capital needs. These are based on regulatory capital requirements, with the inclusion of additional 'management buffers'.

#### Implications of our cash definition:

##### Positives

- Creates a strong and transparent alignment to a regulated framework.
- Positive cash results can be approximated to increased dividend potential.
- Cash is a factor of both value and capital and hence management are focused on capital efficiency in addition to value growth and indeed the interplay between the two.

#### Challenges and limitations

- In certain circumstances the cash reported may not be immediately distributable by a division to group or from group to shareholders.
- Brings the technical complexities of the SII framework into the cash results e.g. symmetric adjustment, with-profit fund restrictions, model changes etc, and hence the headline results do not always reflect the underlying commercial or operational performance.
- At a group level the result includes complex consolidation adjustments relating to buffers, which can compromise how well the figure truly reflects performance.

	2023 £m			2022 £m	
	Movement in Own Funds	Movement in management's capital requirement	Forex impact	Cash generated / (utilised)	Cash generated / (utilised)
UK	45.6	(0.6)	-	45.0	40.8
Sweden	9.8	(14.9)	(1.9)	(7.0)	16.1
Netherlands – Waard Group	14.4	2.4	(1.5)	15.3	8.4
Netherlands – Scildon	4.3	(7.2)	(0.2)	(3.1)	(3.4)
<b>Divisional cash generation / (utilisation)</b>	<b>74.1</b>	<b>(20.4)</b>	<b>(3.7)</b>	<b>50.1</b>	<b>61.9</b>
Other group activities	(27.1)	10.1	(0.6)	(17.6)	20.8
<b>Group cash generation / (utilisation)</b>	<b>47.1</b>	<b>(10.3)</b>	<b>(4.3)</b>	<b>32.5</b>	<b>82.7</b>

#### GROUP

- Other group activities include consolidation adjustments as well as central costs and central SCR movements.

- Central costs include Tier 2 debt coupon payments (c£10m) and uncovered central costs of (c£14m), of which a large proportion relates to exceptional non-recurring development expenditure, such as IFRS 17, M&A activity and strengthening of the group governance resource.

## UK

- The UK division has continued to be the largest contributor to cash generation, with £45.0m reported in the year, delivered mainly through Own Funds growth. This has included the positive impact of investment market performance; the benefit of a reduction in the risk margin as a result of the first phase of UK Solvency II reforms and some synergies as a result of the Part VII transfer of CASLP into CA on 31 December 2023. The cash result also benefitted from a reduction in capital requirements during the year, which included the positive impact of a new mass lapse reinsurance arrangements and the general run off of the business, offsetting factors such as the need to hold more capital as a result of equity market growth, including the symmetric adjustment.

## SWEDEN

- Movestic has reported cash utilisation of £7.0m for 2023, as Own Funds growth was exceeded by a larger increase in capital requirements. On the Own Funds side, growth was delivered primarily through the positive impact of equity market movements, although this was offset by some negative operating items, including the impact of ongoing challenges in outward policy transfers. The equity market-driven growth in Own Funds has resulted in an increase in market-risk related capital requirements, including the impact of the symmetric adjustment, which increased significantly since the start of the year. The divisional result also includes a foreign exchange loss on consolidation, owing to a slight weakening of the krona versus sterling over the year.

## NETHERLANDS - WAARD

- Waard recorded pleasing cash generation of £15.3m in 2023, delivered largely through value growth. Strong operating profits benefited from a reduction in future expenses, benefitting from the economies of scale arising from the addition of the Conservatrix portfolio. The result also contains a reduction in capital requirements, supported by interest rate movements and the reduction in future expenses. Additionally, the divisional result bears the impact of sterling appreciation versus the euro during 2023, leading to a small foreign exchange loss on consolidation.

## NETHERLANDS - SCILDON

- Scildon has posted £3.1m of cash utilisation for the year. Own Funds growth of £4.3m was driven by positive operating profits, offsetting economic losses. Operating profits include the positive impacts of new business profits and cost efficiencies, while the negative effect of falling interest rates was the main component of the economic loss on Own Funds. The negative cash result was underpinned by an increase in capital requirements, outweighing the value growth. Rises in life risk and equity risk capital, driven by equity growth and the consequential rise in the symmetric adjustment, offsetting the positive impact of lower interest rates.

# CASH GENERATION – ENHANCED ANALYSIS

The format of the analysis draws out components of the cash generation results relating to technical complexities, modelling issues or exceptional corporate activity. The results excluding such items are deemed to better reflect the inherent commercial outcome (commercial cash generation).

## COMMERCIAL CASH GENERATION excluding the impact of acquisitions

£53.0M 2022: £46.6M

	UK	SWEDEN	NETHERLANDS WAARD	NETHERLANDS SCILDON	DIVISIONAL TOTAL	GROUP ADJ	TOTAL
<b>Base cash generation</b>	45.0	(7.0)	15.3	(3.1)	<b>50.1</b>	(17.6)	<b>32.5</b>
Symmetric adjustment	3.0	7.3	0.5	1.3	<b>12.2</b>	0.9	<b>13.1</b>
WP restriction look through	0.5	-	-	-	<b>0.5</b>	-	<b>0.5</b>
Temporary tax impacts on the SCR	-	-	-	10.0	<b>10.0</b>	(3.2)	<b>6.8</b>
<b>Commercial cash generation</b>	<b>48.5</b>	<b>0.3</b>	<b>15.8</b>	<b>8.2</b>	<b>72.8</b>	<b>(19.8)</b>	<b>53.0</b>

Commercial cash generation of £53.0m was primarily supported by contributions of £48.5m from the UK business and £24.0m from the Netherlands. All overseas divisions have also generated cash, even though returns have been dampened by the depreciation of the euro and Swedish krona currencies against sterling. The FX hedge that was implemented in 2022 and renewed again in 2023, has offset some of these currency impacts, providing a total cash benefit of £2.5m over the year.

## UK

The UK result primarily comes from investment market gains, influenced by equity gains and falling yields, alongside the beneficial impact of the implementation of the mass lapse reinsurance, the SII risk margin reforms and some

synergies arising from the Part VII transfer of CASLP into CA on 31 December 2023. This offset some expense strengthening, which largely represents positive investment in the future and supports the growth of the division.

The commercial cash outcome continues to illustrate that the UK remains at the heart of the cash generation model.

## SWEDEN

The Swedish result, after removing a loss caused by the increase in the symmetric adjustment, was relatively neutral. The economic result is positive, principally due to equity market gains, offset by the depreciation of Swedish krona against sterling. The economic gains are offset by adverse lapse experience, fee and rebate income pressure and a new business strain.

## WAARD

Waard's positive cash result is supported by the positive post-acquisition impact of integrating Conservatrix into the business, coupled with the impact of positive expense assumption changes, slightly offset by an expense operating variance. The result also benefits from economic impacts, albeit to a lesser extent, predominantly owing to falling yields. The capital that plc injected to support Conservatrix liabilities has been recycled back into surplus.

## SCILDON

Scildon's commercial cash generation reflects a combination of positive economic impacts, largely owing to falling yields, alongside some negative factors including adverse changes in lapse and mortality assumptions. The commercial cash result, unlike base cash generation, benefits from a positive increase in the amount of risk capital that is shielded by tax.

## GROUP

The central group result is driven by uncovered group level expenditure, resulting in a reduction in Own Funds. The central expenses include, Tier 2 debt coupon payments and a range of development activity, such as M&A programmes, IFRS 17, as well as investment in the business to support the future growth of the group. These factors outweigh investment returns, owing to falling yields, and an overall £2.5m cash generation benefit from the FX hedge.

## EcV EARNINGS including the impact of acquisitions

£59.1M 2022: £84.7M LOSS

The EcV earnings of the group reflect the benefits of delivering our acquisition strategy, coupled with positive economic earnings arising in volatile markets.

### Analysis of the EcV result in the period by earnings source:

£m	31 Dec 2023	31 Dec 2022
Expected movement in period	14.9	(1.3)
New business	4.4	8.0
Operating experience variances	0.8	(19.0)
Operating assumption changes	(27.8)	(14.5)
<b>Total operating earnings</b>	<b>(7.7)</b>	<b>(26.8)</b>
<b>Total economic earnings</b>	<b>42.9</b>	<b>(109.1)</b>
Other non-operating variances	(11.9)	(2.6)
Risk margin movement	1.1	20.4
Tax	6.3	12.0
<b>Acquisitions</b>	<b>28.4</b>	<b>21.4</b>
<b>EcV earnings</b>	<b>59.1</b>	<b>(84.7)</b>

### Analysis of the EcV result in the year by business segment:

£m	31 Dec 2023	31 Dec 2022
UK	31.4	(24.6)
Sweden	6.8	(37.1)
Netherlands	19.5	(29.4)
Group and group adjustments	(27.0)	(15.0)
Acquisitions	28.4	21.4
<b>EcV earnings</b>	<b>59.1</b>	<b>(84.7)</b>

Total economic earnings: The economic result continues to be the largest component of the total EcV earnings, with a profit of £42.9m in the year. The result is in line with our reported sensitivities and is driven by the following key market movements:

### Rising equity indices:

- FTSE All Share index increased by 3.7% (year ended 31 December 2022: decreased by 3.2%)
- Swedish OMX all share index increased by 15.6% (year ended 31 December 2022: decreased by 24.6%)
- The Netherlands AEX all share index increased by 13.4% (year ended 31 December 2022: decreased by 15.0%)

### Credit spreads – mixed news:

- UK AA corporate bond yields decreased to 0.71% (31 December 2022: 1.04%)
- European AA credit spreads increased to 0.63% (31 December 2022: 0.29%)

### Decreasing yields:

- 10-year UK gilt yields have decreased to 3.64% (31 December 2022: 3.82%)
- 10 year euro swap yield have decreased to 2.49% (31 December 2022: 3.20%)

The EcV results continue to illustrate how sensitive the results are to economic factors. While investment market growth has been positive compared to the prior year, it was still relatively muted versus previous periods of growth. As outlined in the past, we continue to be of the view that short term volatility has limited commercial impact on the business and of more importance is the fact that, over the longer term, we expect EcV growth in the form of real world investment returns. Total economic earnings: The economic result continues to be the largest component of the total EcV earnings, with a profit of £42.9m in the period. The result is in line with our reported sensitivities and is driven by the following key market movements:

**Total operating earnings:** The operating loss for the year reflects a significant reduction compared with last year, continuing the encouraging trend of improvement. A number of the negative components that are non-recurring in nature represent positive investment in the future and support the growth of the group. Examples of key items in 2023 include:

- Recurring central development overheads including those associated with the M&A strategy. Whilst the cost of this development investment is recognised, EcV does not recognise the potential returns we expect from it.
- Non-recurring development expenditure such as IFRS 17.
- Tier 2 debt servicing costs – EcV does not recognise the benefit of the capital or the potential for future value adding transactions that it provides.

**Acquisitions:** M&A activity continued to be a source of growth and resulted in £28.4m of immediate EcV earnings in 2023. The incremental value was delivered by the Conservatrix insurance portfolio acquisition (1 January 2023) and also a UK protection portfolio reinsurance arrangement with Canada Life (16 May 2023), under the Waard Group and CA plc respectively.

Looking at the results by division:

**UK:** The UK division reported EcV earnings of £31.4m (excluding acquisitions), with economic growth and the synergies from the Part VII of CASLP into CA offsetting an operating loss. The operating result was largely driven by non-recurring activity, as outlined above, relating to the expansion of the division and investment in the business to facilitate future growth. This outweighed positive results on fee income (due to lower policy attrition) and other decrements. The economic gains of £23.1m arose primarily as a result of the impact of equity market growth in unit linked funds, which increases our projected future fee income. While the economic profit was relatively subdued, it remains a significant improvement on the prior year.

**Sweden:** Movestic posted earnings of £6.8m for 2023. The division benefitted from the impact that equity market growth had on its unit linked funds, underpinning total economic earnings of £18.6m. This more than outweighed an operating loss, due primarily to adverse transfer activity. Lower fee and commission income, owing to pricing pressures, and suppressed fund rebate income also contributed. Modest new business profits (on an EcV basis) were £0.9m (2022: £1.8m), reflective of the continued competitive market conditions and margin pressures.

**Netherlands:** The Dutch division has reported growth of £19.5m in the year, with positive operating profits exceeding smaller economic losses in both businesses. The operating result in Scildon of £8.7m represents a significant upturn versus the losses reported in the prior year and includes EcV new business profits £1.7m. Economic losses of £3.3m were primarily the consequence of falling interest rates and flattening yield curves. Waard has reported EcV growth of £16.0m, also driven by operating profits. This included the benefit of some changes in expense assumptions, some positive news in relation to policy lapses and the impact of reigniting premiums on paused policies within the Conservatrix portfolio. Despite positive bond returns exceeding expectations, the economic loss (£1.3m) stemmed from a number of factors, primarily the negative impact of the fall in interest rates and declining yields on the business's future liabilities, with subdued equity performance also contributing.

**Group:** This component contains a variety of group-related expenses and includes: non-maintenance related costs (such as acquisition activity); the costs of the group's IFRS 17 programme; and Tier 2 debt interest costs, offset by positive investment returns in the period.

## EcV

£524.7M 2022: £511.7M

The Economic Value of Chesnara represents the present value of future profits of the existing insurance business, plus the adjusted net asset value of the non-insurance business within the group. EcV is an important reference point by which to assess Chesnara's intrinsic value.

**Value movement: 1 Jan 2023 to 31 Dec 2023:**

£m

---



<b>EcV 31 Dec 2022</b>	<b>511.7</b>
EcV earnings before acquisitions	30.7
Acquisitions	28.4
Forex	(10.8)
<b>Pre-dividend EcV</b>	<b>560.1</b>
Dividends	(35.4)
<b>EcV 31 Dec 2023</b>	<b>524.7</b>

**EcV earnings:** EcV profits excluding acquisition impacts of £30.7m have been delivered in 2023, supported by economic profits, with significant growth also delivered through acquisitions.

**Acquisitions:** The group has delivered two deals during 2023; the Conservatrix portfolio acquisition and the reinsurance arrangement with Canada Life. This has resulted in day 1 EcV gains of £21.7m and £6.7m respectively.

**Foreign exchange:** The closing EcV of the group reflects a foreign exchange loss in the period, which is a consequence of sterling appreciation against both the Swedish krona and also the euro.

**Dividends:** Under EcV, dividends are recognised in the period in which they are paid. Dividends of £35.4m were paid during the year, representing the final dividend from 2022 and interim dividend for 2023.

EcV by segment at 31 Dec 2023

£m	
UK	191.4
Sweden	189.6
Netherlands	255.1
Other group activities	(111.4)
<b>EcV 31 Dec 2023</b>	<b>524.7</b>

The above table shows that the EcV of the group is diversified across its different markets.

## EcV to Solvency II:

£m	
<b>EcV 31 Dec 2023</b>	<b>524.7</b>
Risk margin	(23.7)
Contract boundaries	0.4
Tier 2 debt	200.0
RFF & Tier 2/3 restrictions	(0.8)
Deferred tax asset adjustment	6.6
Dividends	(23.5)
<b>SII Own Funds 31 Dec 2023</b>	<b>683.7</b>

Our reported EcV is based on a Solvency II assessment of the value of the business but adjusted for certain items where it is deemed that Solvency II does not reflect the commercial value of the business. The above waterfall shows the key difference between EcV and SII, with explanations for each item below.

**Risk margin:** Solvency II rules applying to our European businesses require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. We therefore reduce this margin for risk for EcV valuation purposes from being based on a 6% (UK: 4%) cost of capital to a 3.25% cost of capital. On our UK business, the Solvency II reform risk tapering is also reversed.

**Contract boundaries:** Solvency II rules do not allow for the recognition of future cash flows on certain in-force contracts, despite the high probability of receipt. We therefore make an adjustment to reflect the realistic value of the cash flows under EcV.

**Ring-fenced fund restrictions:** Solvency II rules require a restriction to be placed on the value of surpluses that exist within

certain ring-fenced funds. These restrictions are reversed for EcV valuation purposes as they are deemed to be temporary in nature.

**Dividends:** The proposed final dividend of £23.5m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

**Tier 2:** The tier 2 debt is treated as “quasi equity” for Solvency II purposes. For EcV, consistent with IFRS, we continue to report this as debt. Under SII this debt is recognised at fair value, while for EcV this remains at book value.

**Tier 3:** Under Solvency II the eligibility of Tier 3 Own Funds is restricted in accordance with regulatory rules. For EcV the Tier 3 Own Funds are recognised at a deemed realistic value.

## IFRS

The group IFRS results are reported under IFRS 17 for the first time in the annual financial statements. The following information provide an introduction to IFRS 17 and how it impacts Chesnara, together with the IFRS results for the year ended 31 December 2023 and comparative figures for 2022, which have been restated under IFRS 17.

### INTRODUCTION TO IFRS 17

#### What is IFRS 17?

IFRS 17 is the new accounting standard for recognising, measuring and disclosing insurance contracts. This is effective for the first time in these financial statements and replaces the previous standard, IFRS 4. IFRS 17 has been implemented as if it had always been in place and so previous results have been restated.

IFRS 17 has been introduced with the aim of allowing greater comparability of results between insurance companies and the wider market.

#### How does IFRS 17 impact Chesnara?

IFRS 17 ‘insurance contracts’ represents an accounting change that does not impact the fundamentals of the business. Specifically, the implementation of IFRS 17 does not impact the growth ambition, value or cash generation of the group. There are no changes to the solvency ratio, cash generation or economic value of the group. There are also no changes to the dividend expectations or strategy and capability for future M&A.

IFRS 17 only applies to those policies of the group that are classified as ‘insurance contracts’, which equates to 42% of the group’s total policyholder liabilities at the end of December 2023. The remaining contracts are classified as investment business, which are valued under IFRS 9 ‘Financial Instruments’, which is also effective for the group for this period. Under IFRS 9, there is no impact to the results from how these liabilities have been previously valued under IAS 39. A key difference between the measurement of contracts under IFRS 9 and IFRS 17 is that investment contracts equate to unit value under IFRS 9 and their value therefore does not take into account future profit, whereas insurance contracts include the contractual service margin (CSM) and the risk adjustment that reflects the uncertainty around the amount and timing of the cash flows.

#### How are profits earned under IFRS 17?

A fundamental concept introduced by IFRS 17 is the contractual service margin (CSM). This represents the unearned profit that an entity expects to earn on its insurance contracts as it provides insurance services.

The CSM embodies two principles:

1. An insurer must spread expected profits for profitable business written over time.

This spread profit forms the CSM which can only be recognised in the income statement as and when insurance services are provided. The CSM consequently represents the expected amount of profits that have not yet been earned from the insurance business of the group.

2. An insurer must recognise the expected losses for loss-making business immediately.

An insurer cannot establish a “negative CSM” and defer loss recognition into the future.

### IFRS BALANCE SHEET

As at 31 December 2022 there is a £51m increase in IFRS net equity under IFRS 17 compared with the previously stated IFRS 4 position. Total net equity as at 31 December 2023 is £360m and we have a CSM, which represents unrecognised future insurance profits, of £167m (net of reinsurance). The adoption of IFRS 17 has affected our gearing ratio, and in line with Fitch, we have added back the net of tax CSM to the equity denominator in the calculation. On this basis the gearing ratio as at 31 December 2023 is 29.2% which is significantly lower than the most recent ratio reported prior to IFRS 17 (31 December 2022: 37.6%).

Some analysis has been provided below on the IFRS balance sheet of the group on an IFRS 17 basis:

#### HOW IFRS 17 IMPACTS NET EQUITY AT DECEMBER 2022

£m	
IFRS 4: shareholder equity 31 Dec 2022	333.1
Items derecognised (intangible assets net of deferred tax)	(30.9)
Impact of IFRS 17 & IFRS 9 remeasurement	226.0
Creation of risk adjustment	(31.3)
Creation of CSM	(112.7)
IFRS 17: shareholder equity 31 Dec 2022	384.1

Under IFRS 17, the restated shareholder net equity at 31 December 2022 has increased by £51m compared with as previously reported.

The combined impact of remeasuring the future cash flows for insurance and reinsurance contracts under IFRS 17 and revaluing corresponding assets under IFRS 9 at that date has added £226m of growth. Offset against this is the recognition of liabilities for the Risk Adjustment (£31m) and the CSM (£113m), representing a store of future profits that will be released to the income statement as the associated future insurance services are provided.

A consequence of applying IFRS 17 is that the group has also derecognised intangible assets and their associated tax balances in respect of insurance contracts (£31m). These assets previously represented the immediate recognition of future profits on insurance business, but under IFRS 17 profits are now deferred and reflected in the CSM.

#### HOW THE CSM HAS MOVED IN THE PERIOD

£m	
CSM: 1 Jan 2023	112.7
Interest accreted	3.9
New business	9.4
Acquisition	57.2
Experience & assumption changes	6.1
CSM release	(19.8)
FX	(3.0)
<b>CSM: 31 Dec 23</b>	<b>166.5</b>

The group has added £54m of CSM (future profits) in 2023.

The increase is largely driven by the two deals in the period, with the Conservatrix portfolio acquisition adding £46m and the Canada Life arrangement adding £11m.

The movement in the period also includes:

A £20m reduction which reflects the release to profit in the period as the insurance services are provided and £9m of new business CSM, reflecting the future profits arising on profitable new business written in the period.

Other smaller movements including the impact of foreign exchange, changes in assumptions and the “interest” on unwinding the discounting that is embedded within the opening CSM valuation.

CSM values are shown net of reinsurance but gross of tax. When calculating the IFRS capital base a net of reinsurance and net of tax figure is used. The equivalent net of reinsurance and tax movement of CSM during 2023 is £42m.

#### HOW DOES IFRS 17 COMPARE TO SOLVENCY II AND ECv?

A lot of the principles and underlying technical decisions are consistent across EcV and IFRS, as they are based on common foundations; however, there is one fundamental difference in how investment contracts are valued. For investment contracts, expected future profits on existing policies are not recognised in the IFRS balance sheet, with profits being reported as they arise; this is in contrast to EcV, where they are fully recognised on the balance sheet, subject to contract boundaries.

As such, at Chesnara, we believe that due to the hybrid nature of the business, EcV and Solvency II, alongside cash generation, continue to give a more holistic view of the financial dynamics of the group and are therefore the key metrics that management use to manage the business.

#### HOW DOES IFRS 17 IMPACT LEVERAGE

The positive impact of IFRS 17 on net equity has been beneficial to the group’s gearing ratio. Rating agencies will be revisiting

their definitions of gearing for insurance groups as a result of IFRS 17, and in line with guidance from Fitch, we have added back the net of tax CSM to the equity denominator in the calculation. On this basis, the gearing of the group as at 31 December 2023 was 29.2%.

## IFRS INCOME STATEMENT

### IFRS PRE-TAX PROFIT

£1.8M 2022: £62.1M LOSS

### IFRS TOTAL COMPREHENSIVE INCOME

£10.3M 2022: £26.1M LOSS

#### Analysis of IFRS result between insurance service and investment results:

	31 Dec 23 £m	31 Dec 22 £m
<b>Net insurance service result</b>	<b>(5.1)</b>	<b>13.3</b>
<b>Net investment result</b>	<b>71.7</b>	<b>(39.0)</b>
Fee, commission and other operating income	89.4	59.6
Other operating expenses	(149.9)	(100.8)
Financing costs	(11.0)	(10.5)
Profit arising on business combinations and portfolio acquisitions	6.7	15.4
<b>Profit before income taxes</b>	<b>1.8</b>	<b>(62.1)</b>
Income tax (charge)/credit	16.9	28.4
<b>Profit for the period after tax</b>	<b>18.7</b>	<b>(33.7)</b>
Foreign exchange (loss)/gain	(7.8)	6.9
Other comprehensive income	(0.6)	0.7
<b>Total comprehensive income</b>	<b>10.3</b>	<b>(26.1)</b>
<b>Movement in IFRS capital base</b>		
<b>Opening IFRS capital base</b>	<b>469.2</b>	<b>533.8</b>
Movement in CSM (net of reinsurance and tax)	42.4	(5.4)
Total comprehensive income	10.3	(26.1)
Other adjustment made directly to net equity	0.9	1.2
Dividend	(35.4)	(34.3)
<b>Closing IFRS capital base</b>	<b>487.4</b>	<b>469.2</b>

IFRS REPORTING  
CATEGORY

INSIGHT

Net insurance service result

<p>The net insurance service result comprises the revenue and expenses from providing insurance services to policyholders and ceding insurance business to reinsurers and is in respect of current and past service only. Assumption changes, that relate to future service, are therefore excluded from the insurance result (as they adjust the CSM), unless the CSM for a given portfolio of contracts falls below zero; thereby in a 'loss component' position. Economic impacts are also excluded from the insurance service result.</p>	<p>The net insurance service result of £5.1m loss can be broken down into the following elements:</p> <ul style="list-style-type: none"> <li>– gains from the release of risk adjustment and CSM of £23.3m (2022: £19.8m). These gains represent a healthy and consistent source of future profits for the group.</li> <li>– losses of £28.4m (2022: £6.5m) caused by a combination of experience and loss component impacts, where portfolios of contracts with no CSM have suffered adverse impacts that would otherwise be offset in the balance sheet if the CSM for the portfolio was positive.</li> </ul> <p>The key driver behind the experience and loss component impact in the year is adverse non-economic assumption changes (£25.1m loss). This should not be considered in isolation however as there are corresponding offsets in the net investment result due to the effect of locked in discount rates (£11.9m) and also to the CSM in the balance sheet (£9.2m) as for some portfolios the expense assumption changes created a positive impact to the CSM.</p> <p>Under IFRS 17 adverse impacts on portfolios in a loss component position cannot be offset with favourable impacts on other portfolios, thus creating an asymmetric effect where losses on some portfolios are recognised in the income statement but corresponding gains go to the CSM on the balance sheet.</p>
<p><b>Movement in CSM</b></p> <p>The movement in CSM is important to consider alongside the income statement. New CSM represents future profits that are expected to be released to the income statement over time and whilst a lot of the costs associated with generating this new CSM are recognised in the year, the expected profit is deferred over the life of the products.</p>	<p>During the period to 31 December 2023, the pre-tax CSM has increased by £53.8m to £166.5m. The key components of this increase are a £57.2m addition to the CSM from the group's two acquisitions in the period and £9.4m of additional CSM arising from new business. These amounts are offset by £19.8m released to the income statement. This remaining CSM will be earned over the coverage period of the policies to which it relates, and the expected earnings pattern is such that after 10 years more than 40% will remain to be earned.</p>
<p><b>Net investment result</b></p> <p>The net investment result contains the investment return earned on all assets together with the financial impacts of movements in insurance and investment contract liabilities.</p>	<p>The positive investment result in the year, is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields. The effect of Locked in Discount Rates has contributed £12.9m, largely offset by loss component increases in insurance service result.</p>
<p><b>Fee, commission and other operating income</b></p> <p>The most significant item in this line is the fee income that is charged to policyholders in respect of the asset management services provided for investment contracts. There is no income in respect of insurance contracts on this line, as this is all now reported in the insurance result</p>	<p>Fee, commission and other operating income shows an improvement on the 2022 comparative, but this is in part as a result of increased fee income in the form of yield tax deducted from policyholders in Movestic (£18m in 2023 compared to £8m prior year) as a result of improving economic factors, with a corresponding offset within other operating expenses. Increased returns from assets under management in respect of investment business in Sweden and the UK further contributed to the increase in fee income as did the fact that the current year includes a full twelve months of fee income generated by CASLP within the UK.</p>
<p><b>Other operating expenses</b></p>	

Other operating expenses consist of costs relating to the management of the group's investment business, non-attributable costs relating to the group's insurance business and other certain one-off costs such as project costs. Other items of note are the amortisation of intangible assets in respect of investment business and the payment of yield tax relating to policyholder investment funds in Movestic, for which there is a corresponding income item within the fee income line.	<p>The expenses incurred in 2023 are higher than in 2022, with the main reasons as follows:</p> <ul style="list-style-type: none"> <li>– In the UK, the AVIF for CASLP has been impaired by £21.0m due to a combination of adverse persistency over 2023, coupled with a change in management's view of assumed future investment returns. This is largely offset in the net result by a corresponding deferred tax credit of £14.9m.</li> <li>– In Movestic, the expense in respect of the yield tax on policyholder funds has increased by £10m with the offset reported in fee, commission and other operating income as stated above.</li> <li>– Operating expenses have increased in the UK and Dutch divisions with the acquisition of CASLP (which only included eight months of post-acquisition results in 2022) and Conservatrix (which completed on 1 January 2023). Furthermore, transition project costs of £4.6m have been recognised in the UK which in due course will lead to a lower operating costs in the future.</li> <li>– The parent company has also seen an increase in expenses, due to project related expenditure, investment in business development and strengthening of the central governance oversight team.</li> </ul>
<b>Financing costs</b>	This predominantly relates to the cost of servicing our Tier 2 corporate debt notes which were issued in early 2022. Further details can be found in Note D5 of the financial statements.
<b>Profit arising on business combinations and portfolio acquisitions</b>	On 1 January 2023, Chesnara successfully completed the acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands. This gave rise to a day 1 gain of £6.7m. Further details can be found in Note I8 of the financial statements.
<b>Foreign exchange</b>	The IFRS result of the group reflects a foreign exchange loss in the period, a consequence of sterling appreciation, particularly against the euro.
<b>Other comprehensive income</b>	This represents the impact of movements in the valuation of land and buildings held in our Dutch division.
<b>Income tax</b> Income tax consists of both current and deferred taxes.	In 2022, the large pre-tax losses generated deferred tax credits, particularly in the UK, in respect of investment and trading losses. The tax charge in the current year to date is similarly impacted by deferred tax movements on investments, more than offset by the impact of the AVIF impairment (£15m). Additionally on 31 December 2023, the insurance business of CASLP Ltd was transferred to Countrywide Assured plc. Consequently, previously unrecognised losses of Countrywide Assured plc have been recognised as deferred tax assets at 31 December 2023. This has resulted in a £13m additional tax asset being recognised at the balance sheet date.

## RISK MANAGEMENT

Managing risk is a key part of our business model. We achieve this by understanding the current and emerging risks to the business, mitigating them where appropriate and ensuring they are appropriately monitored and managed.

### HOW WE MANAGE RISK

#### RISK MANAGEMENT SYSTEM

The risk management system supports the identification, assessment, and reporting of risks to monitor and control the probability and/or impact of adverse outcomes within the board's risk appetite or to maximise realisation of opportunities.

**Strategy:** The risk management strategy contains the objectives and principles of risk management, the risk appetite, risk preferences and risk tolerance limits.

**Policies:** The risk management policies implement the risk management strategy and provide a set of principles (and mandated activities) for control mechanisms that take into account the materiality of risks.



**Processes:** The risk management processes ensure that risks are identified, measured/ assessed, monitored and reported to support decision making.

**Reporting:** The risk management reports deliver information on the material risks faced by the business and evidence that principal risks are actively monitored and analysed and managed against risk appetite.

**Chesnara adopts the “three lines of defence” model with a single set of risk and governance principles applied consistently across the business.**

In all divisions we maintain processes for identifying, evaluating and managing all material risks faced by the group, which are regularly reviewed by the divisional and group Senior Leadership teams and Audit & Risk Committees. Our risk assessment processes have regard to the significance of risks, the likelihood of their occurrence and take account of the controls in place to manage them. The processes are designed to manage the risk profile within the board's approved risk appetite.

Group and divisional risk management processes are enhanced by stress and scenario testing, which evaluates the impact of certain adverse events occurring separately or in combination. The results, conclusions and any recommended actions are included within divisional and group ORSA Reports to the relevant boards. There is a strong correlation between these adverse events and the risks identified in 'Principal risks and uncertainties'. The outcome of this testing provides context against which the group and divisions can assess whether any changes to its risk appetite or to its management processes are required.

## ROLE OF THE BOARD

The Chesnara board is responsible for the adequacy of the design and implementation of the group's risk management and internal control system and its consistent application across divisions. All significant decisions for the development of the group's risk management system are the group board's responsibility.

### Risk Strategy and Risk Appetite

Chesnara group and its divisions have a defined risk strategy and supporting risk appetite framework to embed an effective risk management framework, with culture and processes at its heart, and to create a holistic, transparent and focused approach to risk identification, assessment, management, monitoring and reporting.

On the recommendation of the Audit & Risk Committee the Chesnara board approves a set of risk preferences which articulate, in simple terms, the desire to increase, maintain, or reduce the level of risk taking for each main category of risk. The risk position of the business is monitored against these preferences using risk tolerance limits, where appropriate, and they are taken into account by the management teams across the group when taking strategic or operational decisions.

### Risk and Control Policies

Chesnara has a set of Risk and Control Policies that set out the key policies, processes and controls to be applied. Senior Management are responsible for the day to day implementation of the Risk and Control Board Policies. Subject to the materiality of changes, the Chesnara board approves the review, updates and attestation of these policies at least annually.

### Risk Identification

The group maintains a register of risks which are specific to its activity and scans the horizon to identify potential risk events (e.g. political; economic; technological; environmental, legislative & social).

On an annual basis the board approves on the recommendation of the Audit & Risk Committee the materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk. At least quarterly the principal and emerging risks are reported to the relevant boards, assessing their proximity, probability and potential impact.

### Own Risk and Solvency Assessment (ORSA)

On an annual basis, or more frequently if required, the group produces a group ORSA Report which aggregates the divisional ORSA findings and supplements these with an assessment specific to group activities. The group and divisional ORSA policies outline the key processes and contents of these reports.

The Chesnara board is responsible for approving the ORSA, including steering in advance how the assessment is performed and challenging the results.

The primary objective of the ORSA is to support the company's strategic decision-making, by providing insights into the company's risks profile over the business planning horizon. Effective ORSA reporting supports the Board, in its role of protecting the viability and reputation of the company, reviewing and challenging management's strategic decisions and recommendations.

### Risk Management System Effectiveness

The group and its divisions undertake a formal annual review of and attestation to the effectiveness of the risk management system. The assessment considers the extent to which the risk management system is embedded.

The Chesnara board is responsible for monitoring the Risk Management System and its effectiveness across the group. The outcome of the annual review is reported to the group board which make decisions regarding its further development.

## CLIMATE CHANGE RISK WITHIN CHESNARA'S RISK FRAMEWORK

Climate change is not recorded as a standalone principal risk. Instead, the risks arising from climate change are integrated through existing considerations and events within the framework. The following information has been updated to reflect Chesnara's latest views on the potential implications of climate change risk and wider developments and activity in relation to Environmental, Social and Governance (ESG).

Chesnara has embedded climate change risk within the group's risk framework and included a detailed assessment alongside the group's ORSA, concluding that the group's solvency position is not currently materially exposed to climate change risk. However, Chesnara is not complacent about the wider risks arising from climate change and the broader sustainability agenda, including strategic, reputational and operational risks, some of which are material risks for the group.

## GEOPOLITICAL RISK

Geopolitical risk remains high, largely driven by the continuing wars in Ukraine and more recently in the Middle East, with consequent impacts for economic and financial stability as well as the potential to increase cyber risk. The risk information that follows includes specific commentary where appropriate.

In 2024, more than 40 countries, accounting for over 40 per cent of the world, will hold national elections, making it the largest year for global democracy. The UK and European Union are also scheduled to hold elections for their respective parliaments.

## MACROECONOMIC VOLATILITY

The global economy remains volatile albeit with inflationary pressures reduced with 2022 and 2023 interest rate rises by Central Banks seemingly effective at moving inflation back towards their long term targets. Uncertainty remains regarding the future path of interest rates with many economists forecasting Central Bank rate cuts to boost economic growth in the short term.

Economic uncertainty remains a prominent emerging risk for the Group, with inflation driven expense risk and future investment returns being the affected key areas with greatest potential impact.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following tables outline the principal risks and uncertainties of the group. It has been drawn together following regular assessment, performed by the Audit & Risk Committee, of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. The impacts are not quantified in the tables. However, by virtue of the risks being defined as principal, the impacts are potentially significant. Those risks with potential for a material financial impact are covered within the sensitivities.

PRI - INVESTMENT AND LIQUIDITY RISK	
DESCRIPTION	Exposure to financial losses or value reduction arising from adverse movements in currency, investment markets, counterparty defaults, or through inadequate asset liability matching.
RISK APPETITE	The group accepts this risk but has controls in place to prevent any increase or decrease in the risk exposure beyond set levels. These controls will result in early intervention if the amount of risk approaches those limits.
POTENTIAL IMPACT	<p>Market risk results from fluctuations in asset values, foreign exchange rates and interest rates and has the potential to affect the group's ability to fund its commitments to customers and other creditors, as well as pay a return to shareholders.</p> <p>Chesnara and each of its subsidiaries have obligations to make future payments, which are not always known with certainty in terms of timing or amounts, prior to the payment date. This includes primarily the payment of policyholder claims, reinsurance premiums, debt repayments and dividends. The uncertainty of timing and amounts to be paid gives rise to potential liquidity risk, should the funds not be available to make payment.</p> <p>Other liquidity issues could arise from counterparty failures/credit defaults, a large spike in the level of claims or other significant unexpected expenses.</p> <p>Worldwide developments in Environmental, Social, and Governance (ESG) responsibilities and reporting have the potential to influence market risk in particular, for example the risks arising from transition to a carbon neutral industry, with corresponding changes in consumer preferences and behaviour.</p>
KEY CONTROLS	RECENT CHANGE / OUTLOOK
<ul style="list-style-type: none"> <li>Regular monitoring of exposures and performance;</li> <li>Asset liability matching;</li> <li>Maintaining a well-diversified asset portfolio;</li> <li>Holding a significant amount of surplus in highly liquid "Tier 1" assets such as cash and gilts;</li> <li>Utilising a range of investment funds and managers to avoid significant concentrations of risk;</li> <li>Having an established investment governance framework to provide review and oversight of external fund managers;</li> <li>Regular liquidity forecasts;</li> <li>Considering the cost/benefit of hedging when appropriate;</li> <li>Actively optimising the risk / return trade-off between yield on fixed interest assets compared with the associated balance sheet volatility and potential for defaults or downgrades; and</li> <li>Giving due regular consideration (and discussing appropriate strategies with fund managers) to longer term global changes that may affect investment markets, such as climate changes.</li> </ul>	<p>With greater global emphasis being placed on environmental and social factors when selecting investment strategies, the group has an emerging exposure to "transition risk" arising from changing preference and influence of, in particular, institutional investors. This has the potential to result in adverse investment returns on any assets that perform poorly as a result of "ESG transition". Chesnara has established a Sustainability Programme to embed Chesnara's Sustainability strategy</p> <p>Ongoing global conflict, including more recently in the Middle East brings additional economic uncertainty and volatility to financial markets. This creates additional risk of poor mid-term performance on shareholder and policyholder assets.</p>

PR2 - REGULATORY CHANGE RISK	
DESCRIPTION	The risk of adverse changes in industry practice/regulation, or inconsistent application of regulation across territories.
RISK APPETITE	The group aims to minimise any exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	<p>Chesnara currently operates in three main regulatory domains and is therefore exposed to potential for inconsistent application of regulatory standards across divisions, such as the imposition of higher capital buffers over and above regulatory minimum requirements. Potential consequences of this risk for Chesnara are the constraining of efficient and fluid use of capital within the group or creating a non-level playing field with respect to future new business/acquisitions.</p> <p>Regulatory developments continue to drive a high level of change activity across the group, with items such as operational resilience, climate change, Consumer Duty and IFRS 17 being particularly high profile. Such regulatory initiatives carry the risk of expense overruns should it not be possible to adhere to them in a manner that is proportionate to the nature and scale of Chesnara's businesses. The group is therefore exposed to the risk of:</p> <ul style="list-style-type: none"> <li>incurring one-off costs of addressing regulatory change as well as any permanent increases in the cost base in order to meet enhanced standards;</li> <li>erosion in value arising from pressure or enforcement to reduce future policy charges;</li> <li>erosion in value arising from pressure or enforcement to financially compensate for past practice; and</li> <li>regulatory fines or censure in the event that it is considered to have breached standards or fails to deliver changes to the required regulatory standards on a timely basis.</li> </ul>
KEY CONTROLS	RECENT CHANGE / OUTLOOK
<p>Chesnara seeks to limit any potential impacts of regulatory change on the business by:</p> <ul style="list-style-type: none"> <li>– Having processes in place for monitoring changes, to enable timely actions to be taken, as appropriate;</li> <li>– Maintaining strong open relationships with all regulators, and proactively discussing their initiatives to encourage a proportional approach</li> <li>– Being a member of the ABI and equivalent overseas organisations and utilising other means of joint industry representation;</li> <li>– Performing internal reviews of compliance with regulations; and</li> <li>– Utilising external specialist advice and assurance, when appropriate.</li> </ul> <p>Regulatory risk is monitored and scenario tests are performed to understand the potential impacts of adverse political, regulatory or legal changes, along with consideration of actions that may be taken to minimise the impact, should they arise.</p>	<p>The UK Treasury and EIOPA have both been undertaking a review of SII rules implementation. In the UK this has resulted in a reduction in the SII Risk Margin and similar is expected for the overseas entities from the EIOPA review. There is also potential for divergence of regulatory approaches amongst European regulators with potential implications for Chesnara's capital, regulatory supervision and structure.</p> <p>The group is subject to evolving regimes governing the recovery, resolution or restructuring of insurance companies. As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. More recently, the PRA has been consulting on new proposed regulation requiring UK insurers to perform Solvent Exit Analysis and maintain this analysis annually. Such analysis aims to provide confidence that firms would identify solvency issues in a timely manner and have credible plans in place to resolve the business, should it get into financial difficulties.</p> <p>The new accounting standard, IFRS 17 became effective from 01 January 2023. Chesnara has progressed the development of processes and reporting which became operational during 2023 and successfully delivered the half-year and full-year reporting in line with IFRS 17 standards.</p> <p>In July 2022, the FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 - A New Consumer Duty. The first key regulatory deadline 31 July 2023 deadline required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. Our UK business established a Consumer Duty project to deliver all requirements across its businesses. Regulatory requirements for products open to new business were successfully implemented in line with the regulatory deadline of 31 July 2023. The project continues to work on requirements for closed book products in the lead up to the regulatory implementation deadline of 31 July 2024</p>

PR3 - ACQUISITION RISK	
DESCRIPTION	The risk of failure to source acquisitions that meet Chesnara's criteria or the execution of acquisitions with subsequent unexpected financial losses or value reduction.
RISK APPETITE	Chesnara has a patient approach to acquisition and generally expects acquisitions to enhance EcV and expected cash generation in the medium term (net of external financing), though each opportunity will be assessed on its own merits.

POTENTIAL IMPACT	<p>The acquisition element of Chesnara's growth strategy is dependent on the availability of attractive future acquisition opportunities. Hence, the business is exposed to the risk of a reduction in the availability of suitable acquisition opportunities within Chesnara's current target markets, for example arising as a result of a change in competition in the consolidation market or from regulatory change influencing the extent of life company strategic restructuring.</p> <p>Through the execution of acquisitions, Chesnara is also exposed to the risk of erosion of value or financial losses arising from risks inherent within businesses or funds acquired which are not adequately priced for or mitigated as part of the transaction.</p>	
KEY CONTROLS	RECENT CHANGE / OUTLOOK	
<p>Chesnara's financial strength, strong relationships and reputation as a "safe hands acquirer" via regular contact with regulators, banks and target companies enables the company to adopt a patient and risk-based approach to assessing acquisition opportunities. Operating in multi-territories provides some diversification against the risk of changing market circumstances in one of the territories. Consideration of additional territories within Western-Europe remains on the agenda, if the circumstances of entry meet Chesnara's stated criteria.</p> <p>Chesnara seeks to limit any potential unexpected adverse impacts of acquisitions by:</p> <ul style="list-style-type: none"> <li>– Applying a structured board approved risk-based Acquisition Policy including CRO involvement in the due diligence process and deal refinement processes;</li> <li>– Having a management team with significant and proven experience in mergers and acquisitions; and</li> <li>– Adopting an appropriate risk appetite and pricing approach.</li> </ul>		<p>There remains a positive pipeline of activity in relation to acquisitions, with the group also looking at whether further M&amp;A is possible in Sweden. Chesnara completed acquisitions in the Netherlands and in the UK during 2023, whilst maintaining the established disciplines within the Acquisition Policy.</p> <p>The successful Tier 2 debt raise in 2022, in addition to diversifying the group's capital structure, has provided additional flexibility in terms of funding Chesnara's future growth strategy.</p>

PR4 - DEMOGRAPHIC EXPERIENCE RISK		
DESCRIPTION	Risk of adverse demographic experience compared with assumptions (such as rates of mortality, morbidity, persistency etc.)	
RISK APPETITE	The group accepts this risk but restricts its exposure, to the extent possible, through the use of reinsurance and other controls. Early warning trigger monitoring is in place to track any increase or decrease in the risk exposure beyond a set level, with action taken to address any impact as necessary.	
POTENTIAL IMPACT	<p>In the event that demographic experience (rates of mortality, morbidity, persistency etc.) varies from the assumptions underlying product pricing and subsequent reserving, more or less profit will accrue to the group.</p> <p>The effect of recognising any changes in future demographic assumptions at a point in time would be to crystallise any expected future gain or loss on the balance sheet.</p> <p>If mortality or morbidity experience is higher than that assumed in pricing contracts (i.e. more death and sickness claims are made than expected), this will typically result in less profit accruing to the group.</p> <p>If persistency is significantly lower than that assumed in product pricing and subsequent reserving, this will typically lead to reduced group profitability in the medium to long-term, as a result of a reduction in future income arising from charges on those products. The effects of this could be more severe in the case of a one-off event resulting in multiple withdrawals over a short period of time (a "mass lapse" event).</p>	
KEY CONTROLS	RECENT CHANGE / OUTLOOK	

<p>Chesnara performs close monitoring of persistency levels across all groups of business to support best estimate assumptions and identify trends. There is also partial risk diversification in that the group has a portfolio of annuity contracts where the benefits cease on death.</p> <p>Chesnara seeks to limit the impacts of adverse demographic experience by:</p> <ul style="list-style-type: none"> <li>– Aiming to deliver good customer service and fair customer outcomes;</li> <li>– Having effective underwriting techniques and reinsurance programmes, including the application of “Mass Lapse reinsurance”, where appropriate;</li> <li>– Carrying out regular investigations, and industry analysis, to support best estimate assumptions and identify trends;</li> <li>– Active investment management to ensure competitive policyholder investment funds; and</li> <li>– Maintaining good relationships with brokers, which is independently measured via yearly external surveys that considers brokers attitude towards different insurers.</li> </ul>	<p>Cost of living pressures could give rise to higher surrenders and lapses should customers face personal finance pressures and not be able to afford premiums or need to access savings. Currently there has been no evidence of material changes in behaviours. Chesnara continues to monitor closely and respond appropriately.</p> <p>Any prolonged stagnation of the property market could reduce protection business sales compared to plan, particularly in the Netherlands.</p> <p>The introduction of new legislation in 2022 made it easier for customers to transfer insurance policies in Sweden, and this resulted in an increase in transfers out. However, during 2023 transfer levels stabilised, albeit at a higher rate than pre Covid-19 levels, this risk continues to be actively monitored.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

PR5 - EXPENSE RISK			
DESCRIPTION	Risk of expense overruns and unsustainable unit cost growth.		
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.		
POTENTIAL IMPACT	<p>The group is exposed to expenses being higher than expected as a result of one-off increases in the underlying cost of performing key functions, or through higher inflation of variable expenses.</p> <p>A key underlying source of potential increases in regular expense is the additional regulatory expectations on the sector.</p> <p>For the closed funds, the group is exposed to the impact on profitability of fixed and semi-fixed expenses, in conjunction with a diminishing policy base.</p> <p>For the companies open to new businesses, the group is exposed to the impact of expense levels varying adversely from those assumed in product pricing. Similar, for acquisitions, there is a risk that the assumed costs of running the acquired business allowed for in pricing are not achieved in practice, or any assumed cost synergies with existing businesses are not achieved.</p>		
KEY CONTROLS	RECENT CHANGE / OUTLOOK		
<p>For all subsidiaries, the group maintains a regime of budgetary control.</p> <ul style="list-style-type: none"> <li>– Movestic and Scildon assume growth through new business such that the general unit cost trend is positive;</li> <li>– The Waard Group pursues a low cost-base strategy using a designated service company. The cost base is supported by service income from third party customers;</li> <li>– Countrywide Assured pursues a strategy of outsourcing functions with charging structures such that the policy administration cost is more aligned to the book's run off profile; and</li> <li>– With an increased current level of operational and strategic change within the business, a policy of strict Project Budget Accounting discipline is being upheld by the group for all material projects.</li> </ul>	<p>Chesnara has an ongoing expense management programme and various strategic projects aimed at controlling expenses. Acquisitions also present opportunities for unit cost reduction and the UK business announced a long term strategic partnership with FinTech market leader SS&amp;C Technologies (“SS&amp;C”) in May 2023, to provide policy administration services to Chesnara’s UK division.,</p> <p>Through its exposures to investments in real asset classes, both direct and indirect, Chesnara has an indirect hedge against the effects of inflation and will consider more direct inflation hedging options should circumstances determine that to be appropriate.</p> <p>The cost of living and energy crisis has driven increases in material supplier costs. Whilst inflation started to fall towards the end of 2023, wage inflation remains high, directly impacting the group's internal costs. Consideration is being continually given to balance the desire for growth the business and ensuring we have the capabilities and capacity to support that growth whilst continuing to keep tight cost control and also seeking opportunities to exploit efficiencies/ synergies.</p>		

## PR6 - OPERATIONAL RISK



DESCRIPTION	Significant operational failure/business continuity event.
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	<p>The group and its subsidiaries are exposed to operational risks which arise through daily activities and running of the business. Operational risks may, for example, arise due to technical or human errors, failed internal processes, insufficient personnel resources or fraud caused by internal or external persons. As a result, the group may suffer financial losses, poor customer outcomes, reputational damage, regulatory intervention or business plan failure.</p> <p>Part of the group's operating model is to outsource support activities to specialist service providers. Consequently, a significant element of the operational risk arises within its outsourced providers.</p>
KEY CONTROLS	RECENT CHANGE / OUTLOOK
<p>The group perceives operational risk as an inherent part of the day-to-day running of the business and understands that it can't be completely eliminated. However, the Company's objective is to always control or mitigate operational risks, and to minimise the exposure when it's possible to do so in a convenient and cost-effective way.</p> <p>Chesnara seeks to reduce the impact and likelihood of operational risk by:</p> <ul style="list-style-type: none"> <li>– Monitoring of key performance indicators and comprehensive management information flows;</li> <li>– Effective governance of outsourced service providers, in line with SS2/21 Outsourcing and Third Party Risk Management, including a regular financial assessment. Appropriate contractual terms contain various remedies dependent on the adverse circumstances which may arise.</li> <li>– Regular testing of business continuity plans;</li> <li>– Regular staff training and development;</li> <li>– Employee performance management frameworks;</li> <li>– Promoting the sharing of knowledge and expertise; and</li> <li>– Complementing internal expertise with established relationships with external specialist partners.</li> </ul>	<p>Operational resilience remains a key focus for the business and high on the regulatory agenda following the regulatory changes published by the BoE, PRA and FCA. Chesnara continues to progress activity under the UK operational resilience project. The next key regulatory deadline is 31 March 2025; the deadline by which all firms should have sound, effective, and comprehensive strategies, processes, and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service (IBS) in the event of a severe but plausible disruption. To support this the project is currently in the process of running a schedule of real life severe but plausible scenario testing. Each Division continues to carry out assurance activities through local business continuity programmes to ensure robust plans are in place to limit business disruption in a range of severe but plausible events.</p> <p>The Digital Operational Resilience Act (DORA) entered into force January 2023 and will apply from January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption. Additionally, in the UK the PRA published a consultation paper on Operational Resilience of Critical Third Parties to the UK financial sector looking to deliver similar outcomes.</p>

#### PR7 - IT / DATA SECURITY & CYBER RISK

DESCRIPTION	Risk of IT/ data security failures or impacts of malicious cyber-crime (including ransomware) on continued operational stability.
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	<p>Cyber risk is a growing risk affecting all companies, particularly those who are custodians of customer data. The most pertinent risk exposure relates to information security (i.e. protecting business sensitive and personal data) and can arise from failure of internal processes and standards, but increasingly companies are becoming exposed to potential malicious cyber-attacks, organisation specific malware designed to exploit vulnerabilities, phishing and ransomware attacks etc. The extent of Chesnara's exposure to such threats also includes third party service providers.</p> <p>The potential impact of this risk includes financial losses, inability to perform critical functions, disruption to policyholder services, loss of sensitive data and corresponding reputational damage or fines.</p>
KEY CONTROLS	RECENT CHANGE / OUTLOOK



<p>Chesnara seeks to limit the exposure and potential impacts from IT/data security failures or cyber-crime by:</p> <ul style="list-style-type: none"> <li>– Embedding the Information Security Policy in all key operations and development processes;</li> <li>– Seeking ongoing specialist external advice, modifications to IT infrastructure and updates as appropriate;</li> <li>– Delivering regular staff training and attestation to the information security policy;</li> <li>– Regular employee phishing tests and awareness sessions;</li> <li>– Ensuring that the Board maintains appropriate information technology and security knowledge;</li> <li>– Conducting penetration and vulnerability testing, including third party service providers;</li> <li>– Executive committee and board level responsibility for the risk, included dedicated IT security committees with executive membership;</li> <li>– Having established Chesnara and supplier disaster recovery and business continuity plans which are regularly monitored and tested;</li> <li>– Ensuring Chesnara's outsourced IT service provider maintains relevant information security standard accreditation (ISO27001); and</li> <li>– Monitoring network and system security including firewall protection, antivirus and software updates.</li> <li>– Chesnara has cyber insurance in place which covers all of the UK operations including Head Office. Elsewhere in the group, where cyber insurance is not in place, we are able to access support and resources (e.g. forensic analysis) through existing contracts with third parties.</li> </ul> <p>In addition, a designated Steering Group provides oversight of the IT estate and Information Security environment including:</p> <ul style="list-style-type: none"> <li>– Changes and developments to the IT estate;</li> <li>– Performance and security monitoring;</li> <li>– Oversight of Information Security incident management;</li> <li>– Information Security awareness and training;</li> <li>– Development of Business Continuity plans and testing; and</li> <li>– Overseeing compliance with the Information Security Policy.</li> </ul>	<p>Chesnara continues to invest in the incremental strengthening of its cyber risk resilience and response options.</p> <p>No reports of material data breaches.</p> <p>Geopolitical unrest heightens the risk of cyber crime campaigns particularly originating from state sponsored attacks.</p> <p>During 2023 the group has continued to test and seek assurance of the resilience to cyber risks, this has included:</p> <ul style="list-style-type: none"> <li>– Completed a 'desktop' ransomware scenario test;</li> <li>– Regular phishing testing and training campaigns;</li> <li>– Board training and awareness;</li> <li>– Group wide cyber risk reviews; and</li> <li>– Ongoing penetration testing and vulnerability management</li> </ul> <p>Chesnara has implemented a new group-wide cyber response framework to guide Chesnara and its Business Units in preparing and responding effectively to a Cyber-attack on any of the IT systems, infrastructure or data within the Group. The framework provides high-level guidance and decision-making considerations at all stages of the cyber response process. It also sets out the minimum expected cyber response standards for every step of the incident response process and provides clear communication, escalation and delegations for all incident materiality levels.</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

PR8 – NEW BUSINESS RISK	
DESCRIPTION	Adverse new business performance compared with projected value.
RISK APPETITE	Chesnara does not wish to write new business that does not generate positive new business value (on a commercial basis) over the business planning horizon.
POTENTIAL IMPACT	If new business performance is significantly lower than the projected value, this will typically lead to reduced value growth in the medium to long-term. A sustained low level performance may lead to insufficient new business profits to justify remaining open to new business.
KEY CONTROLS	RECENT CHANGE / OUTLOOK
<p>Chesnara seeks to limit any potential unexpected adverse impacts to new business by:</p> <ul style="list-style-type: none"> <li>– Monitoring quarterly new business profit performance;</li> <li>– Investing in brand and marketing;</li> <li>– Maintaining good relationships with brokers;</li> <li>– Offering attractive products that suit customer needs;</li> <li>– Monitoring market position and competitor pricing, adjusting as appropriate;</li> <li>– Maintaining appropriate customer service levels and experience; and</li> <li>– Monitoring market and pricing movements.</li> </ul>	<p>Increased expenses and price pressure remains a risk for the ongoing viability of writing profitable new business across the group and the Swedish transfer market remains active following regulatory changes which give greater transfer freedom.</p> <p>Market share is currently being maintained in the Netherlands with activity to look at some broader wealth products.</p> <p>In Sweden action is being taken to diversify distribution partners whilst expanding product offering across Unit Linked, Custodian and Life &amp; Health markets.</p> <p>And for the first time there is a contribution from the UK, primarily through the onshore bond wrapper acquired as part of the Sanlam Life and Pensions deal which remains open to new business.</p>

PR9 – REPUTATIONAL RISK
-------------------------

DESCRIPTION	Poor or inconsistent reputation with customers, advisors, regulators, investors, staff or other key stakeholders/counterparties.
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	<p>The group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information (including the loss or theft of customer data), IT failures or disruption, cyber security breaches and/or inadequate services, amongst others, whether true or not, could impact its brand or reputation. The group's brand and reputation could also be affected if products or services recommended by it (or any of its intermediaries) do not perform as expected (whether or not the expectations are realistic) or in line with the customers' expectations for the product range.</p> <p>Any damage to the group's brand or reputation could cause existing customers or partners to withdraw their business from the group, and potential customers or partners to elect not to do business with the group and could make it more difficult for the group to attract and retain qualified employees.</p>
KEY CONTROLS	RECENT CHANGE / OUTLOOK
<p>Chesnara seeks to limit any potential reputational damage by:</p> <ul style="list-style-type: none"> <li>– Regulatory publication reviews and analysis</li> <li>– Timely response to regulatory requests</li> <li>– Open and honest communications</li> <li>– HR policies and procedures</li> <li>– Fit &amp; Proper procedures</li> <li>– Operational and IT Data Security Frameworks</li> <li>– Product governance and remediation frameworks</li> <li>– Appropriate due diligence and oversight of outsourcers and third parties</li> <li>– Proactive stakeholder engagement with inclusivity for all stakeholders</li> </ul>	<p>Given the global focus on climate change as well as the significant momentum in the finance industry, the group is exposed to strategic and reputational risks arising from its action or inaction in response to climate change as well the regulatory and reputational risks arising from its public disclosures on the matter. Chesnara supports the UN Sustainable Development Goals (SDGs), including Climate Action. We have set our long term net zero targets, interim targets for 2030 and short term actions including baselining our financial emissions and beginning work to create our transition plan to be a net zero group.</p> <p>Chesnara has mobilised a group-wide sustainability project programme in relation to the broader sustainability agenda making commitments to:</p> <ul style="list-style-type: none"> <li>– Become a net zero emitter</li> <li>– Invest in positive solutions</li> <li>– Provide inclusivity for all stakeholders</li> </ul> <p>The FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 - A New Consumer Duty in July 2022. The Consumer Duty regulations sets higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. The first key regulatory deadline 31 July 2023 deadline required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. The UK established a Consumer Duty project to deliver all requirements across its businesses. Regulatory requirements for products open to new business were successfully implemented in line with the regulatory deadline in 31 July 2023. The project will continue to work on requirements for closed book products in the lead up to the regulatory deadline of 31 July 2024</p>

PR10 – MODEL RISK	
DESCRIPTION	Adverse consequences from decisions based on incorrect or misused model outputs, or fines or reputational impacts from disclosure of materially incorrect or misleading information..
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	<p>Chesnara and each of its subsidiaries apply statistical, economic and financial techniques and assumptions to process input data into quantitative estimates. Inaccurate model results may lead to unexpected losses arising from inaccurate data, assumptions, judgements, programming errors, technical errors, and misinterpretation of outputs.</p> <p>Potential risk impacts of inaccurate model results include:</p> <ul style="list-style-type: none"> <li>– Poor decisions, for example regarding business strategy, operational decisions, investment choices, dividend payments or acquisitions;</li> <li>– Potentially overestimating the value of acquisitions resulting in over payment;</li> <li>– Mis-statement of financial performance or solvency, resulting in misleading key shareholders or fines; and</li> <li>– Provision of inaccurate information to the Board on business performance resulting in poorly informed or delayed decisions.</li> </ul>
KEY CONTROLS	RECENT CHANGE / OUTLOOK

<ul style="list-style-type: none"> <li>– Robust model governance framework and independent standards of “do-check-review”;</li> <li>– Independent model validation &amp; Internal audit review;</li> <li>– Monitoring and reporting of Risk Appetite Limits;</li> <li>– Documented processes and policies;</li> <li>– Model version control and user access restrictions;</li> <li>– External audit;</li> <li>– Robust Due Diligence processes on acquisitions including external support on model development / review; and</li> <li>– Intra-group financial reporting planning, monitoring and delivery management</li> </ul>	<p>Model risk management is becoming an increased area of focus of the regulators, particularly in the UK Banking industry, with PS6/23 and SS1/23 becoming effective for bank and building societies on 17 May 24, and an expectation that further guidance will follow for insurers.</p> <p>IFRS17 remains in the early stages of being in-force and therefore, further embedding and continued focus on validation of the more recently developed models is needed.</p> <p>The group is in the final stages of embedding a new aggregation model (Tagetik) that provides greater access control for group consolidation on both IFRS and SII bases.</p> <p>Many insurers, including Chesnara, are exploring the use of Artificial Intelligence, including the risks and opportunities arising. While this increases the opportunity to benefit from expense synergies, it also has the potential to introduce additional model risk. Conversely though, there are also opportunities to reduce model risk by applying machine learning techniques to validation and sense checking of results.</p> <p>As part of the group’s Operational resilience programme, Chesnara is undertaking a review of the operational resilience of its financial reporting and modelling processes. This includes developing process maps and resilience scenario testing the processes, and is expected to improve efficiency and model risk mitigation.</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## DIRECTORS’ RESPONSIBILITIES STATEMENT

With regards to this preliminary announcement, the Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole;
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Chairman’s Statement and Management Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

Luke Savage  
Chairman

Steve Murray  
Chief Executive Officer

### INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF CHESNARA PLC ON THE PRELIMINARY ANNOUNCEMENT OF CHESNARA PLC

As the independent auditor of Chesnara plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Chesnara plc’s preliminary announcement statement of annual results for the period ended 31 December 2023.

The preliminary statement of annual results for the period ended 31 December 2023 includes disclosures required by the Listing Rules and any additional content such as highlights, Chairman’s Statement, component business review, a consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of cashflows. We are not required to agree to the publication of presentation to analysts.

The directors of Chesnara plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council’s Bulletin “The Auditor’s Association with Preliminary Announcements made in accordance with UK Listing Rules”.

### Status of our audit of the financial statements

Our audit of the annual financial statements of Chesnara plc is complete and we signed our auditor's report on 27 March 2024. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work:

## Initial adoption of IFRS 17

<b>Key audit matter description</b>	<p>IFRS 17: <i>Insurance Contracts</i> became effective from 1 January 2023, replacing IFRS 4: <i>Insurance Contracts</i>. The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts, which are significantly different to those required under IFRS 4. The group's financial statements for the year ended 31 December 2023 are the group's first set of financial statements under the new standard and include comparative financial information that has been restated from 1 January 2022. The first-time adoption resulted in a reduction in the group's net equity of £14.8m upon transition.</p> <p>The application of IFRS 17 to the group's insurance contracts requires significant management judgement in developing the valuation methodology, defining the related accounting policies, and implementing those policies appropriately within the relevant calculation models. The judgements, policy choices and elections made have the potential to significantly impact the financial results of the group.</p> <p>The new standard has introduced a number of significant changes, including new requirements regarding the recognition and measurement of insurance contracts and related account balances and classes of transactions. This resulted in an increased extent of audit effort, including the involvement of our internal actuarial specialists.</p> <p>Due to the pervasive impact of the IFRS 17 transition on the group's financial reporting, we have concluded that the implementation of the new standard forms a key audit matter.</p> <p>The transitional approach and impact of IFRS 17 is documented within note A4 to the financial statements, and the Audit and Risk Committee report on page 112 of the annual report.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>In assessing management's judgements in the interpretation and application of IFRS 17, we have performed the following procedures:</p> <ul style="list-style-type: none"><li>• with the involvement of IFRS 17 accounting and actuarial specialists, we have critically evaluated the appropriateness of key technical accounting decisions, judgements, assumptions, and elections made in determining the impacts to assess compliance with the requirements of the standard;</li><li>• assessed and validated materiality-based judgements taken by management in the application of IFRS 17 to the group's contracts, by agreeing key inputs back to audited source data;</li><li>• with the involvement of our actuarial specialists we assessed the group's implementation of the defined methodology and IFRS 17 actuarial models;</li><li>• substantiated the incremental data and other information required for the IFRS 17 calculations, including the relevant input data; and</li><li>• evaluated the new ongoing disclosures and the disclosures related to the transition impact and reconciled the disclosures to underlying accounting records and supporting data.</li></ul>
<b>Key observations</b>	<p>Based on the procedures described above, we consider the group's initial adoption of IFRS 17 to be appropriate and in compliance with the standard.</p>

## Expenses assumptions used in the valuation of insurance contract liabilities

<b>Key audit matter description</b>	<p>The insurance contract liabilities are one of the largest balances on the balance sheet, held at £4.2bn (2022: £3.8bn) at 31 December 2023. The valuation of insurance contract liabilities is determined using actuarial assumptions that require complex judgements and estimates to be made by management. A number of the assumptions, such as mortality and morbidity, economic assumptions, and lapse rates, are made with reference to industry tables and actual experience, and hence market benchmarking highlights material deviations from industry practices. The expense assumptions require management to make significant judgements and estimates relating to the future expenses attributable to insurance contracts. The risk associated with the expense assumptions has increased during the period, as a result of:</p> <ul style="list-style-type: none"><li>• the restructure of the administration outsourcing arrangements for the UK business, including the anticipated project costs of migration and termination;</li><li>• the impact of inflation on future expenses in the short- and longer-term, particularly given the current high interest rate environment; and</li></ul>
-------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

- the cost implications of maintaining insurance portfolios in run-off, particularly where variable cost assumptions are used.

Given the significance of the insurance contract liabilities held within CA plc (£1.4bn), Waard (£0.8bn) and Scildon (£1.9bn), our key audit matter has been pinpointed to the expense assumptions within these subsidiaries. As the expense assumptions are susceptible to manipulation by management, we have determined that there was a risk of misstatement due to fraud.

The accounting policy relating to the insurance contract liabilities has been presented in note A5(a), with details of the balance and movement set out within note F1, of the financial statements. The expense assumptions used in determining insurance contracts liabilities are also referred to in the Audit and Risk Committee report on page 112 of the annual report.

#### How the scope of our audit responded to the key audit matter

In respect of the expense assumptions used in the valuation of the insurance contract liabilities, we have performed the following procedures:

- gained an understanding of the relevant controls in relation to the derivation and approval of expense assumptions;
- with involvement of our actuarial specialists, we evaluated the appropriateness of expense assumptions and methodology, by benchmarking with industry expectations, and the assessment of management actions;
- tested the key inputs into significant judgements, such as assessing whether the anticipated costs of migration and termination are consistent with contractual arrangements;
- tested 'actual' expenses, and compared previous forecasts to observed actuals to understand management's forecasting accuracy; and
- assessed the mechanical accuracy of the underlying calculation verifying whether the methodology has been applied correctly.

#### Key observations

Based on the procedures performed, we consider the expense assumptions used in the valuation of insurance contract liabilities to be appropriate.

### Valuation of Chesnara plc's investment in CA plc

#### Key audit matter description

Chesnara plc, the parent company holds a total investment of £399.6m (2022: £414.0m) on the company balance sheet relating to its investment in group subsidiaries, at cost less impairment.

At 31 December 2022, the parent company held investments of £142.9m and £62.9m in CA plc and CASLP Ltd, respectively. At 31 December 2023, following a £14.4m impairment, an investment of £191.4m was held in CA plc as a result of substantially all of the CASLP Ltd insurance business, and therefore corresponding investment, being Part VII transferred into CA plc.

In line with IAS 36: *Impairment of Assets*, management are required to carry out an impairment assessment if there is indication of impairment loss at the balance sheet date. Through the assessment management evaluated whether the investment in CA plc is carried at more or less than the recoverable amount, which is the higher of fair value less costs of disposal and value in use, and therefore whether an impairment is required. Management have historically deemed economic value ("EcV") to be an appropriate proxy for the IAS 36 "value in use" within their impairment assessment.

In recent periods the CA plc EcV has been on a downwards trend as over this time period dividends paid to the parent company have exceeded its EcV growth, with this dynamic being a function of it being a closed book. The impairment assessment performed by management at the balance sheet date highlighted £14.4m (2022: £25.0m) of impairment over the carrying value of the investment. We therefore identified a key audit matter relating to the valuation of the parent company's investment in CA plc.

Due to the potential for management to introduce inappropriate bias to judgements made in the impairment assessment, we have determined that there was a risk of misstatement due to fraud.

The accounting policy relating to the valuation of Chesnara plc's investment in CA plc has been presented in note A5(z), with details of the impairment sensitivities within note A6(k), of the financial statements. The investment in CA plc is also referred to in the Audit and Risk Committee report on page 116 of the annual report.

#### How the scope of our audit responded to the key audit matter

In respect of the investment in CA plc, we have performed the following procedures:

- gained an understanding of the relevant controls in place around the impairment assessment and EcV valuation;



- evaluated management's methodology and the appropriateness of using EcV as a proxy for the "value in use" with reference to the requirements of IAS 36;
- evaluated management's assessment by performing benchmarking against other recent industry transactions to gain corroborative and contradictory evidence; and
- with the involvement of our actuarial specialists, we evaluated the accuracy and completeness of adjustments made to the IFRS balance sheet to determine EcV.

#### Key observations

Based on the procedures performed, we consider the carrying value of Chesnara plc's investment in CA plc is appropriate.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

#### Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Chesnara plc we carried out the following procedures:

- checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;
- considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;
- considered whether the financial information in the preliminary announcement is misstated;
- considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;
- where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:
  - the use, relevance and reliability of APMs has been explained;
  - the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
  - the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
  - comparatives have been included, and where the basis of calculation has changed over time this is explained.
- read the management commentary, any other narrative disclosures and any final interim period figures and considered whether they are fair, balanced and understandable.

#### Use of our report

Our liability for this report, and for our full audit report on the financial statements is to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Matthew Perkins (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
27 March 2024

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022 (restated)
	£m	£m
Insurance revenue	228.0	225.1
Insurance service expense	(224.7)	(206.1)
Net expenses from reinsurance contracts held	(8.4)	(5.7)
<b>Insurance service result</b>	<b>(5.1)</b>	<b>13.3</b>
Net investment return	1,023.5	(1,556.9)
Net finance (expenses)/income from insurance contracts issued	(314.9)	548.8
Net finance income / (expenses) from reinsurance contracts held	6.7	(13.1)
Net change in investment contract liabilities	(529.6)	589.3



Change in liabilities relating to policyholders' funds held by the group	(114.0)	392.9
<b>Net investment result</b>	<b>71.7</b>	<b>(39.0)</b>
Fee, commission and other operating income	89.4	59.6
<b>Total revenue net of investment result</b>	<b>156.0</b>	<b>33.9</b>
Other operating expenses	(149.9)	(100.9)
<b>Total income less expenses</b>	<b>6.1</b>	<b>(67.0)</b>
Financing costs	(11.0)	(10.5)
Profit arising on business combinations and portfolio acquisitions	6.7	15.4
<b>Profit / (loss) before income taxes</b>	<b>1.8</b>	<b>(62.1)</b>
Income tax credit	16.9	28.4
<b>Profit / (loss) for the period</b>	<b>18.7</b>	<b>(33.7)</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Foreign exchange translation differences arising on the revaluation of foreign operations	(7.8)	6.9
Revaluation of pension obligations after tax / IAS19 accounting	(0.7)	-
Revaluation of land and building	0.1	0.7
<b>Other comprehensive (loss) / income for the period, net of tax</b>	<b>(8.4)</b>	<b>7.6</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>10.3</b>	<b>(26.1)</b>
Basic earnings per share (based on profit or loss for the period)	12.41p	(22.40)p
Diluted earnings per share (based on profit or loss for the period)	12.29p	(22.13)p

## CONSOLIDATED BALANCE SHEET

	2023	Year ended 31 December	
		2022	2021
	£m	(restated) £m	(restated) £m
<b>Assets</b>			
Intangible assets	96.4	126.1	80.4
Property and equipment	8.4	7.9	7.8
Investment properties	88.1	94.5	1.1
Insurance contract assets	4.0	-	-
Reinsurance contract assets	185.7	194.0	242.3
Amounts deposited with reinsurers	32.5	32.8	38.3
Financial investments	11,456.1	10,536.8	9,176.0
Derivative financial instruments	0.3	0.1	0.3
Other assets	57.7	46.4	47.3
Deferred tax assets	54.6	11.7	0.9
Cash and cash equivalents	146.0	204.6	70.1
<b>Total assets</b>	<b>12,129.8</b>	<b>11,254.9</b>	<b>9,664.5</b>
<b>Liabilities</b>			
Insurance contract liabilities	4,203.0	3,821.6	4,032.1
Reinsurance contract liabilities	17.1	17.3	33.1
Other provisions	23.2	8.7	1.7
Investment contracts at fair value through income	5,872.3	5,660.8	3,982.0
Liabilities relating to policyholders' funds held by the group	1,281.8	986.8	990.6
Lease contract liabilities	1.2	1.2	2.0
Borrowings	207.9	212.0	47.2
Derivative financial instruments	4.4	3.8	-
Deferred tax liabilities	24.3	31.8	8.9
Deferred income	2.8	3.5	4.5
Other current liabilities	131.7	123.3	118.7
Bank overdrafts	0.2	-	0.3
<b>Total liabilities</b>	<b>11,769.9</b>	<b>10,870.8</b>	<b>9,221.1</b>
<b>Net assets</b>	<b>359.9</b>	<b>384.1</b>	<b>443.4</b>
<b>Shareholders' equity</b>			
Share capital	7.5	7.5	7.5
Merger reserve	36.3	36.3	36.3
Share premium	142.5	142.3	142.1
Other reserves	6.5	14.9	7.3
Retained earnings	167.1	183.1	250.2
<b>Total shareholders' equity</b>	<b>359.9</b>	<b>384.1</b>	<b>443.4</b>

Approved by the Board of Directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Luke Savage  
Chairman

Steve Murray  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2023	2022 (restated)
	£m	£m
<b>Profit / (loss) for the period</b>	<b>18.7</b>	<b>(33.7)</b>
Adjustments for:		
Depreciation of property and equipment	0.8	0.7
Depreciation on right of use assets	0.8	0.7
Amortisation of intangible assets	17.1	17.5
Impairment of intangible assets	21.0	–
Interest on lease liabilities	–	–
Share based payment	0.7	0.9
Tax paid / (recovered)	(16.9)	13.0
Interest receivable	(5.6)	(9.5)
Dividends receivable	(2.3)	(1.5)
Interest expense	10.3	10.5
Fair value (gains) / losses on financial assets and investment properties	(1,023.5)	1,428.2
Profit on business combinations and portfolio acquisitions	(6.7)	(15.4)
Increase in intangible assets related to investment contracts	(10.2)	(9.1)
<b>Adjustment total</b>	<b>(1,014.5)</b>	<b>1,436.0</b>
Interest received	7.5	9.6
Dividends received	19.6	1.5
Changes in operating assets and liabilities:		
Decrease / (increase) in financial assets and investment properties	327.6	(138.7)
(Increase) / decrease in net reinsurance contract assets	7.8	28.3
Decrease / (increase) in amounts deposited with reinsurers	0.3	5.5
(Increase) / decrease in other assets	(19.5)	8.6
Increase / (decrease) in net insurance contract liabilities	93.7	(557.9)
Increase / (decrease) in investment contract liabilities	526.4	(747.9)
Increase / (decrease) in provisions	2.3	(2.8)
Increase / (decrease) in other current liabilities	5.7	(38.4)
<b>Cash utilised from operations</b>	<b>(24.2)</b>	<b>(29.9)</b>
Income tax paid	(10.5)	(12.1)
<b>Net cash generated from operating activities</b>	<b>(34.8)</b>	<b>(42.0)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary, net of cash acquired	30.3	55.6
Development of software	–	(2.4)
Net proceeds / (purchases) of property and equipment	(0.8)	(1.1)
<b>Net cash generated by investing activities</b>	<b>29.5</b>	<b>52.1</b>
<b>Cash flows from financing activities</b>		
Net proceeds from the issue of share capital	0.2	0.3
Net proceeds from Tier 2 debt raised	–	196.5
Proceeds from borrowings	–	2.0
Repayment of borrowings	(3.9)	(37.1)
Repayment of lease liabilities	(0.6)	(0.3)
Dividends paid	(35.4)	(34.3)
Interest paid	(10.1)	(5.8)
<b>Net cash (utilised) / generated by from financing activities</b>	<b>(49.8)</b>	<b>121.3</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(55.1)</b>	<b>131.4</b>
Net cash and cash equivalents at beginning of period	204.6	69.8
Effect of exchange rate changes on net cash and cash equivalents	(3.6)	3.4
<b>Net cash and cash equivalents at end of the period</b>	<b>145.8</b>	<b>204.6</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
<b>Equity shareholders' funds at 1 January 2023 (restated)</b>	<b>7.5</b>	<b>142.3</b>	<b>36.3</b>	<b>14.9</b>	<b>183.1</b>	<b>384.1</b>
Profit for the year	–	–	–	–	18.7	18.7
Dividends paid	–	–	–	–	(35.4)	(35.4)
Foreign exchange translation differences	–	–	–	(7.8)	–	(7.8)

Other items of comprehensive income	–	–	–	(0.6)	–	(0.6)
Issue of share premium	–	0.2	–	–	–	0.2
Share based payment	–	–	–	–	0.7	0.7
<b>Equity shareholders' funds at 31 December 2023</b>	<b>7.5</b>	<b>142.5</b>	<b>36.3</b>	<b>6.5</b>	<b>167.1</b>	<b>359.9</b>

#### Year ended 31 December 2022

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
<b>Equity shareholders' funds at 1 January 2022 (as previously stated)</b>	<b>7.5</b>	<b>142.1</b>	<b>36.3</b>	<b>7.3</b>	<b>265.0</b>	<b>458.2</b>
Transition adjustments (note 3)	–	–	–	–	(14.8)	(14.8)
<b>Equity shareholders' funds at 1 January 2022 (restated)</b>	<b>7.5</b>	<b>142.1</b>	<b>36.3</b>	<b>7.3</b>	<b>250.2</b>	<b>443.4</b>
Loss for the year	–	–	–	–	(33.7)	<b>(33.7)</b>
Dividends paid	–	–	–	–	(34.3)	(34.3)
Foreign exchange translation differences	–	–	–	6.9	–	6.9
Other items of comprehensive income	–	–	–	0.7	–	0.7
Issue of share premium	–	0.2	–	–	–	0.2
Share based payment	–	–	–	–	0.9	0.9
<b>Equity shareholders' funds at 31 December 2022 (restated)</b>	<b>7.5</b>	<b>142.3</b>	<b>36.3</b>	<b>14.9</b>	<b>183.1</b>	<b>384.1</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of preparation

The consolidated and parent company financial statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the directors have taken into consideration the points as set out in the Financial Management section of the report under the heading 'Maintain the group as a going concern'.

The financial statements are presented in pounds sterling, rounded to the nearest million, and are prepared on the historical cost basis except for insurance and reinsurance contracts which are stated at their fulfilment value in accordance with IFRS 17 and the following assets and liabilities which are stated at their fair value: derivative financial instruments; financial instruments at fair value through profit or loss; assets and liabilities held for sale; investment property; and investment contract liabilities at fair value through profit or loss.

Assets and liabilities are presented in a liquidity order in the balance sheet. In addition, amounts expected to be recovered or settled within a year are classified as current in the notes to the accounts. If they are expected to be recovered or settled in more than one year, they are classified as non-current in the notes to the accounts.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the process of applying the group's accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in section 2 below.

The group prepares interim financial statements at half-year and as permitted by IFRS 17 has elected to apply the 'year-to-date' method and restate estimates in respect of insurance contracts made in the previous interim financial statements, in these year-end financial statements. This accounting policy election applies to all groups of insurance and reinsurance contracts.

The accounting policies set out below, unless otherwise stated, have been applied consistently to all years presented in these consolidated financial statements. This includes the changes in accounting policies introduced by IFRS 17 'Insurance contracts' and IFRS 9 'Financial instruments', both of which have been applied in these financial statements. The impact to the group of adopting IFRS 17 and IFRS 9 is outlined below.

The consolidated financial statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with United Kingdom adopted international accounting standards.

The group has applied IFRS 17 'Insurance contracts' and IFRS 9 'Financial instruments' for the first time in these annual financial statements and as a result comparative amounts and the shareholder equity position at 1 January 2022 has been restated to reflect

this. The introduction of these standards means there are significant changes to the accounting for insurance and reinsurance contracts and financial instruments, although the impact for the group in respect of IFRS 9 is less significant.

### **IFRS 17 'Insurance Contracts'**

'IFRS17 Insurance Contracts' introduces significant changes in the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts for the group.

The scope of IFRS 17 is very similar to that of IFRS 4 and all of the insurance and reinsurance contracts accounted for under IFRS 4 are accounted for under IFRS 17, with some additional benefits within the Swedish business now accounted for under IFRS 17 that were previously accounted for under IAS 39. These contracts now come into scope for IFRS 17 due to the different separation rules regarding component parts of contracts that now apply in IFRS 17 compared to IFRS 4.

Insurance and reinsurance contracts are aggregated into portfolios. The portfolios are determined by identifying contracts that have similar risks and that are managed together. The portfolios are then further divided into contract groups based on annual cohorts (ie by year of issue) and profitability.

Under IFRS 17, the insurance contract liabilities are broken down into the following component parts:

- (i) Present value of future cash flows (pvFCF): estimates of future cash flows adjusted to reflect the effect of the time value of money and other financial risks where applicable
- (ii) Risk adjustment (RA) for non-financial risk: the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk
- (iii) Contractual service margin (CSM): the unearned profit that will be recognised as the group provides insurance contract services
- (iv) Liability for incurred claims (LIC) – claims and expenses for insurance contracts that have not yet been paid, including claims and expenses that have been incurred but not yet reported

Collectively, the pvFCF and RA are referred to as 'fulfilment cash flows' (FCF). Changes in the FCF will impact either profit or loss or the CSM, depending on whether they relate to future or current service and the 'measurement model' applicable to the group of contracts. If the CSM for a group of contracts becomes onerous (ie negative) then a 'loss component' is established in respect of the negative amount and the CSM is floored at zero, with losses recognised in profit or loss immediately.

The FCF and the CSM are collectively referred to as the 'Liability for remaining coverage' (LRC) and the total of the LRC and LIC make up the total value for a given group of insurance contracts.

For reinsurance contracts held, in line with the description above of the measurement components of the gross insurance contracts issued, the groups of reinsurance contracts consists of an 'Asset for remaining coverage' (ARC) or LRC and the 'Asset for incurred claims' (AIC). The components of the reinsurance ARC / LRC are similar to the LRC arising from the insurance contracts issued, with the following distinct differences:

- The RA for non-financial risk represents the amount of risk being transferred by the group to the reinsurer
- The CSM represents the net cost or net gain on purchasing reinsurance and can be positive or negative on initial recognition and subsequent measurement
- To the extent that onerous insurance contracts are reinsured, a 'loss-recovery component' is established at the date the underlying onerous losses are recognised to cater for the expected recoveries of the underlying losses from the reinsurance contracts held
- There is an explicit allowance for the risk of non-performance of the issuer of the reinsurance contract which includes allowance for expected losses arising from disputes.

The following three measurement models are applicable under IFRS 17:

- (i) General Measurement Model (GMM): this is the default measurement method which determines how movements in the fulfilment cash flows impact either profit and loss or the CSM. Under the GMM, changes in the fulfilment cash flows that relate to future service impact the CSM with other changes to the fulfilment cashflows instead impacting profit and loss.
- (ii) Variable Fee Approach (VFA): this is used where the contract meets the IFRS 17 definition of an insurance contract with direct participating features. This means that the nature of the services provided are substantially investment related with insurance benefits also being provided. Under the VFA changes in the group's share of the underlying items in respect of financial and economic impacts will adjust the CSM and not the profit or loss.
- (iii) Premium Allocation Approach (PAA): this is a simplified approach that can be applied to eligible short-duration contracts whereby all movements in the liability go to profit and loss (ie there is no CSM).

Reinsurance contracts are considered separately to gross insurance contracts with the majority of reinsurance contracts within the group measured under the GMM and a small amount measured under PAA.

With the adoption of IFRS 17, certain line items in the group's consolidated balance sheet have been replaced with new line items. For example, the group now presents separately the carrying amount of portfolios of:

- Insurance contracts issued that are assets;
- Insurance contracts issued that are liabilities;
- Reinsurance contracts held that are assets; and
- Reinsurance contracts held that are liabilities.

The assessment as to whether a given portfolio is an asset or liability considers the portfolio as a whole, so LRC plus LIC for gross insurance contracts for example.

The line items in the consolidated income statement have also changed significantly compared to that under IFRS 4 with specific line items now for:

- Insurance revenue;
- Insurance service expenses;
- Net income (expense) from reinsurance contracts held;
- Insurance finance income or expense (IFIE) for insurance contracts issued; and
- Insurance finance income or expense (IFIE) for reinsurance contracts held.

Under IFRS 17, for contracts not measured under the PAA, the group recognises insurance revenue to depict the transfer of promised services provided under groups of insurance contracts. The insurance revenue for each year represents the changes in the LRC that relate to services provided in that year for which the group expects to receive consideration. This mainly comprises the release of expected claims, the release of the expired risk adjustment for non-financial risk and the CSM amounts recognised in profit or loss in the period.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period.

'Insurance service expenses' in each reporting period represents the cost of providing those services, broadly comprising incurred claims and benefits and expenses that are directly attributable to providing the service in the period.

'Net income/(expenses) from reinsurance contracts' generally comprises reinsurance expenses and the recovery of incurred claims. Reinsurance expenses are recognised similarly to insurance revenue, with the amount of reinsurance expenses representing an allocation of the premiums paid to reinsurers that depicts the received insurance contract services in the period.

Together, the insurance revenue, insurance service expenses and net income/(expenses) from reinsurance contracts make up the insurance service result, presented on the face of the income statement. 'Non-distinct investment components' of insurance contracts represent amounts that the group must repay back to the policyholder regardless of the occurrence of the insured event and are excluded from profit or loss.

The 'investment result' comprises the 'net investment return', changes in net investment contract liabilities and policyholder funds held by the group and IFIE for both insurance and reinsurance contracts. The IFIE broadly includes the effect of changes in the time value of money and the effect of financial risk and changes in financial risk.

#### Transition approach – IFRS 17

Transition refers to the determination of the opening balance sheet at the beginning of the annual reporting period immediately preceding the date of IFRS 17 initial application (ie at 1 January 2022). The future cash flows and risk adjustment are measured on a current basis in the same manner as they would be calculated for subsequent measurement. The key component of transition is therefore the determination of the CSM.

IFRS 17 is required to be applied retrospectively unless it is impracticable to do so due to the lack of available and supportable historical information. For a full retrospective approach (FRA), the CSM at the date of transition is calculated by rolling forward the CSM from the initial recognition of the groups of the insurance contracts to the transition date as if the accounting policies under IFRS 17 had always applied. Where the FRA is impracticable, a choice between a 'modified retrospective approach' (MRA) and a 'fair value approach' (FVA) is permitted.

The group has been able to apply the FRA to its Dutch business divisions with the inception date for the contracts acquired being the date of historical acquisition into the group. The FVA has been applied for CA plc in the UK where the length of time elapsed since acquisition into the group has meant that the retrospective application of IFRS 17 is not possible or practicable for any of the contract groups. The relatively small part of the Movestic business in Sweden to which a CSM is applicable has also been treated as FVA at the date of transition.

#### IFRS 9 – Financial Instruments

'IFRS 9 Financial Instruments' was effective from 1 January 2018 and replaces 'IAS 39 Financial Instruments: Recognition and Measurement'. The group elected to defer the application of IFRS 9 in the consolidated financial statements, applying the temporary exemption available under 'Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4' up until the previously published group consolidated financial statements as at 31 December 2022.

IFRS 9.4.1 requires financial assets to be classified into the following measurement categories based on an assessment of the business model of the group and the contractual cash flow characteristics of the assets:

- Amortised cost (AC) where the financial asset is in a 'hold to collect' business model and where contractual cash flows arising are solely payments of principal and interest (SPPI).
- Fair value through OCI (FVTOCI) where the financial asset is in a 'hold to collect and sell' business model and where contractual cash flows arising are solely payments of principal and interest (SPPI).
- Fair value through Profit or Loss (FVTPL) where the financial asset does not fit into either of the above classifications or where the entity elects to measure financial assets at FVTPL.

Almost all accounting requirements for financial liabilities remain unchanged from IAS 39. IFRS 9 has however introduced new requirements for accounting and presentation of changes in the fair value of an entity's own credit risk where the entity has designated to value at fair value (IFRS 9.5.7.7-8). Changes in fair value attributable to the change in the entity's own credit risk are presented in OCI unless this presentation would create or enlarge an accounting mismatch in the P&L, as is the case for the Chesnara plc group.

The two financial liability classification categories are:

- Fair value through profit or loss (FVTPL); and
- Amortised cost (AC).

The majority of the group's financial assets and liabilities are classified as FVTPL, either mandatorily as prescribed by IFRS 9, or by designating as such, as permitted under IFRS 9.4.1.5 to avoid an accounting mismatch that would otherwise have occurred with the valuation of the corresponding liabilities.

The majority of the group's financial instruments were already held at FVTPL under IAS 39 and will continue to be valued at FVTPL under IFRS 9 to reflect the way the business is managed and in line with a fair value approach to SII and EcV reporting. The 'Solely Payments of Principal and Interest' (SPPI) test is used to distinguish between those mandatorily classified as FVTPL and those designated at FVTPL.

The mortgage portfolio held by Waard, comprising both direct mortgages and savings mortgages, was previously valued at AC under IAS 39. Both types of mortgage assets pass the SPPI test as the contractual terms require only fixed payments on fixed dates or variable payments where the amount of the variable payment for a period is determined by applying a floating market rate of interest for that period. They are therefore not required to be classified at FVTPL, but they have been designated as FVTPL as this will significantly reduce the accounting mismatch with the corresponding liability, valued under IFRS 17 using current market sourced discount rates, that would arise otherwise. This application of the 'fair value option' aligns with the group's business model which is to manage the business on a fair value basis.

Short-term receivables are classified as AC and no assets will be categorised as FVTOCI.

Financial liabilities are generally classified and measured at AC (IFRS 9.4.2.1), however they can be classified and measured at FVTPL if held for trading or designated as at FVTPL where doing so results in more relevant information (IFRS 9.4.2.2), because either:

- It eliminates, or significantly reduces, a measurement of recognition inconsistency; or
- A group of financial instruments is managed, and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The investment contracts help by the group meet the criteria above for classification at FVTPL as this will significantly reduce the accounting mismatch that would arise otherwise. This is also in line with the group's business model is to manage the business on a fair value basis.

The borrowings liabilities do not match the exceptions listed above and it is appropriate that they are classified as AC under IFRS 9, as was also the case under IAS 39. This includes the Tier 2 debt within the parent company of the group.

### **Effect of adoption of IFRS 17 and IFRS 9**

The following table shows, by balance sheet line item, how the adoption of IFRS 17 and IFRS 9 has impacted the balance sheet that was reported in the consolidated financial statements of the group as at 31 December 2021.

	31 December 2021 – as reported	Items derecognised	Items reclassified	IFRS 17 and IFRS 9 remeasurement	As at 1 January 2022
	£m	£m	£m	£m	£m
Intangible assets	122.1	(41.7)	-	-	80.4
Property and equipment	7.8	-	-	-	7.8
Investment properties	1.1	-	-	-	1.1
Reinsurance contract assets	247.8	-	23.3	(28.8)	242.3
Amounts deposited with reinsurers	38.3	-	-	-	38.3
Financial investments	9,127.1	-	-	48.9	9,176.0
Derivative financial instruments	0.3	-	-	-	0.3
Other assets	72.4	-	(25.1)	-	47.3
Deferred tax assets	-	0.5	2.2	(1.8)	0.9
Cash and cash equivalents	70.1	-	-	-	70.1
<b>Total assets / transition effects on assets</b>	<b>9,687.0</b>	<b>(41.2)</b>	<b>0.4</b>	<b>18.3</b>	<b>9,664.5</b>
Insurance contract liabilities	3,818.4	-	106.5	107.2	4,032.1
Reinsurance contract liabilities	-	-	-	33.1	33.1
Other provisions	1.0	-	0.7	-	1.7
Investment contracts at fair value through profit or loss	4,120.6	-	-	(138.6)	3,982.0



Liabilities relating to policyholder funds held by group	990.6	-	-	-	990.6
Lease contract liabilities	2.0	-	-	-	2.0
Borrowings	47.2	-	-	-	47.2
Derivative financial instruments	-	-	-	-	-
Deferred tax liabilities	15.7	(9.6)	2.2	0.6	8.9
Deferred income	2.8	(0.5)	2.2	-	4.5
Other current liabilities	230.2	(0.4)	(111.2)	0.1	118.7
Bank overdrafts	0.3	-	-	-	0.3
<b>Total liabilities / transition effects on liabilities</b>	<b>9,228.8</b>	<b>(10.5)</b>	<b>0.4</b>	<b>2.4</b>	<b>9,221.1</b>
<b>Net assets / transition effects on shareholders' equity</b>	<b>458.2</b>	<b>(30.7)</b>	<b>-</b>	<b>15.9</b>	<b>443.4</b>

For the entities applying the full retrospective approach, the group has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied since the date of their acquisition into the group; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting difference in net equity. For entities or contracts applying the fair value method this position is estimated using fair value techniques.

IFRS 9 may be applied prospectively from 1 January 2023 but the group has elected to apply IFRS 9 within these financial statements from 1 January 2022 in line with IFRS 17 in order to avoid an accounting mismatch for the comparative period, as the measurement of assets under IFRS 9 cannot be considered without reference to the liabilities under IFRS 17.

The overall impact to the net equity position of the group at 1st January 2022 as a result of applying IFRS 17 and IFRS 9 is a reduction in net equity of £14.8m.

There are various offsetting impacts which result in this overall reduction of net equity, the key ones being:

#### Items derecognised:

##### *Derecognition of Acquired Value of in-force business (AVIF) and Deferred Acquisition Costs (DAC) in respect of insurance contracts:*

On transition to IFRS 17, AVIF previously recognised in respect of acquired insurance contracts is derecognised as a balance that would not exist had IFRS 17 always applied. Similarly, DAC is no longer recognised for new contracts written. Instead, acquisition cash flows paid or expected to be paid on or after the initial recognition of the FRA and FVA groups of insurance contracts, have been considered when determining the initial CSM of those groups.

Intangible assets of £41.7m consisting of AVIF of £31.3m and DAC of £10.4m have been derecognised from the consolidated group balance sheet at the date of transition, with a corresponding adjustment to net equity. The derecognition of the deferred tax liability of £9.6m is all in respect of deferred tax balances relating to the AVIF and DAC assets. The derecognition of the intangible assets and associated deferred tax, together with other smaller impacts, results in an overall reduction of net equity of £30.7m at the transition date.

#### IFRS 17 and IFRS 9 remeasurement:

- (i) *Recognition of the CSM as an explicit liability representing future unearned profits:* At 1 January 2022, a CSM of £119.6m net of reinsurance was established resulting in a decrease to net equity.
- (ii) *Recognition of an explicit liability for Risk Adjustment for non-financial risk.* At 1 January 2022, a RA of £39.7m net of reinsurance was established resulting in a decrease to net equity.
- (iii) *Change in classification of contracts between from investment to insurance liabilities:* The benefits for certain pension contracts in the Swedish business were previously separated under IFRS 4 with the savings element measured under IAS 39. The benefits can no longer be separated under IFRS 17 and therefore they are removed from the investment contract line in full and now reported within insurance contract liabilities. This reduction of £138.6m to the investment contract liability line is therefore largely offset by an increase in the insurance contract liability line.
- (iv) *IFRS 9 impacts:* The assets held in respect of certain mortgage savings products in the Waard group previously valued at amortised cost have been revalued to fair value under IFRS 9. The increase in value of £48.9m in the financial investment line is largely offset by an increase in the insurance contract liabilities line as both the asset cash flows and liability cash flows are measured using similar techniques.
- (v) *Revaluation of the present value of future cash flows for insurance and reinsurance contracts:* A variety of local methodologies with different areas of implicit margin has been replaced by a valuation of 'best estimate' future cash flows, discounted at market interest rates.

The combined impacts in respect of items (i) to (v) above net of deferred tax result in an overall increase to net equity of £15.9m at the transition date.

#### Items reclassified:

The group has also reclassified all rights and obligations arising from portfolios of insurance and reinsurance contracts such as (i) outstanding claims in respect of insurance contracts and the reinsurers share of outstanding claims (ii) receivables and payables

related to insurance and reinsurance contracts. These reclassifications have not impacted the net equity of the group at the transition date.

## 2 Judgements and estimates

Critical accounting judgements and key sources of estimation and uncertainty remain largely unchanged from those described in Note 3 of the 2021 Annual Report and Accounts.

## 3 Earnings per share

Earnings per share are based on the following:

	Year ended 31 December	
	2023	2022 (restated)
Profit/(loss) for the year attributable to shareholders (£m)	18.7	(33.7)
Weighted average number of ordinary shares	150,528,597	150,239,599
Basic earnings per share	12.41p	(22.40)p
Diluted earnings per share	12.29p	(22.13)p

The weighted average number of ordinary shares in respect of the year ended 31 December 2023 is based upon 150,514,945 shares. No shares were held in treasury.

There were 1,537,582 share options outstanding at 31 December 2023 (2022: 1,815,601). Accordingly, there is dilution of the average number of ordinary shares in issue in respect of 2022 and 2023.

## 3 Retained earnings

	Year ended 31 December	
	2023 £m	2022 (restated) £m
Retained earnings attributable to equity holders of the parent company comprise:		
<b>Balance at 1 January (restated)</b>	<b>183.1</b>	<b>250.2</b>
Profit / (loss) for the period	18.7	(33.7)
Share based payment	0.7	0.9
Dividends:		
Final approved and paid for 2021	–	(22.1)
Interim approved and paid for 2022	–	(12.2)
Final approved and paid for 2022	(22.8)	–
Interim approved and paid for 2023	(12.6)	–
<b>Balance at 31 December</b>	<b>167.1</b>	<b>183.1</b>

The interim dividend in respect of 2022, approved and paid in 2022 was paid at the rate of 8.12p per share.

The interim dividend in respect of 2022, approved and paid in 2022 was paid at the rate of 8.12p per share. The final dividend in respect of 2022, approved and paid in 2023, was paid at the rate of 15.16p per share so that the total dividend paid to the equity shareholders of the parent company in respect of the year ended 31 December 2022 was made at the rate of 23.28p per share.

The interim dividend in respect of 2023, approved and paid in 2023, was paid at the rate of 8.36 per share to equity shareholders of the parent company registered at the close of business on 29 September 2023, the dividend record date.

A final dividend of 15.61p per share in respect of the year ended 31 December 2023 payable on 28 May 2024 to equity shareholders of the parent company registered at the close of business on 12 April 2024, the dividend record date, was approved by the directors after the balance sheet date. The resulting total final dividend of £23.5m has not been provided for in these financial statements and there are no income tax consequences.

The following summarises dividends per share in respect of the year ended 31 December 2022 and 31 December 2023:

	Year ended 31 December	
	2023 Pence	2022 Pence
Interim – approved and paid	8.36	8.12
Final – proposed/paid	15.61	15.16
<b>Total</b>	<b>23.97</b>	<b>23.28</b>

## 6 Operating segments

The group considers that it has no product or distribution-based business segments. It reports segmental information on the same basis as reported internally to the chief operating decision maker, which is the board of directors of Chesnara plc.

The segments of the group as at 31 December 2023 comprise:

**UK:** This segment comprises the UK's life insurance and pensions business within Countrywide Assured plc (CA), the group's principal UK operating subsidiary and Sanlam Life and Pensions (UK) Limited, acquired by the group on 28 April 2022 and subsequently renamed to CASLP Limited (CASLP). The majority of the assets and liabilities of CASLP were transferred to CA on 31 December 2023 under a Part VII business transfer.

During the year, the group reached an agreement to acquire the onshore individual protection business of Canada Life Ltd with the transaction initially in the form of a reinsurance agreement accepted by CA.

**Movestic:** This segment comprises the group's Swedish life and pensions business, Movestic Livförsäkring AB ('Movestic') and its subsidiary company Movestic Fonder AB (investment fund management company). Movestic is open to new business and primarily comprises unit-linked pension business and also providing some life and health product offerings.

**Waard Group:** This segment represents the group's closed Dutch life insurance business and comprises a number of acquisitions of closed insurance books of business since the acquisition of the original Waard entities into the group in 2015. The Waard group comprises a mixture of long-term savings and protection business and also contains some non-life business.

During the year, the group acquired the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. ("Conservatrix"), a specialist provider of life insurance products in the Netherlands.

**Scildon:** This segment represents the Group's open Dutch life insurance business. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model.

**Other group activities:** The functions performed by the parent company, Chesnara plc, are defined under the operating segment analysis as Other group activities. Also included therein are consolidation and elimination adjustments.

The accounting policies of the segments are the same as those for the group as a whole. Any transactions between the business segments are on normal commercial terms in normal market conditions. The group evaluates performance of operating segments on the basis of the profit before tax attributable to shareholders of the reporting segments and the group as a whole. There were no changes to the measurement basis for segment profit during the year ended 31 December 2023.

#### (i) Segmental income statement for the year ended 31 December 2023

	UK	Movestic	Waard Group	Scildon	Other Group Activities (UK)	Total
	(UK)	(Sweden)	(Netherlands)	(Netherlands)	(UK)	
	£m	£m	£m	£m	£m	£m
Insurance revenue	65.8	11.1	36.1	115.0	-	228.0
Insurance service expense	(65.6)	(7.4)	(37.8)	(113.9)	-	(224.7)
Net expenses from reinsurance contracts held	(5.5)	(0.6)	0.4	(2.7)	-	(8.4)
<b>Segmental insurance service result</b>	<b>(5.3)</b>	<b>3.1</b>	<b>(1.3)</b>	<b>(1.6)</b>	<b>-</b>	<b>(5.1)</b>
Net investment return	339.3	432.5	63.2	181.2	7.3	1,023.5
Net finance (expenses)/income from insurance contracts issued	(86.4)	(16.0)	(49.3)	(163.2)	-	(314.9)
Net finance expenses from reinsurance contracts held	9.3	0.7	0.1	(3.4)	-	6.7
Net change in investment contract liabilities	(226.4)	(299.6)	(3.6)	-	-	(529.6)
Change in liabilities relating to policyholders' funds held by the group	-	(114.0)	-	-	-	(114.0)
<b>Segmental investment result</b>	<b>35.8</b>	<b>3.6</b>	<b>10.4</b>	<b>14.6</b>	<b>7.3</b>	<b>71.7</b>
Fee, commission and other operating income	39.8	50.3	2.9	-	(3.6)	89.4
<b>Segmental revenue, net of investment result</b>	<b>70.3</b>	<b>57.0</b>	<b>12.0</b>	<b>13.0</b>	<b>3.7</b>	<b>156.0</b>
Other operating expenses	(39.9)	(40.0)	(3.5)	(5.5)	(23.1)	(112.0)
Financing costs	(0.2)	(0.5)	-	-	(10.3)	(11.0)
<b>Profit / (loss) before tax and consolidation adjustments</b>	<b>30.2</b>	<b>16.5</b>	<b>8.5</b>	<b>7.5</b>	<b>(29.7)</b>	<b>33.0</b>
Other operating expenses:						
Amortisation and impairment of intangible assets	(26.7)	(11.2)	-	-	-	(37.9)
<b>Segmental income less expenses</b>	<b>3.5</b>	<b>5.3</b>	<b>8.5</b>	<b>7.5</b>	<b>(29.7)</b>	<b>(4.9)</b>
Post completion gain on portfolio acquisition	-	-	6.7	-	-	6.7
<b>Profit / (loss) before tax</b>	<b>3.5</b>	<b>5.3</b>	<b>15.2</b>	<b>7.5</b>	<b>(29.7)</b>	<b>1.8</b>
Income tax credit	20.5	-	(1.6)	(1.9)	(0.1)	16.9
<b>Profit / (loss) after tax</b>	<b>24.0</b>	<b>5.3</b>	<b>13.6</b>	<b>5.6</b>	<b>(29.8)</b>	<b>18.7</b>

(ii) Segmental balance sheet as at 31 December 2023

	UK (UK)	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Other Group Activities (UK)	Total
	£m	£m	£m	£m	£m	£m
Total assets	4,527.2	4,519.4	946.8	2,009.1	127.3	12,129.8
Total liabilities	(4,376.6)	(4,422.2)	(867.0)	(1,894.6)	(209.5)	(11,769.9)
<b>Net assets</b>	<b>150.6</b>	<b>97.2</b>	<b>79.8</b>	<b>114.5</b>	<b>(82.2)</b>	<b>359.9</b>
Investment in associates	-	-	-	-	-	-
Additions to non-current assets	-	-	-	-	-	-

(iii) Segmental income statement for the year ended 31 December 2022 (restated)

	UK (UK)	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Other Group Activities (UK)	Total
	£m	£m	£m	£m	£m	£m
Insurance revenue	65.1	12.6	16.9	130.5	-	225.1
Insurance service expense	(58.2)	(4.5)	(17.8)	(125.6)	-	(206.1)
Net expenses from reinsurance contracts held	(1.7)	(2.9)	(1.6)	0.5	-	(5.7)
<b>Segmental insurance service result</b>	<b>5.2</b>	<b>5.2</b>	<b>(2.5)</b>	<b>5.4</b>	<b>-</b>	<b>13.3</b>
Net investment return	(280.8)	(876.8)	(93.3)	(302.4)	(3.6)	(1,556.9)
Net finance (expenses)/income from insurance contracts issued	161.6	20.5	91.0	275.7	-	548.8
Net finance expenses from reinsurance contracts held	(24.1)	(0.5)	(0.3)	11.8	-	(13.1)
Net change in investment contract liabilities	129.5	459.8	-	-	-	589.3
Change in liabilities relating to policyholders' funds held by the group	-	392.9	-	-	-	392.9
<b>Segmental investment result</b>	<b>(13.8)</b>	<b>(4.1)</b>	<b>(2.6)</b>	<b>(14.9)</b>	<b>(3.6)</b>	<b>(39.0)</b>
Fee, commission and other operating income	16.4	43.1	0.1	-	-	59.6
<b>Segmental revenue, net of investment result</b>	<b>7.8</b>	<b>44.2</b>	<b>(5.0)</b>	<b>(9.5)</b>	<b>(3.6)</b>	<b>33.9</b>
Other operating expenses	(30.7)	(29.7)	(3.1)	(5.7)	(14.2)	(83.4)
Financing costs	(0.2)	(0.8)	-	-	(9.5)	(10.5)
<b>Profit / (loss) before tax and consolidation adjustments</b>	<b>(23.1)</b>	<b>13.7</b>	<b>(8.1)</b>	<b>(15.2)</b>	<b>(27.3)</b>	<b>(60.0)</b>
Other operating expenses:						
Amortisation and impairment of intangible assets	(5.3)	(12.2)	-	-	-	(17.5)
<b>Segmental income less expenses</b>	<b>(28.4)</b>	<b>1.5</b>	<b>(8.1)</b>	<b>(15.2)</b>	<b>(27.3)</b>	<b>(77.5)</b>
Post completion gain on portfolio acquisition	9.6	-	5.8	-	-	15.4
<b>(Loss)/profit before tax</b>	<b>(18.8)</b>	<b>1.5</b>	<b>(2.3)</b>	<b>(15.2)</b>	<b>(27.3)</b>	<b>(62.1)</b>
Income tax credit	19.2	-	(0.1)	3.9	5.4	28.4
<b>(Loss)/profit after tax</b>	<b>0.4</b>	<b>1.5</b>	<b>(2.4)</b>	<b>(11.3)</b>	<b>(21.9)</b>	<b>(33.7)</b>

(iv) Segmental balance sheet for the year ended 31 December 2022 (restated)

	UK (UK)	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Other Group Activities (UK)	Total
	£m	£m	£m	£m	£m	£m
Total assets	4,748.9	3,948.2	542.6	1,902.5	112.7	11,254.9
Total liabilities	(4,566.3)	(3,842.0)	(469.4)	(1,791.4)	(201.7)	(10,870.8)
<b>Net assets</b>	<b>182.6</b>	<b>106.2</b>	<b>73.2</b>	<b>111.1</b>	<b>(89.0)</b>	<b>384.1</b>
Investment in associates	-	-	-	-	-	-
Additions to non-current assets	-	10.4	0.3	-	-	10.7

## 7 Borrowings

### Group

**31 December**

	2023 £m	2022 £m
Tier 2 Debt	200.6	200.4
Amount due in relation to financial reinsurance	5.3	11.6
Bank Loan	2.0	-
<b>Total</b>	<b>207.9</b>	<b>212.0</b>
Current	203.4	204.3
Non-current	4.5	7.7
<b>Total</b>	<b>207.9</b>	<b>212.0</b>

In 2022, an existing bank loan was fully repaid and replaced by Tier 2 Subordinated Notes Debt. The fair value of amounts due in relation to Tier 2 debt at 31 December 2023 was £148.4m (31 December 2022: £148.0m).

The fair value of amounts due in relation to financial reinsurance at 31 December 2023 was £5.1m (31 December 2022: £9.0m).

Term finance comprises capital amounts outstanding on mortgage bonds taken out over properties held in the Unit-linked policyholder funds in the UK. The mortgage over each such property is negotiated separately, varies in term from 5 to 20 years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. The fair value of the term finance is not materially different to the carrying value shown above.

**8 Financial investments****(a) Financial investments by classification**

The carrying amounts of the financial investments and other financial assets and liabilities held by the group at the balance sheet date are as follows:

**31 December 2023**

	Amortised Cost £m	FVTPL – Designated £m	FVTPL – Mandatory £m	Total £m
<b>Financial investments:</b>				
Equity securities	-	-	194.2	194.2
Holdings in collective investment schemes	-	-	8,376.2	8,376.2
Debt securities – government bonds	-	716.5	-	716.5
Debt securities – other	-	520.6	-	520.6
Policyholder funds held by the group	-	1,281.8	-	1,281.8
Mortgage loan portfolio	-	366.8	-	366.8
<b>Total</b>	<b>-</b>	<b>2,885.7</b>	<b>8,570.4</b>	<b>11,456.1</b>
<b>Derivatives and other financial assets:</b>				
Derivative financial instruments	-	-	0.3	0.3
Other assets	57.7	-	-	57.7
Cash and cash equivalents	-	146.0	-	146.0
<b>Total financial investments and financial assets</b>	<b>57.7</b>	<b>3,031.7</b>	<b>8,570.7</b>	<b>11,660.1</b>
<b>Financial liabilities</b>				
Investment contracts at fair value through profit or loss	-	5,872.3	-	5,872.3
Liabilities relating to policyholder funds held by the group	-	1,281.8	-	1,281.8
Derivative financial instruments	-	-	4.4	4.4
Borrowings	207.9	-	-	207.9
Other current liabilities	131.7	-	-	131.7
<b>Total financial liabilities</b>	<b>339.6</b>	<b>7,154.1</b>	<b>4.4</b>	<b>7,498.1</b>

**31 December 2022**

	Amortised Cost £m	FVTPL – Designated £m	FVTPL – Mandatory £m	Total £m
<b>Financial investments:</b>				
Equity securities	-	-	160.2	160.2
Holdings in collective investment schemes	-	-	8,189.7	8,189.7
Debt securities – government bonds	-	445.1	-	445.1
Debt securities – other	-	489.0	-	489.0
Policyholder funds held by the group	-	-	986.8	986.8
Mortgage loan portfolio	-	266.0	-	266.0
<b>Total</b>	<b>-</b>	<b>1,200.1</b>	<b>9,336.7</b>	<b>10,536.8</b>

<b>Derivatives and other financial assets:</b>				
Derivative financial instruments	-	-	0.1	0.1
Other assets	46.4	-	-	46.4
Cash and cash equivalents	-	204.6	-	204.6
<b>Total financial investments and financial assets</b>	<b>46.4</b>	<b>1,404.7</b>	<b>9,336.8</b>	<b>10,787.9</b>
<b>Financial liabilities</b>				
Investment contracts at fair value through profit or loss	-	5,660.8	-	5,660.8
Liabilities relating to policyholder funds held by the group	-	986.8	-	986.8
Derivative financial instruments	-	-	3.8	3.8
Borrowings	212.0	-	-	212.0
Other current liabilities	123.3	-	-	123.3
<b>Total financial liabilities</b>	<b>335.3</b>	<b>6,647.6</b>	<b>3.8</b>	<b>6,986.7</b>

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

(b) Financial investment fair values

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

**Fair value measurement at 31 December 2023**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Investment properties	-	-	88.1	88.1
<b>Financial assets</b>				
Equities - Listed	194.2	-	-	194.2
Holdings in collective investment schemes	8,233.7	-	142.5	8,376.2
Debt securities – government bonds	716.5	-	-	716.5
Debt securities – other debt securities	520.6	-	-	520.6
Policyholders' funds held by the group	1,239.4	-	42.4	1,281.8
Mortgage loan portfolio	-	366.8	-	366.8
Derivative financial instruments	-	0.3	-	0.3
<b>Total</b>	<b>10,904.4</b>	<b>367.1</b>	<b>273.0</b>	<b>11,544.5</b>
Current				9,095.5
Non-current				2,449.0
<b>Total</b>	<b>10,904.4</b>	<b>367.1</b>	<b>273.0</b>	<b>11,544.5</b>
<b>Financial liabilities</b>				
Investment contracts at fair value through profit or loss	-	5,872.3	-	5,872.3
Liabilities related to policyholders' funds held by the group	1,281.8	-	-	1,281.8
Derivative financial instruments	-	4.4	-	4.4
<b>Total</b>	<b>1,281.8</b>	<b>5,876.7</b>	<b>-</b>	<b>7,158.5</b>

**Fair value measurement at 31 December 2022**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Investment properties	1.2	-	93.3	94.5
<b>Financial assets</b>				
Equities - Listed	160.2	-	-	160.2
Holdings in collective investment schemes	7,997.8	46.5	145.4	8,189.7
Debt securities – government bonds	420.9	24.2	-	445.1
Debt securities – other debt securities	434.0	55.0	-	489.0
Policyholders' funds held by the group	951.7	-	35.1	986.8
Mortgage loan portfolio	-	266.0	-	266.0
Derivative financial instruments	-	0.1	-	0.1
<b>Total</b>	<b>9,965.8</b>	<b>391.8</b>	<b>273.8</b>	<b>10,631.4</b>
Current				5,932.9
Non-current				4,698.5
<b>Total</b>				<b>10,631.4</b>
<b>Financial liabilities</b>				
Investment contracts at fair value through profit or loss	-	5,660.8	-	5,660.8
Liabilities related to policyholders' funds held by the group	986.8	-	-	986.8
Derivative financial instruments	-	3.8	-	3.8
<b>Total</b>	<b>986.8</b>	<b>5,664.6</b>	<b>-</b>	<b>6,651.4</b>



#### *Investment properties*

The investment properties are valued by external Chartered Surveyors using industry standard techniques based on guidance from the Royal Institute of Chartered Surveyors. The valuation methodology includes an assessment of general market conditions and sector level transactions and takes account of expectations of occupancy rates, rental income and growth. Properties undergo individual scrutiny using cash flow analysis to factor in the timing of rental reviews, capital expenditure, lease incentives, dilapidation and operating expenses; these reviews utilise both observable and unobservable inputs.

#### *Holdings in collective investment schemes*

The fair value of holdings in collective investment schemes classified as Level 2 are related to the UK segment and Scildon. These do not meet the classification as Level 1, as their fair value is determined using valuation techniques with observable market inputs. The holdings classified as Level 3 £142.5m (Dec 2022: £145.4m) also relate to Scildon, and represent investments held in a mortgage fund. These are classified as level 3 as the fair value is derived from valuation techniques that include inputs that are not based on observable market data. There is also a small holding of assets classified as level 3 £43.1m (Dec 2022: £35.1m) from our Movestic operation which are unlisted. The valuation of the vast majority of these assets is based on unobservable prices from trading on the over-the-counter market.

#### *Debt securities*

The debt securities classified as Level 2 at 2022 and 2023 are traded in active markets with less depth or wider bid-ask spreads. This does not meet the classification as Level 1 inputs. The fair values of debt securities not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes.

These assets were valued using counterparty or broker quotes and were periodically validated against third-party models.

#### *Derivative financial instruments*

The derivatives financial instruments include a foreign currency hedge related to the group. This was deemed to manage the exposure to foreign exchange movements between sterling and both the euro and Swedish krona.

An uncapped collar which consists of two hedges:

one hedge to protect against the downside (sterling strengthening) (starting at strike A), and one to remove the upside (weakening) (strike B); with the strikes of these coordinated to result in no upfront premium.

the 2nd hedge (strike B) creates an uncapped liquidity requirement when it bites.

The capped collar comes with an additional leg which creates value and liquidity when exchange rates move beyond a certain point (strike C).

Within derivative financial instruments is a financial reinsurance embedded derivative related to our Movestic operation. The group has entered into a reinsurance contract with a third party that has a section that is deemed to transfer significant insurance risk and a section that is deemed not to transfer significant insurance risk. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative asset at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rate at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out above.

#### *Investment contract liabilities*

The investment contract liabilities in Level 2 of the valuation hierarchy represent the fair value of linked and non-linked liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields.

#### *Significant unobservable inputs in level 3 instruments valuations*

The level 3 instruments held in the group are in relation to investments held in an Aegon managed Dutch Mortgage Fund that contains mortgage-backed assets in the Netherlands. The fair value of the mortgage fund is determined by the fund manager on a monthly basis using an in-house valuation model. The valuation model relies on a number of unobservable inputs, the most significant being the assumed conditional prepayment rate, the discount rate and the impairment rate, all of which are applied to the anticipated modelled cash flows to derive the fair value of the underlying asset.

The assumed conditional prepayment rate (CPR) is used to calculate the projected prepayment cash flow per individual loan and reflects the anticipated early repayment of mortgage balances. The CPR is based on 4 variables:

- Contract age - The CPR for newly originated mortgage loans will initially be low, after which it increases for a couple of years to its maximum expected value, and subsequently diminishes over time.
- Interest rate differential – The difference between the contractual rates and current interest rates are positively correlated with prepayments. When contractual rates are higher than interest rates of newly originated mortgages, we observe more prepayments and the vice versa.
- Previous partial repayments - Borrowers who made a partial prepayment in the past, are more likely to do so in the future.
- Burnout effect - Borrowers who have not made a prepayment in the past, while their option to prepay was in the money, are less likely to prepay in the future.

The projected prepayment cash flows per loan are then combined to derive an average expected lifetime CPR, which is then applied to the outstanding balance of the fund. The conditional prepayment rate used in the valuation of the fund as at 31 December 2023 was 3.2% (31 December 2022: 4.9%).

The expected projected cash flows for each mortgage within the loan portfolio are discounted using rates that are derived using a matrix involving the following three parameters:

- The remaining fixed rate term of the mortgage
- Indexed loan to value (LTV) of each mortgage
- Current (Aegon) mortgage rates

At 31 December 2023 this resulted in discounting the cash flows in each mortgage using a range from 4.67% to 4.68% (31 December 2022: 4.29% to 4.92%).

An impairment percentage is applied to those loan cashflows which are in arrears, to reflect the chance of the loan actually going into default. For those loans which are one, two or three months in arrears, an impairment percentage is applied to reflect the chance of default. This percentage ranges from 0.60% for one month in arrears to 13.70% for loans which are 3 months in arrears (31 December 2022: 0.60% for one month in arrears to 13.70% for loans which are 3 months in arrears).

Loans which are in default receive a 100% reduction in value.

The value of the fund has the potential to decrease or increase over time. This can be as a consequence of a periodic reassessment of the conditional prepayment rate and/or the discount rate used in the valuation model.

A 1 per cent increase in the conditional prepayment rate would reduce the value of the asset by £1.9m (31 December 2022: £1.7m).

A 1 per cent decrease in the conditional prepayment rate would increase the value of the asset by £2.1m (31 December 2022: £2.1m).

A 1 per cent increase in the discount rate would reduce the value of the asset by £11.4m (31 December 2022: £9.6m).

A 1 per cent decrease in the discount rate would increase the value of the asset by £13.3m (31 December 2022: £11.1m).

#### Reconciliation of Level 3 fair value measurements of financial instruments

	31 December 2023 £m	31 December 2022 £m
<b>At start of period</b>	<b>273.8</b>	<b>190.2</b>
Additions – acquisition of subsidiary	-	103.0
Total gains and losses recognised in the income statement	(8.6)	(30.0)
Purchases	22.8	14.7
Settlements	(10.8)	(11.5)
Exchange rate adjustment	(4.0)	7.4
<b>At the end of period</b>	<b>273.0</b>	<b>273.8</b>

31 December	Carrying amount 2023 £m	2022 £m	Fair value 2023 £m	2022 £m
Financial liabilities:				
Borrowings	207.9	212.2	155.4	157.0

Borrowings consist of the Tier 2 debt and an amount due in relation to financial reinsurance. The fair value of the Tier 2 debt is calculated using quoted prices in active markets and they are classified as Level 1 in the fair value hierarchy. The amount due in relation to financial reinsurance is fair valued with reference to market interest rates at the balance sheet date.

There were no other transfers between Levels 1, 2 and 3 during the year. The group holds no Level 3 liabilities as at the balance sheet date.

## 9 Insurance and Reinsurance contracts

The following notes provide a quantitative analysis of the insurance and reinsurance contract assets and liabilities and are disaggregated by the IFRS8 operating segments. This disaggregation has been chosen for the following notes because it is the groups view that together with the information in the Underwriting Risk section, it provides the most relevant information for assessing the effect that contracts within the scope of IFRS 17 have on the entity's financial performance and position.

### (i) Composition of the balance sheet

The following tables show the breakdown of the insurance and reinsurance contract assets and liabilities for each of the operating segments within Chesnara.

31 December 2023	UK (UK)	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Total £m
<b>Insurance contracts</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>

Insurance contract liabilities	1,383.0	171.8	785.3	1,862.9	4,203.0
Insurance contract assets	(4.0)	-	-	-	(4.0)
<b>Total insurance contract liabilities</b>	<b>1,379.0</b>	<b>171.8</b>	<b>785.3</b>	<b>1,862.9</b>	<b>4,199.0</b>
<b>Reinsurance contracts</b>					
Reinsurance contract assets	166.8	14.5	4.4	-	185.7
Reinsurance contract liabilities	(2.2)	-	-	(14.9)	(17.1)
<b>Total reinsurance contract liabilities</b>	<b>164.6</b>	<b>14.5</b>	<b>4.4</b>	<b>(14.9)</b>	<b>168.6</b>

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	1,801.1	2,401.9	4,203.0
Insurance contract assets	-	(4.0)	(4.0)
Reinsurance contract assets	29.1	156.6	185.7
Reinsurance contract liabilities	(2.1)	19.2	17.1

31 December 2022	(UK)	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Total
Insurance contracts	£m	£m	£m	£m	£m
Insurance contract liabilities	1,447.6	158.9	463.7	1,751.4	3,821.6
Insurance contract assets	-	-	-	-	-
<b>Net insurance contract liabilities</b>	<b>1,447.6</b>	<b>158.9</b>	<b>463.7</b>	<b>1,751.4</b>	<b>3,821.6</b>
<b>Reinsurance contracts</b>					
Reinsurance contract assets	174.7	15.8	3.5	-	194.0
Reinsurance contract liabilities	(2.1)	-	-	(15.2)	(17.3)
<b>Net reinsurance contract assets</b>	<b>172.6</b>	<b>15.8</b>	<b>3.5</b>	<b>(15.2)</b>	<b>176.7</b>

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	651.4	3,170.2	3,821.6
Insurance contract assets	-	-	-
Reinsurance contract assets	33.8	160.2	194.0
Reinsurance contract liabilities	(2.6)	(14.7)	(17.3)

## (ii) Fair value of underlying items

The following table shows the fair value of the underlying items of the group's direct participating contracts for each reporting segment.

	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
<b>Fair value of underlying items as at 31 December 2023</b>	<b>816.9</b>	<b>132.3</b>	<b>65.2</b>	<b>1,238.7</b>	<b>2,253.1</b>
<b>Fair value of underlying items as at 31 December 2022</b>	<b>953.0</b>	<b>118.5</b>	<b>74.4</b>	<b>1,126.0</b>	<b>2,271.9</b>

Composition of underlying items: The majority of the fair value of underlying items across the group are held in collective investment schemes. A small proportion is held in equities, debt securities and in cash and deposits.

## (iii) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims			Total
			Contracts not under PAA	Contracts under PAA		
	Excluding Loss component	Loss component			PV of future cash flows	
	£m	£m	£m	£m	£m	£m
Net insurance contract liabilities as at 1 January 2023	3,582.2	83.6	116.0	38.2	1.6	3,821.6
Changes in the statement of profit and loss						
Insurance revenue						

Contracts measured under the fair value approach	(58.2)	-	-	-	-	(58.2)
Contracts measured under the fully retrospective approach	(169.8)	-	-	-	-	(169.8)
<b>Insurance revenue total</b>	<b>(228.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(228.0)</b>
<b>Insurance service expenses</b>	<b>-</b>	<b>(50.4)</b>	<b>207.2</b>	<b>10.3</b>	<b>0.1</b>	<b>167.2</b>
Incurred claims and other directly attributable expenses	-	-	-	(3.4)	(0.2)	(3.6)
Adjustments to liabilities for incurred claims	-	57.7	-	-	-	57.7
Losses and reversals of losses on onerous contracts	3.4	-	-	-	-	3.4
Amortisation of insurance acquisition cash flows	3.4	-	-	-	-	3.4
<b>Insurance service expense total</b>	<b>3.4</b>	<b>7.3</b>	<b>207.2</b>	<b>6.9</b>	<b>(0.1)</b>	<b>224.7</b>
<b>Insurance service result</b>	<b>(224.6)</b>	<b>7.3</b>	<b>207.2</b>	<b>6.9</b>	<b>(0.1)</b>	<b>(3.3)</b>
Net finance expenses from insurance contracts	312.7	0.4	-	2.0	(0.2)	314.9
Effect of movements in exchange rates	(51.6)	(1.9)	(1.1)	(1.1)	(0.1)	(55.8)
<b>Total amounts recognised in comprehensive income</b>	<b>36.5</b>	<b>5.8</b>	<b>206.1</b>	<b>7.8</b>	<b>(0.4)</b>	<b>255.8</b>
Investment components	(309.8)	-	309.8	-	-	-
<b>Cash flows</b>						
Premiums received	326.6	-	-	-	-	326.6
Claims and other directly attributable expenses paid	-	-	(518.5)	(8.9)	-	(527.4)
Insurance acquisition cash flows	(5.6)	-	-	-	-	(5.6)
Acquisitions	328.0	-	-	-	-	328.0
<b>Total cash flows</b>	<b>649.0</b>	<b>-</b>	<b>(518.5)</b>	<b>(8.9)</b>	<b>-</b>	<b>121.6</b>
<b>Net insurance contract liabilities as at 31 December 2023</b>	<b>3,957.9</b>	<b>89.4</b>	<b>113.4</b>	<b>37.1</b>	<b>1.2</b>	<b>4,199.0</b>

	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding Loss component	Loss component	Contracts not under PAA	Contracts under PAA		
				PV of future cash flows	Risk adjustment	
£m	£m	£m	£m	£m	£m	
Net insurance contract liabilities as at 1 January 2022	3,805.4	65.7	112.0	46.7	2.2	4,032.0
Changes in the statement of profit and loss						
Insurance revenue						
Contracts measured under the fair value approach	(59.8)	-	-	-	-	(59.8)
Contracts measured under the fully retrospective approach	(165.3)	-	-	-	-	(165.3)
Insurance revenue total	(225.1)	-	-	-	-	(225.1)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(19.3)	185.4	10.8	0.1	177.0
Adjustments to liabilities for incurred claims	-	-	-	(6.6)	(0.4)	(7.0)
Losses and reversals of losses on onerous contracts	-	32.6	-	-	-	32.6
Amortisation of insurance acquisition cash flows	3.5	-	-	-	-	3.5
Insurance service expense total	3.5	13.3	185.4	4.2	(0.3)	206.1
Insurance service result	(221.6)	13.3	185.4	4.2	(0.3)	(19.0)
Net finance expenses from insurance contracts	(547.1)	0.3	-	(1.7)	(0.3)	(548.8)
Effect of movements in exchange rates	110.0	4.3	2.6	(1.0)	-	115.9
Total amounts recognised in comprehensive income	(658.7)	17.9	188.0	1.5	(0.6)	(451.9)
Investment components	(299.0)	-	299.0	-	-	-
Cash flows						
Premiums received	327.8	-	-	-	-	327.8
Claims and other directly attributable expenses paid	-	-	(483.0)	(9.9)	-	(492.9)
Insurance acquisition cash flows	(6.7)	-	-	-	-	(6.7)
Acquisitions	413.3	-	-	-	-	413.3
Total cash flows	734.4	-	(483.0)	(9.9)	-	241.5
Net insurance contract liabilities as at 31 December 2022	3,582.1	83.6	116.0	38.3	1.6	3,821.6

(iv) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

Risk Adjustment	CSM (new contracts and contracts)	CSM (contracts)	Total
-----------------	-----------------------------------	-----------------	-------

	Present value of future cash flows		measured under FRA)	measured under FVA)	
	£m	£m	£m	£m	£m
<b>Net insurance contract liabilities as at 1 January 2023</b>	<b>3,587.3</b>	<b>46.0</b>	<b>105.7</b>	<b>40.7</b>	<b>3,779.7</b>
<b>Changes that relate to current service</b>					
CSM recognised for services provided	-	-	(17.4)	(3.4)	(20.8)
Change in risk adjustment for non-financial risk for risk expired	-	(6.7)	-	-	(6.7)
Experience adjustments	(29.6)	-	-	-	(29.6)
Revenue recognised for incurred policyholder tax expenses	(0.1)	-	-	-	(0.1)
	<b>(29.7)</b>	<b>(6.7)</b>	<b>(17.4)</b>	<b>(3.4)</b>	<b>(57.2)</b>
<b>Changes that relate to future service</b>					
Contracts initially recognised in the period	(75.8)	10.1	68.6	-	2.9
Changes in estimates that adjust the CSM	(3.4)	0.1	13.9	(10.6)	-
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	54.6	-	-	-	54.6
	<b>(24.6)</b>	<b>10.2</b>	<b>82.5</b>	<b>(10.6)</b>	<b>57.5</b>
<b>Changes that relate to past service</b>					
Adjustments to liabilities for incurred claims	-	-	-	-	-
<b>Insurance service result</b>	<b>(54.3)</b>	<b>3.5</b>	<b>65.1</b>	<b>(14.0)</b>	<b>0.3</b>
Net finance expenses from insurance contracts	304.9	3.9	3.4	0.9	313.1
Effect of movements in exchange rates	(50.0)	(0.9)	(3.5)	(0.1)	(54.5)
<b>Total amounts recognised in comprehensive income</b>	<b>200.6</b>	<b>6.5</b>	<b>65.0</b>	<b>(13.2)</b>	<b>258.9</b>
<b>Cash flows</b>					
Premiums received	316.2	-	-	-	316.2
Claims and other directly attributable expenses paid	(518.5)	-	-	-	(518.5)
Insurance acquisition cash flows	(5.6)	-	-	-	(5.6)
Acquisitions	328.0	-	-	-	328.0
<b>Total cash flows</b>	<b>120.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120.1</b>
<b>Net insurance contract liabilities as at 31 December 2023</b>	<b>3,908.0</b>	<b>52.5</b>	<b>170.7</b>	<b>27.5</b>	<b>4,158.7</b>

	Present value of future cash flows	Risk Adjustment	CSM (new contracts and contracts measured under FRA)	CSM (contracts measured under FVA)	Total
	£m	£m	£m	£m	£m
<b>Net insurance contract liabilities as at 1 January 2022</b>	<b>3,772.2</b>	<b>54.8</b>	<b>113.3</b>	<b>41.1</b>	<b>3,981.4</b>
<b>Changes that relate to current service</b>					
CSM recognised for services provided	-	-	(14.1)	(5.6)	(19.7)
Change in risk adjustment for non-financial risk for risk expired	-	(6.9)	-	-	(6.9)
Experience adjustments	(16.9)	-	-	-	(16.9)
	<b>(16.9)</b>	<b>(6.9)</b>	<b>(14.1)</b>	<b>(5.6)</b>	<b>(43.5)</b>
<b>Changes that relate to future service</b>					
Contracts initially recognised in the period	(21.1)	9.1	19.1	-	7.1
Changes in estimates that adjust the CSM	7.8	5.9	(18.7)	5.0	-
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	30.4	(5.0)	-	-	25.4
	<b>17.1</b>	<b>10.0</b>	<b>0.4</b>	<b>5.0</b>	<b>32.5</b>
<b>Changes that relate to past service</b>					
Adjustments to liabilities for incurred claims	-	-	-	-	-
<b>Insurance service result</b>	<b>0.2</b>	<b>3.1</b>	<b>(13.7)</b>	<b>(0.6)</b>	<b>(11.0)</b>
Net finance expenses from insurance contracts	(533.8)	(13.7)	0.4	0.3	(546.8)
Effect of movements in exchange rates	109.6	1.8	5.7	(0.1)	117.0
<b>Total amounts recognised in comprehensive income</b>	<b>(424.0)</b>	<b>(8.8)</b>	<b>(7.6)</b>	<b>(0.4)</b>	<b>(440.8)</b>
<b>Cash flows</b>					
Premiums received	315.4	-	-	-	315.4
Claims and other directly attributable expenses paid	(482.9)	-	-	-	(482.9)
Insurance acquisition cash flows	(6.7)	-	-	-	(6.7)
Acquisitions	413.3	-	-	-	413.3
<b>Total cash flows</b>	<b>239.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239.1</b>
<b>Net insurance contract liabilities as at 31 December 2022</b>	<b>3,587.3</b>	<b>46.0</b>	<b>105.7</b>	<b>40.7</b>	<b>3,779.7</b>

(v) Reinsurance contract balances – analysis by remaining coverage and incurred claims

Assets for Remaining Coverage	Assets for Incurred Claims		Total
	For contracts	Contracts under PAA	

	Excluding Loss- Recovery Component	Loss- Recovery component	not under PAA	Future cash flows	Risk adjustmen t	
	£m	£m	£m	£m	£m	£m
<b>Net reinsurance contract assets as at 1 January 2023</b>	<b>130.1</b>	<b>4.5</b>	<b>26.6</b>	<b>15.2</b>	<b>0.3</b>	<b>176.7</b>
Reinsurance expenses – allocation of reinsurance premiums paid	(52.3)	-	-	-	-	(52.3)
<b>Amounts recoverable from reinsurers:</b>						
Recoveries of incurred claims and other insurance service expenses	-	-	40.2	3.1	0.1	43.4
Changes in the expected recoveries for past claims	-	-	-	(1.2)	(0.1)	(1.3)
Changes in the loss recovery component	-	1.8	-	-	-	1.8
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-
<b>Net (expenses) / income from reinsurance contracts held</b>	<b>(52.3)</b>	<b>1.8</b>	<b>40.2</b>	<b>1.9</b>	<b>-</b>	<b>(8.4)</b>
Net Finance expenses from reinsurance contracts	6.0	-	-	0.8	(0.1)	6.7
Effect of movements in exchange rates	0.6	(0.1)	(0.2)	(0.4)	-	(0.1)
<b>Total amounts recognised in comprehensive income</b>	<b>(45.7)</b>	<b>1.7</b>	<b>40.0</b>	<b>2.3</b>	<b>(0.1)</b>	<b>(1.8)</b>
Investment components	(2.6)	-	2.6	-	-	-
<b>Cash flows</b>						
Premiums paid net of ceding commission	42.2	-	-	-	-	42.2
Recoveries from reinsurance contracts held	-	-	(45.9)	(2.6)	-	(48.5)
Acquisitions	-	-	-	-	-	-
<b>Total cash flows</b>	<b>42.2</b>	<b>-</b>	<b>(45.9)</b>	<b>(2.6)</b>	<b>-</b>	<b>(6.3)</b>
<b>Net reinsurance contract assets as at 31 December 2023</b>	<b>124.0</b>	<b>6.2</b>	<b>23.3</b>	<b>14.9</b>	<b>0.2</b>	<b>168.6</b>

	Assets for Remaining Coverage		Assets for Incurred Claims			Total
	Excluding Loss- Recovery Component	Loss- Recovery component	For contracts not under PAA	Contracts under PAA		
				Future cash flows	Risk adjustmen t	
	£m	£m	£m	£m	£m	£m
<b>Net reinsurance contract assets as at 1 January 2022</b>	<b>162.4</b>	<b>2.5</b>	<b>25.1</b>	<b>18.6</b>	<b>0.6</b>	<b>209.2</b>
Reinsurance expenses – allocation of reinsurance premiums paid	(54.0)	-	-	-	-	(54.0)
<b>Amounts recoverable from reinsurers:</b>						
Recoveries of incurred claims and other insurance service expenses	-	-	47.1	2.7	-	49.8
Changes in the expected recoveries for past claims	-	-	-	(3.1)	(0.2)	(3.3)
Changes in the loss recovery component	-	1.8	-	-	-	1.8
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-	-
<b>Net (expenses) / income from reinsurance contracts held</b>	<b>(54.0)</b>	<b>1.8</b>	<b>47.1</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(5.7)</b>
Net Finance expenses from reinsurance contracts	(12.6)	-	-	(0.4)	(0.1)	(13.1)
Effect of movements in exchange rates	(1.6)	0.2	0.5	(0.4)	-	(1.3)
<b>Total amounts recognised in comprehensive income</b>	<b>(68.2)</b>	<b>2.0</b>	<b>47.6</b>	<b>(1.2)</b>	<b>(0.3)</b>	<b>(20.1)</b>
Investment components	(4.0)	-	4.0	-	-	-
<b>Cash flows</b>						
Premiums paid net of ceding commission	42.4	-	-	-	-	42.4
Recoveries from reinsurance contracts held	-	-	(50.1)	(2.2)	-	(52.3)
Acquisitions	(2.5)	-	-	-	-	(2.5)
<b>Total cash flows</b>	<b>39.9</b>	<b>-</b>	<b>(50.1)</b>	<b>(2.2)</b>	<b>-</b>	<b>(12.4)</b>
<b>Net reinsurance contract assets as at 31 December 2022</b>	<b>130.1</b>	<b>4.5</b>	<b>26.6</b>	<b>15.2</b>	<b>0.3</b>	<b>176.7</b>

(vi) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows	Risk Adjustment	CSM (new contracts and contracts measured under FRA)	CSM (contracts measured under FVA)	Total
	£m	£m	£m	£m	£m



<b>Net reinsurance contract assets as at 1 January 2023</b>	<b>112.6</b>	<b>14.3</b>	<b>26.1</b>	<b>7.9</b>	<b>160.9</b>
<b>Changes that relate to current service</b>					
CSM recognised for services received	-	-	(0.5)	(0.5)	(1.0)
Change in risk adjustment for non-financial risk for risk expired	-	(2.2)	-	-	(2.2)
Experience adjustments	(6.1)	-	-	-	(6.1)
<b>Total changes that relate to current service</b>	<b>(6.1)</b>	<b>(2.2)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(9.3)</b>
<b>Changes that relate to future service</b>					
Contracts initially recognised in the period	(3.1)	0.9	2.2	-	-
Changes in estimates that adjust the CSM	2.8	1.7	(2.6)	(1.9)	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	(0.3)	-	(0.3)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	1.8	-	1.8
<b>Total changes that relate to future service</b>	<b>(0.3)</b>	<b>2.6</b>	<b>1.1</b>	<b>(1.9)</b>	<b>1.5</b>
<b>Changes that relate to past service</b>					
Adjustments to assets for incurred claims	-	-	-	-	-
<b>Total changes that relate to past service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (expense) / income from reinsurance contracts held</b>	<b>(6.4)</b>	<b>0.4</b>	<b>0.6</b>	<b>(2.4)</b>	<b>(7.8)</b>
Net finance income from reinsurance contracts held	4.9	0.7	0.3	0.1	6.0
Effect of movements in exchange rates	1.1	(0.2)	(0.6)	-	0.3
<b>Total amounts recognised in comprehensive income</b>	<b>(0.4)</b>	<b>0.9</b>	<b>0.3</b>	<b>(2.3)</b>	<b>(1.5)</b>
<b>Cash flows</b>					
Premiums paid net of ceding commission	40.6	-	-	-	40.6
Recoveries from reinsurance contracts held	(45.9)	-	-	-	(45.9)
Acquisitions	-	-	-	-	-
<b>Total cash flows</b>	<b>(5.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.3)</b>
<b>Net reinsurance contract assets as at 31 December 2023</b>	<b>106.9</b>	<b>15.2</b>	<b>26.4</b>	<b>5.6</b>	<b>154.1</b>

	Present value of future cash flows	Risk Adjustment	CSM (new contracts and contracts measured under FRA)	CSM (contracts measured under FVA)	Total
	£m	£m	£m	£m	£m
<b>Net reinsurance contract assets as at 1 January 2022</b>	<b>140.1</b>	<b>15.3</b>	<b>27.4</b>	<b>7.4</b>	<b>190.2</b>
<b>Changes that relate to current service</b>					
CSM recognised for services received	-	-	(3.6)	(1.0)	(4.6)
Change in risk adjustment for non-financial risk for risk expired	-	(2.1)	-	-	(2.1)
Experience adjustments	2.4	-	-	-	2.4
<b>Total changes that relate to current service</b>	<b>2.4</b>	<b>(2.1)</b>	<b>(3.6)</b>	<b>(1.0)</b>	<b>(4.3)</b>
<b>Changes that relate to future service</b>					
Contracts initially recognised in the period	(5.3)	1.6	3.7	-	-
Changes in estimates that adjust the CSM	1.3	1.8	(4.5)	1.4	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	1.4	-	1.4
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	0.1	-	0.1
<b>Total changes that relate to future service</b>	<b>(4.0)</b>	<b>3.4</b>	<b>0.7</b>	<b>1.4</b>	<b>1.5</b>
<b>Changes that relate to past service</b>					
Adjustments to assets for incurred claims	-	-	-	-	-
<b>Total changes that relate to past service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (expense) / income from reinsurance contracts held</b>	<b>(1.6)</b>	<b>1.3</b>	<b>(2.9)</b>	<b>0.4</b>	<b>(2.8)</b>
Net finance income from reinsurance contracts held	(10.0)	(2.8)	0.2	0.1	(12.6)
Effect of movements in exchange rates	(2.9)	0.6	1.4	-	(0.9)
<b>Total amounts recognised in comprehensive income</b>	<b>(14.5)</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>0.5</b>	<b>(16.3)</b>
<b>Cash flows</b>					
Premiums paid net of ceding commission	39.6	-	-	-	39.6
Recoveries from reinsurance contracts held	(50.1)	-	-	-	(50.1)
Acquisitions	(2.5)	-	-	-	(2.5)
<b>Total cash flows</b>	<b>(13.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.0)</b>
<b>Net reinsurance contract assets as at 31 December 2022</b>	<b>112.6</b>	<b>14.3</b>	<b>26.1</b>	<b>7.9</b>	<b>160.9</b>

## 10 Business combination and portfolio acquisition

### Conservatrix

On 22 July 2022, Chesnara announced the acquisition of the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. ("Conservatrix"), a specialist provider of life insurance products in the Netherlands that was

declared bankrupt on 8 December 2020. The acquisition was completed on 1 January 2023, following Court and Regulatory approvals.

The acquisition was affected through the transfer of the insurance portfolio (together with other assets and liabilities as set out in the table below) into Waard Leven N.V., Chesnara's Dutch closed-book subsidiary. In order to support the solvency position of the Conservatrix insurance portfolio, a capital contribution of £35m was provided by Chesnara, consisting of a £21.4m contribution from Chesnara and £14m of existing Waard resources. The cash consideration for the acquisition was €1.

The acquisition is classed as a Business Combination under IFRS3 and the fair value of the assets and liabilities recognised on 1 January 2023 are as follows:

	Fair value
	£m
<b>Assets</b>	
Financial investments	366.9
Other assets	1.3
Deferred tax asset	36.5
Cash	30.8
<b>Total assets</b>	<b>435.5</b>
<b>Liabilities</b>	
Insurance contracts	346.2
Other provisions	12.6
Investment contracts	70.0
<b>Total liabilities</b>	<b>428.8</b>
<b>Fair value of net assets</b>	<b>6.7</b>
 <b>Net assets acquired</b>	 <b>6.7</b>
<b>Total consideration paid</b>	<b>-</b>
 <b>Profit arising on business combination and portfolio acquisitions</b>	 <b>6.7</b>

A profit of £6.7m has been recognised on acquisition. This has been recorded as a "Profit arising on business combinations and portfolio acquisitions" on the face of the statement of comprehensive income. This day one gain has arisen as by applying the pricing model that we generally adopt, we offered a purchase price which was at a discount to our own assessment of the value of the net assets to be acquired.

The CSM on acquisition has been calculated as the difference between the fair value of the insurance liabilities and the fulfilment cash flows. This has resulted in a CSM of £45.9m being recognised as at 1 January 2023. This amount forms part of the CSM value for 'Contracts initially recognised in the year' and is included in the "insurance contracts" balance within the table above. The group determined that a significant number of the contracts acquired did not have any significant insurance risk at the acquisition date and have therefore been classed as investment contracts, to be accounted for under IFRS 9.

The assets and liabilities acquired are included within the respective line items on the face of the cash flow statement.

The results of Conservatrix have been included in the consolidated financial statements of the group with effect from 1 January 2023, within Waard Group.

## Canada Life

On 16 May 2023, Chesnara announced it had reached an agreement to acquire the onshore UK individual protection business of Canada Life Limited, representing approximately 47,000 life insurance and critical illness policies. The transaction is initially in the form of a reinsurance agreement with the liabilities 100% ceded by Canada Life Limited and accepted by CA plc, with the effective date being 1 January 2023. From this date all risks and rewards relating to the policies were transferred to CA plc along with the economic benefit of those risks and rewards.

The initial commission paid by CA plc to Canada Life Limited for this reinsurance inwards transaction was £9.0m and was funded from internal group resources. The CSM on initial recognition has been calculated as £11.0m as at 1 January 2023.

Customers' policies are expected to transfer to CA plc in the future via a Part VII transfer, following Court approval.

## 11 Post balance sheet events

The Directors are not aware of any significant post balance sheet events that require disclosure in the condensed interim financial statements.

## 12 Approval of consolidated report for the year ended 31 December 2023

This consolidated report was approved by the Board of Directors on 27 March 2024. A copy of the report will be available to the public at the Company's registered office, 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, PR1 8UY and at [www.chesnara.co.uk](http://www.chesnara.co.uk)

## FINANCIAL CALENDAR

### **28 March 2024**

Results for the year ended 31 December 2023 announced

### **11 April 2024**

Ex-dividend date

### **12 April 2024**

Dividend record date

### **29 April 2024**

Last date for dividend reinvestment plan elections

### **14 May 2024**

Annual General Meeting

### **28 May 2024**

Dividend payment date

### **September 2024**

Half year results for the 6 months ending 30 June 2024 announced

## KEY CONTACTS

### **Registered and head office**

2nd Floor, Building 4  
West Strand Business Park  
West Strand Road  
Preston  
Lancashire  
PR1 8UY

T: 01772 972050  
[www.chesnara.co.uk](http://www.chesnara.co.uk)

### **Advisors**

Burness Paul LLP  
Exchange Plaza  
50 Lothian Road  
Edinburgh  
EH3 9WJ

### **Auditor**

Deloitte LLP  
Statutory Auditor  
4 Brindley Place  
Birmingham  
B1 2HZ

### **Registrars**

Link Group  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### **Joint Stockbrokers and Corporate Advisors**

Panmure Gordon  
40 Gracechurch Street

London  
EC3V 0BT

RBC Capital Markets  
100 Bishopsgate  
London  
EC2N 4AA

#### Bankers

National Westminster Bank plc  
135 Bishopsgate  
London  
EC2M 3UR

Lloyds Bank plc  
3rd Floor, Black Horse House  
Medway Wharf Road  
Tonbridge  
Kent  
TN9 1QS

#### Public Relations Consultants

FWD  
15 St Helen's Place  
London  
EC3A 6DQ

## ALTERNATIVE PERFORMANCE MEASURES

Throughout this report we use alternative performance measures (APMs) to supplement the assessment and reporting of the performance of the group. These measures are those that are not defined by statutory reporting frameworks, such as IFRS or Solvency II.

The APMs aim to assess performance from the perspective of all stakeholders, providing additional insight into the financial position and performance of the group and should be considered in conjunction with the statutory reporting measures such as IFRS and Solvency II.

The following table identifies the key APMs used in this report, how each is defined and why we use them.

APM	What is it?	Why do we use it?
<b>Group cash generation</b>	<p>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.</p> <p>Group cash generation is calculated as the movement in the group's surplus own funds above the group's internally required capital, as determined by applying the group's capital management policy, which has Solvency II rules at its heart.</p>	<p>Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'.</p>
<b>Divisional cash generation</b>	<p>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.</p> <p>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.</p>	<p>It is an important indicator of the underlying operating performance of the business before the impact of group level operations and consolidation adjustments.</p>
<b>Commercial cash generation</b>	<p>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.</p> <p>Commercial cash generation excludes the impact of technical adjustments, modelling changes and corporate</p>	<p>Commercial cash generation aims to provide stakeholders with enhanced insight into cash generation, drawing out components of the result relating to technical complexities or exceptional items. The result is deemed to better reflect the underlying commercial performance, show key drivers within that.</p>

	acquisition activity; representing the underlying commercial cash generated by the business.	
<b>Economic Value (EcV)</b>	<p>EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.</p> <p>We define EcV as being the Own Funds adjusted for contract boundaries, risk margin and restricted with-profit surpluses. As such, EcV and Own Funds have many common characteristics and tend to be impacted by the same factors.</p>	EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time. The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives.
<b>Economic Value (EcV) earnings</b>	<p>The principal underlying components of the Economic Value earnings are:</p> <ul style="list-style-type: none"> <li>– The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force);</li> <li>– Value added by the writing of new business;</li> <li>– Variations in actual experience from that assumed in the opening valuation;</li> <li>– The impact of restating assumptions underlying the determination of expected cash flows; and</li> <li>– The impact of acquisitions.</li> </ul>	By recognising the market-related value of in-force business (in-force value), a different perspective is provided in the performance of the group and on the valuation of the business. Economic Value earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The Economic Value earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives.
<b>EcV operating earnings</b>	This is the element of EcV earnings (see above) that are generated from the company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.	EcV operating earnings are important as they provide an indication of the underlying value generated by the business. It can help identify profitable activities and also inefficient processes and potential management actions.
<b>EcV economic earnings</b>	This is the element of EcV earnings (see above) that are derived from investment market conditions in the period and any economic assumption changes in the future.	EcV economic earnings are important in order to measure the additional value generated from investment market factors.
<b>Commercial new business profit</b>	A more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business.	This provides a fair commercial reflection of the value added by new business operations and is more comparable with how new business is reported by our peers, improving market consistency.
<b>Solvency</b>	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 – the Solvency Capital Requirement (SCR). 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.
<b>Funds under management (FuM)</b>	FuM reflects the value of the financial assets that the business manages, as reported in the IFRS Consolidated Balance Sheet.	FuM are important as it provides an indication of the scale of the business, and the potential future returns that can be generated from the assets that are being managed.
<b>Acquisition value gain (incremental value)</b>	Acquisition value gains reflect the incremental Economic Value added by a transaction, exclusive of any additional risk margin associated with absorbing the additional business.	The EcV gain from acquisition will be net of any associated increase in risk margin. The risk margin is a temporary Solvency II dynamic which will run off over time.
<b>Leverage / gearing</b>	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator	It is an important measure as it indicates the overall level of indebtedness of Chesnara, and it is also a key component

	adding back the net of tax CSM liability, as measured under IFRS.	of the bank covenant arrangements held by Chesnara.
<b>IFRS capital base</b>	This is the IFRS net equity for the group plus the consolidated CSM net of reinsurance and tax.	It is a better measure of the value of the business than net equity as it takes into account the store of deferred profits held in the balance sheet, as represented by the CSM, including those as yet unrecognised profits from writing new business and acquisitions.
<b>Policies / policy count</b>	Policy count is the number of policies that the group manages on behalf of customers.	This is important to show the scale of the business, particularly to provide context to the rate at which the closed book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.

## GLOSSARY

<b>AGM</b>	Annual General Meeting.
<b>ALM</b>	Asset Liability Management - management of risks that arise due to mismatches between assets and liabilities.
<b>APE</b>	Annual Premium Equivalent - an industry wide measure that is used for measuring the annual equivalent of regular and single premium policies.
<b>CA</b>	Countrywide Assured plc.
<b>CALH</b>	Countrywide Assured Life Holdings Limited and its subsidiary companies.
<b>CASLP</b>	Sanlam Life & Pensions UK Limited
<b>BAU cash generation</b>	This represents divisional cash generation plus the impact of non-exceptional group activity.
<b>BLAGAB</b>	Basic life assurance and general annuity business
<b>Cash generation</b>	This represents the operational cash that has been generated in the period. The cash generating capacity of the group is largely a function of the movement in the solvency position of the insurance subsidiaries within the group and takes account of the buffers that management has set to hold over and above the solvency requirements imposed by our regulators. Cash generation is reported at a group level and also at an underlying divisional level reflective of the collective performance of each of the divisions prior to any group level activity.
<b>Commercial cash generation</b>	Cash generation excluding the impact of technical adjustments, modelling changes and exceptional corporate activity; the inherent commercial cash generated by the business.
<b>Core surplus emergence</b>	Absolute surplus movement of the divisions including Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends as deemed appropriate. Note: Any adjustments will be subject to Board approval (and Remco approval if they impact remuneration) and will be transparently reported.
<b>Divisional cash generation</b>	This represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.
<b>CSM</b>	Contractual Service Margin (CSM) represents the unearned profit that an entity expects to earn on its insurance contracts as it provides services.
<b>DNB</b>	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiaries.
<b>DPF</b>	Discretionary Participation Feature - A contractual right under an insurance contract to receive, as a supplement to guaranteed benefits, additional benefits whose amount or timing is contractually at the discretion of the issuer.



<b>Dutch business</b>	Scildon and the Waard Group, consisting of Waard Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.
<b>Economic profit</b>	A measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance measure – APM).
<b>EcV</b>	Economic Value is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.
<b>FCA</b>	Financial Conduct Authority.
<b>FI</b>	Finansinspektionen, being the Swedish Financial Supervisory Authority.
<b>Form of proxy</b>	The form of proxy relating to the General Meeting being sent to shareholders with this document.
<b>FSMA</b>	The Financial Services and Markets Act 2000 of England and Wales, as amended.
<b>GMM</b>	General measurement model - the default measurement model which applies to insurance contracts with limited or no pass-through of investment risks to policyholders.
<b>Group</b>	Chesnara plc and its existing subsidiary undertakings.
<b>Group cash generation</b>	This represents the absolute cash generation for the period at total group level, comprising divisional cash generation as well as both exceptional and non-exceptional group activity.
<b>Group Own Funds</b>	In accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the group in those capital resources.
<b>Group SCR</b>	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
<b>Group solvency</b>	Group solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold in accordance with Solvency II regulations.
<b>HCL</b>	HCL Insurance BPO Services Limited.
<b>IFRS</b>	International Financial Reporting Standards.
<b>IFA</b>	Independent Financial Advisor.
<b>KPI</b>	Key performance indicator.
<b>LACDT</b>	Loss Absorbing Capacity of Deferred Tax
<b>Leverage (gearing)</b>	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, usually presented as a ratio, defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS
<b>London Stock Exchange</b>	London Stock Exchange plc.
<b>LTI</b>	Long-Term Incentive Scheme - A reward system designed to incentivise executive directors' long-term performance.
<b>Movestic</b>	Movestic Livförsäkring AB.
<b>Modernac</b>	Modernac SA, a previously associated company 49% owned by Movestic.
<b>New business</b>	The present value of the expected future cash inflows arising from business written in the reporting period.
<b>Official List</b>	The Official List of the Financial Conduct Authority.
<b>Operating profit</b>	A measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance metric – APM).

<b>Ordinary shares</b>	Ordinary shares of 5 pence each in the capital of the company.
<b>ORSA</b>	Own Risk and Solvency Assessment.
<b>Own Funds</b>	Own Funds - in accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the company in those capital resources.
<b>PAA</b>	Premium allocation approach - a simplified measurement model which can be applied to short term contracts.
<b>PRA</b>	Prudential Regulation Authority.
<b>QRT</b>	Quantitative Reporting Template.
<b>RA</b>	Risk adjustment is the additional reserve held for non-financial risks.
<b>RCF</b>	3 year Revolving Credit Facility of £100m (currently unutilised) put in place in July 2021
<b>Resolution</b>	The resolution set out in the notice of General Meeting set out in this document.
<b>RMF</b>	Risk Management Framework.
<b>Robein Leven</b>	Robein Leven N.V.
<b>Scildon</b>	Scildon N.V.
<b>Shareholder(s)</b>	Holder(s) of ordinary shares.
<b>Solvency II</b>	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
<b>Solvency (absolute) surplus</b>	A measure of how much the value of the company (Own Funds) exceeds the level of capital it is required to hold
<b>Standard Formula</b>	The set of prescribed rules used to calculate the regulatory SCR where an internal model is not being used.
<b>STI</b>	Short-Term Incentive Scheme – A reward system designed to incentivise executive directors' short-term performance.
<b>SCR</b>	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
<b>Swedish business</b>	Movestic and its subsidiaries and associated companies.
<b>S&amp;P</b>	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
<b>TCF</b>	Treating Customers Fairly – a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
<b>Tier 2</b>	Term debt capital (Tier 2 Subordinated Notes) issued in February 2022 with a 10.5 year maturity and 4.75% coupon rate.
<b>Transfer ratio</b>	The proportion of new policies transferred into the business in relation to those transferred out.
<b>TSR</b>	Total Shareholder Return, measured with reference to both dividends and capital growth.
<b>UK or United Kingdom</b>	The United Kingdom of Great Britain and Northern Ireland.
<b>UK business</b>	CA, S&P and CASLP

<b>VA</b>	The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. It represents an adjustment to the rate used to discount liabilities to mitigate the effect of short-term volatility bond returns.
<b>VFA</b>	Variable fee approach - the measurement model that is applied to insurance contracts with significant investment-related pass-through elements.
<b>Waard</b>	The Waard Group.

## NOTE ON TERMINOLOGY

As explained in the IFRS financial statements, the principal reporting segments of the group are:

<b>CA</b>	which comprises the original business of Countrywide Assured plc, the group's original UK operating subsidiary; City of Westminster Assurance Company Limited, which was acquired by the group in 2005, the long-term business of which was transferred to Countrywide Assured plc during 2006; S&P which was acquired on 20 December 2010. This business was transferred from Save & Prosper Insurance Limited and Save & Prosper Pensions Limited to Countrywide Assured plc on 31 December; and Protection Life Company Limited which was acquired by the group in 2013, the long-term business of which was transferred into Countrywide Assured plc in 2014, as well as the portfolio of policies acquired from Canada Life on 16 May 2023 and reinsured into Countrywide Assured plc
<b>CASLP – ‘SLP’</b>	Sanlam Life & Pensions (UK) Limited which was acquired 28 April 2022 and includes subsidiaries CASFS Limited and CASLPTS Limited;
<b>Movestic</b>	which was purchased on 23 July 2009 and comprises the group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
<b>The Waard Group</b>	which was acquired on 19 May 2015 and comprises two insurance companies; Waard Leven N.V. and Waard Schade N.V.; and a service company, Waard Verzekeringen; Robein Leven NV acquired on 28 April 2022; and the insurance portfolio of Conservatrix acquired on 1 January 2023
<b>Scildon</b>	which was acquired on 5 April 2017; and
<b>Other group activities</b>	which represents the functions performed by the parent company, Chesnara plc. Also included in this segment are consolidation adjustments.

### Cautionary and Forward-Looking Statements

This document has been prepared for the members of Chesnara plc and no one else. Chesnara plc, its directors or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. Nothing in this document should be construed as a profit forecast or estimate.

This document may contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements with respect to certain of the plans and current expectations relating to the future financial condition, business performance, and results, strategy and/or objectives (including without limitation, climate-related plans and goals) of Chesnara plc.

Statements containing the words ‘believes’, ‘intends’, ‘will’, ‘expects’, ‘plans’, ‘aims’, ‘seeks’, ‘targets’, ‘continues’ and ‘anticipates’ or other words of similar meaning are forward looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Chesnara plc including, amongst other things, UK domestic, Swedish domestic, Dutch domestic and global economic, political, social, environmental and business conditions, market-related risks such as fluctuations in interest rates, currency exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Chesnara plc and its subsidiaries operate. As a result, Chesnara plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

No representation is made with regard to forward looking statements, including that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this document. Chesnara undertakes no obligation to update any of the forward-looking statements contained within this document or any other forward-looking statements we make. Forward-looking statements in this report are current only as of the date on which such statements are made.

The climate metrics used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to

evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and Chesnara expects that certain climate disclosures made in this document are likely to be amended, updated, recalculated or restated in the future.