



Chesnara

CHESNARA PLC

The evolution of the Group's
financial framework

AGENDA



01.

Purpose of today's discussion

02.

FY 2024 financial results under the updated financial framework

03.

Solvency II Metrics

04.

IFRS Metrics



Tom Howard

Group Chief Financial Officer

KEY MESSAGES



Actions we've already taken

1

A more **concise** and **less complex** set of market-facing materials

2

A **simplified** financial framework anchored to Cash, Capital and Value

Today's update



3

Cutting out complexity and moving to simplified, **market-standard** performance metrics

SIMPLIFIED PERFORMANCE METRICS



What are we doing?



Why are we doing it?

1

To make our investor story **simpler** to understand and more **closely aligned** to peers

2

To demonstrate the **sustainability** of Capital & IFRS returns over the long term

*These metrics will be removed from the investor presentation but remain in the Annual Report & Accounts.

FY 2024 RESULTS UNDER THE UPDATED FINANCIAL FRAMEWORK



DEFINING THE NEW METRICS - SOLVENCY



<i>£m</i>	FY 2023	Operating	Non operating	Acquisitions	Dividends	Restrictions	FY 2024
Own Funds	684	57	(38)	10	(37)	(33)	643
Solvency Capital Requirement (SCR)	333	(22)	(8)	13	-	-	316
Surplus/Capital Generation	351	79	(30)	(3)	(37)	(33)	327
Solvency Coverage Ratio %	205%						203%

Operating Capital Generation (OCG):

OCG measures the amount of Solvency II capital the Group generates from operational activities and represents the surplus which can be used to support sustainable Cash Remittances from our business units.

DEFINING THE NEW METRICS - IFRS



<i>£m</i>	FY 2023	Adjusted Operating Profit	Non operating	Tax	Other Comprehensive Income	Dividends	Other	CSM Movement	FY 2024
IFRS Equity	360	39	(18)	(17)	(15)	(37)	2		314
CSM	119							15	135
Capital Base	479	39	(18)	(17)	(15)	(37)	2	15	449

IFRS Profit Before Tax

Adjusted Operating Profit (AOP):

AOP provides a clearer picture of the Group's operational performance by adjusting the IFRS Profit Before Tax to exclude items that are one-off, strategic, or short-term fluctuations including fluctuations in investment returns

SUMMARY



1

We've shifted to a **simpler, market-standard** framework.

2

Metrics focus on **Cash, Capital & Value** for a more consistent view of performance.

3

OCG and AOP now sit at the core of how we describe **underlying performance**.

4

These new metrics will **go live in the FY 2025 ARA**, published on 24 March.



QUESTIONS

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APPENDIX

DEFINITIONS



CASH		
Metric	Definition	Alignment to Simplified Investment Story
Operating Capital Generation (OCG)	<ul style="list-style-type: none"> OCG measures the sustainable level of Solvency II capital that the Group generates from operational activities into the longer term 	<ul style="list-style-type: none"> Core metric used to assess the ongoing level of the Group's surplus generation Looks through short-term investment volatility and other one-off impacts to inform long term capital and liquidity generation and liquidity.
Cash Remittances	<ul style="list-style-type: none"> Cash paid by our Business Units to Group Centre 	<ul style="list-style-type: none"> Measures the effectiveness of the business units in converting capital to cash
CAPITAL		
Metric	Definition	Alignment to Simplified Investment Story
Solvency Coverage Ratio	<ul style="list-style-type: none"> Previously referred to as Solvency II Ratio, calculated as Eligible Own Funds divided by Solvency Capital Requirement 	<ul style="list-style-type: none"> Industry-standard metric to assess the strength of the Group balance sheet
Own Funds	<ul style="list-style-type: none"> Defined as Eligible Own Funds under the Solvency II Regime 	<ul style="list-style-type: none"> Primary metric used to assess the valuation of the business. Directly comparable across the peer group.
VALUE		
Metric	Definition	Alignment to Simplified Investment Story
Assets under Administration (AuA)	<ul style="list-style-type: none"> Total value of the financial assets managed by the Group and by third party asset management partners 	<ul style="list-style-type: none"> Effective lead-indicator of future cash generation from our Investment book. Easy to explain / understand.
Adjusted Operating Profit (AOP)	<ul style="list-style-type: none"> AOP measures the sustainable level of IFRS profits that the Group generates from operational activities into the longer term. 	<ul style="list-style-type: none"> Looks through the impact of short-term market volatility and capital investment to provide an underlying view of profitability. Especially important for businesses with significant IFRS9 business like Chesnara as market volatility can mask the true underlying operational performance. Core IFRS metric used by investors, sell-side and the rating agencies.

RECONCILIATIONS



<i>Cash Generation to Operating Capital Generation (£m)</i>	FY 2024
Cash Generation	60
Add back in Symmetric Adjustment impact	(7)
Remove 40% Management Buffer	(6)
Remove Non-Operating Capital Generation	32
Operating Capital Generation	79

<i>Profit Before Tax to Adjusted Operating Profit (£m)</i>	FY 2024
Profit Before Tax	21
Investment variances and economic assumption changes	(4)
Impairment, amortisation and profit or loss on disposal	5
Integration and restructuring costs	24
Financing costs	11
Policyholder tax	(18)
Adjusted Operating Profit	39

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