Tier 2 GBP Bond Offering

January 2022

Long-term cash flow underpinned by resilient business model

Chesnara

Disclaimer

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The attached presentation is in summary form and relates to an offering of securities as currently contemplated and has been prepared solely for information purposes and on the basis of your acceptance of this disclaimer and does not purport to be a complete description of all material terms or of the terms (which may be different from the any terms referred to herein) of an offering that may be finally consummated.

The information and the opinions in this presentation have been prepared by Chesnara plc (the **Issuer**) solely for use at meeting(s) regarding a proposed offering (the **Offering**) of notes to be issued by the Issuer (the **Notes**). This presentation and its contents are strictly confidential, are intended for use by the recipient for information purposes only and may not be reproduced in any form or further distributed to any other person or published, in whole or in part, for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws. By accessing or reading the presentation slides, you agree to be bound by the following limitations. This presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The making of this presentation does not constitute a recommendation regarding any securities.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE OR LOCAL SECURITIES LAWS.

This presentation is made to and is directed only at persons who are (a) "investment professionals" as defined under Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as **relevant persons**). Any person who is not a relevant person should not act or rely on this presentation or any of its contents. Any investment or investment activity to which this presentation relates is available only to and will only be engaged in with such relevant persons.

No EU PRIIPs/UK PRIIPs key information documents (KID) has been prepared as Notes will not be made available to retail investors in the EEA or the UK.

UK MiFIR target market - eligible counterparties and professional clients only (all distribution channels).

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Sole Lead Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the CMP Regulations 2018), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are capital markets products other than "prescribed capital markets products" (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Other restrictions: Offer restrictions also apply in other jurisdictions, including (without limitation) Hong Kong, Japan, Singapore and Switzerland. If a recipient wishes to access this presentation or invest in any Notes, they must familiarise themselves with, and comply with, all applicable laws and regulations applicable to them in the jurisdiction(s) in which they operate.

This presentation does not constitute a recommendation or investment advice regarding the Notes. This presentation is an advertisement and does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**) or for Part VI of the Financial Services and Markets Act 2000, as amended or the Prospectus Regulation as it forms part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018, as amended. This presentation does not constitute or form part of, and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for, Notes in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. Any purchase of the Notes in the Offering should be made solely on the basis of the should be made solely on the basis of the Preliminary Offering Memorandum and the final Offering Memorandum to be prepared in connection with the Offering, which will contain the definitive terms of the transactions described herein. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Issuer and the nature of the Notes before taking any investment decision with respect to the Notes.

This presentation is the sole responsibility of the Issuer and has not been approved by any regulatory authority. The information contained in this presentation speaks as of the date hereof and has not been independently verified.

No representation, warranty or undertaking, expressed or implied, is or will be made by the Issuer or the bookrunner or manager appointed in connection with the Offering or its affiliates, advisers or representatives (collectively, the **Sole Lead Manager**) or any other person as to, and no reliance should be placed on, the truth, fairness, accuracy, completeness or correctness of the information or the opinions contained herein (and whether any information has been omitted from the presentation). The Sole Lead Manager and, to the extent permitted by law, the Issuer and each of their respective directors, officers, employees, affiliates, advisers and representatives disclaims all liability whatsoever (in negligence or otherwise) for any loss however arising, directly or indirectly, from any use of this presentation or its contents or otherwise arising in connection with this presentation.

To the extent available, the industry, market and competitive position data contained in this presentation comes from official or third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data.

The distribution of this presentation and other information in connection with the Offering in certain jurisdictions may be restricted by law and persons into whose possession this presentation or any document or other information referred to herein comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This presentation and any materials distributed in connection with this presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Issuer does not accept any liability to any person in relation to the distribution or possession of this presentation in or from any jurisdiction.

This presentation does not purport to identify all of the risks (direct and indirect) and information which may be associated with any decision relevant in respect of the proposed Offering.

Certain statements made in this presentation are forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "believes", "continue", "could", "due", "estimates", "expects", "goal", "intends", "may", "plans", "project", "seeks", "should", "targets", "will" or the negative or other variations of these terms and related and similar expressions. Such statements are based on current expectations and are subject to risks and uncertainties that could cause actual results or developments to differ materially from any expected future events or results referred to in or implied by these forward-looking statements. The forward-looking statements contained in this presentation speak only as of the date that this presentation was prepared and the Issuer does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise.

Nothing in this presentation should be construed as a profit forecast or estimate.

Nothing in this presentation should be construed as legal, tax, regulatory, accounting or investment advice. Each recipient of this presentation contemplating participating in the Offering must make (and will be deemed to have made) its own independent investigation and appraisal of the business, operations, financial condition, prospects, creditworthiness, status and affairs of the Issuer and consult with its own legal, tax, regulatory, accounting or investment advisers to the extent necessary.

All opinions and estimates in this presentation are subject to change without notice. Neither the Issuer nor the Sole Lead Manager are under any obligation to update or keep current the information contained herein.

Certain data in this presentation has been rounded. As a result of such rounding, the totals of data prescribed in this presentation may vary slightly from the arithmetic total of such data.

This presentation contains various financial measures that are not measures of financial performance or liquidity under the International Financial Reporting Standards (**IFRS**). Non-IFRS measures included are used by the Issuer to monitor the underlying performance of its business and operations. Such non-IFRS financial measures do not necessarily indicate the Issuer's historical operating results nor predict future results.

TABLE OF CONTENTS

1	INTRODUCTION TO CHESNARA & TRANSACTION OVERVIEW
2	KEY CREDIT STRENGTHS
3	PROPOSED TIER 2 ISSUANCE
4	CONCLUSION
5	APPENDICES

1. INTRODUCTION TO CHESNARA & TRANSACTION OVERVIEW

KEY STRENGTHS OF THE CHESNARA CREDIT STORY

1

Track Record of Building Economic Value, Supporting Sustainable, Long-Term Cash Generation

- Long history of stable growth in Economic Value and cash flow over time
- Clear trajectory of future cash flow emergence from all busines units
- Meaningful upside potential from new business growth
- Delivery of the ESG strategy is a key priority across all business functions

2

Strong Solvency II Position with High Resilience to Market Volatility

- Solvency II ratio of 153% representing capital surplus of £161MM above the Group's internal capital threshold
- Solvency is highly resilient throughout periods of market volatility, including recent COVID-related market movements
- Own Funds comprise exclusively Unrestricted Tier 1 capital, with no reliance on Transitional Measures
- Solvency II ratio, pro-forma for proposed issuance, will stand at >180%, with leverage remaining at conservative levels

3

Disciplined M&A Framework with Proven Track Record of Delivery and Integration

- A strong M&A track record – acquisitions have been completed at attractive multiples and have delivered material synergies
- Focus on two sizeable and active markets (UK and Netherlands) with options for further territories if compatible with strategy
- M&A supports emergence of further value and cash flow over medium term
- Funding capacity and optionality in form of existing resources, debt capacity, equity or partnerships

4

Experienced and High Quality Management Team

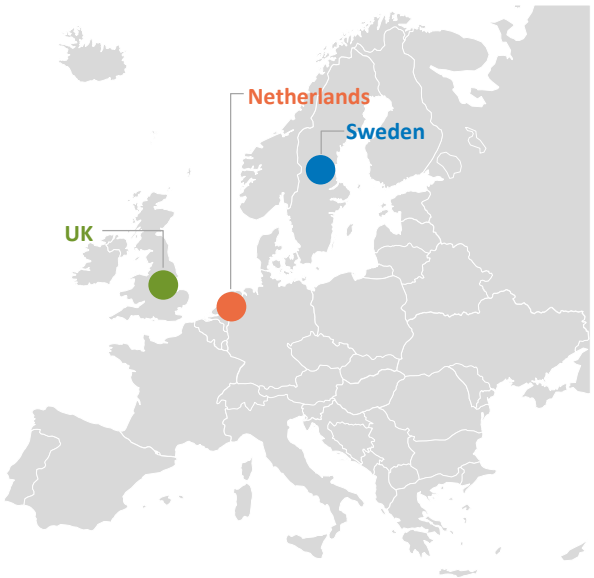
- Well-regarded management team, with deep expertise and proven track record across our strategic objectives
- Group management well supported by strong divisional leadership groups
- Backed by a long-established and supportive shareholder base

Multiple drivers of stability and value growth, providing strong support for the credit proposition

AN INTRODUCTION TO CHESNARA

WHO WE ARE

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



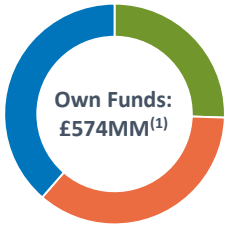
KEY FINANCIAL METRICS

As at H1 2021

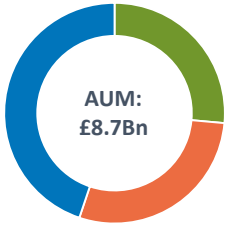
UK

NETHERLANDS

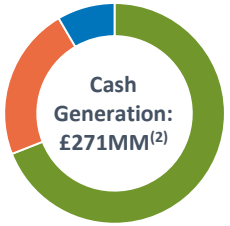
SWEDEN



Group Solvency II Ratio: 153%



Record level of AUM reached at 1H21



Positive cash flow contribution from all segments

THREE CORE STRATEGIC OBJECTIVES

01

MAXIMISE VALUE FROM EXISTING BUSINESS

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

02

ACQUIRE LIFE AND PENSION BUSINESSES

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

03

ENHANCE VALUE THROUGH NEW BUSINESS

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

Notes:

1. Geographical split excludes "Chesnara/ consolidation adjustments" of £6MM
2. Cumulative Cash Generation over FY16 to 1H21. Shown gross of "Other Group Activities"

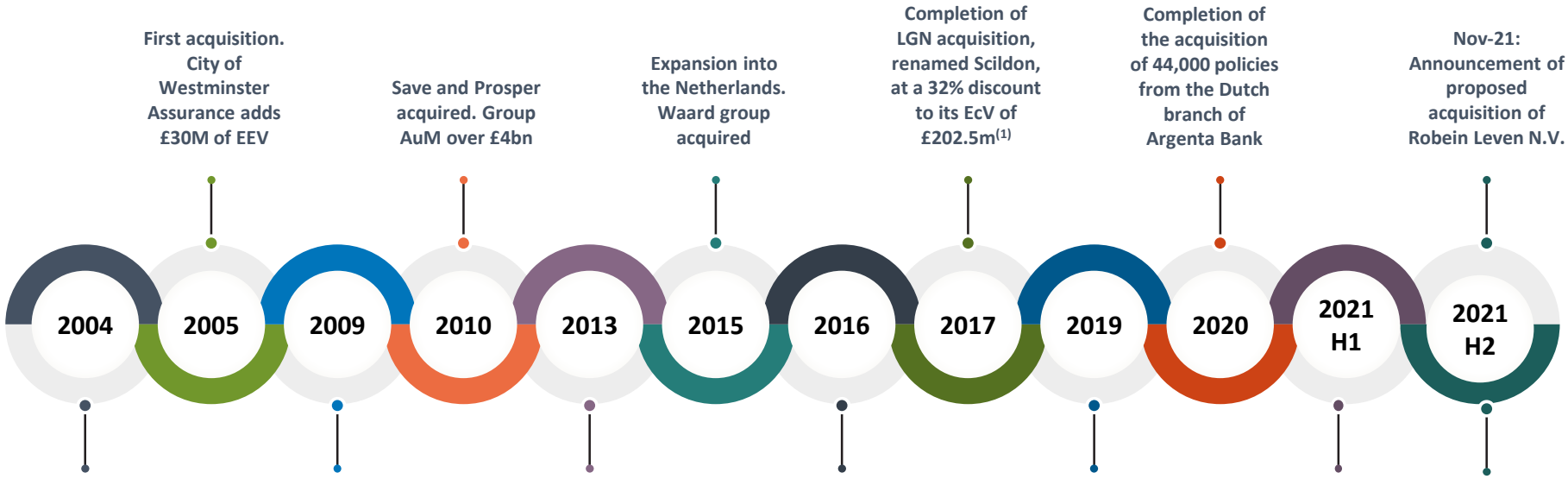
DIVERSIFICATION IS AT THE HEART OF CHESNARA'S BUSINESS MODEL

	Key Operating Divisions[1]			
Division	**UK**	**NETHERLANDS**		**SWEDEN**
Operating Company	COUNTRYWIDE ASSURED	WAARD GROUP	SCILDON	MOVESTIC
Group Strategic Objectives	01 02	01 02	01 03	01 03
Acquisitions to Date[2]	4	6		1
Closed Book[3]	✓	✓	✗	✗
Open Book	✗	✗	✓	✓
Key Products	Unit-linked pensions; life insurance; annuities; with-profits	Mainly term life; some unit-linked and some non-life	Protection, savings and group pensions	Mainly unit-linked pensions and savings; some life and health products
Number of Policies	c.230,000	c.125,000	c.210,000	c.330,000
Assets Under Management (£Bn)	2.3	2.5		3.9
Solvency II Own Funds (£MM)[4]	148	55	153	224
Solvency Capital Requirement (£MM)	105	12	75	161
Solvency II Ratio (%)	142	457	204	139

Business model is diversified across different territories, products and open vs. closed book. The business is underpinned by prudent management, focused on lower risk unit-linked and protection business

Notes:
1. Metrics as at H1 2021 unless otherwise stated
2. Shown pro-forma for Sanlam Life & Pensions UK Limited and Robein Leven
3. Closed to new customers but still accept incremental premium income from existing customers
4. Stated net of declared dividend to HoldCo (Movestic: £9.6MM)

STRONG TRACK RECORD OF ACQUISITIONS AND INTEGRATION SINCE FOUNDATION



Successful integration of 9 acquisitions to date, with two further transactions expected to close in the first half of 2022

Notes:

1. 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. Shown pro-forma for Sanlam Life & Pensions UK Limited and Robein Leven N.V.

OVERVIEW OF PROPOSED TRANSACTION

Proposed Transaction

- Inaugural debt capital markets transaction from Chesnara plc
- Envisaged transaction size of £200MM (WNG)
- GBP denominated Tier 2 Notes
- 10.5-year Bullet format, including a 6-month par call prior to maturity

Rationale

- Further improve and optimise the capital position of Chesnara
- Diversify sources of capital and build-out a debt capital markets presence
- For general corporate purposes, including investments and acquisitions

Key Highlights

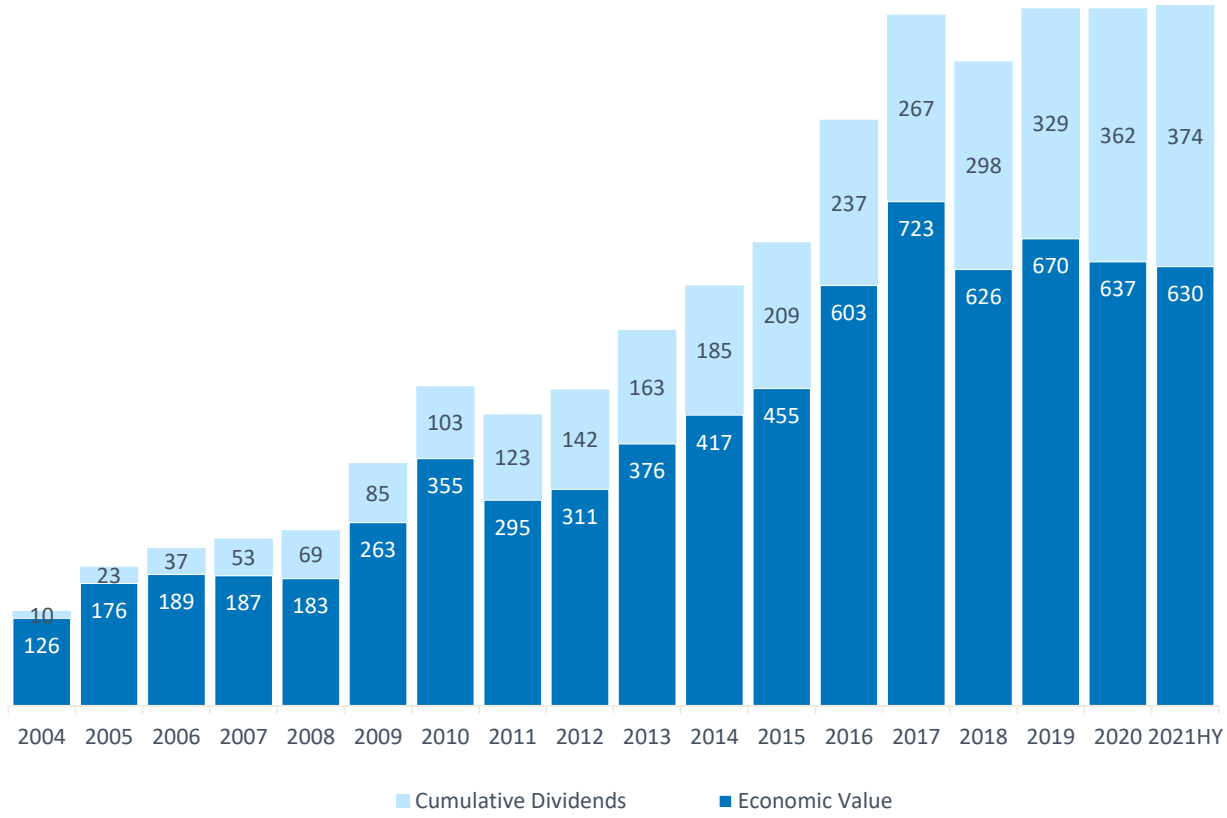
- Inaugural transaction from a UK insurer operating in attractive core markets, whilst providing diversification across different territories, products and open vs. closed book
- Sustainable, long-term cash flow generation providing significant coverage for payments over the life of the Notes
- Strong Solvency position, with a pro-forma Solvency II ratio >180% for the envisaged transaction
- First time ratings process conducted with Fitch, with the rating to be disclosed upon public announcement

2. KEY CREDIT STRENGTHS

LONG-TERM GROWTH IN ECONOMIC VALUE AND CASH FLOW GENERATION

Economic Value Growth and Cumulative Dividends[1]

£MM



Economic Value CAGR of 10% since foundation, net of cumulative dividends of £374MM

Economic Value resilient during periods of market volatility in 2008/09 and recent COVID instability

Economic Value build-up reflects the group's long-term cash generation potential

Group generates sufficient cash to deliver on its strategic ambitions while supporting a growing dividend

Resilient and diversified business model has allowed the group to build value and generate cash through-the-cycle

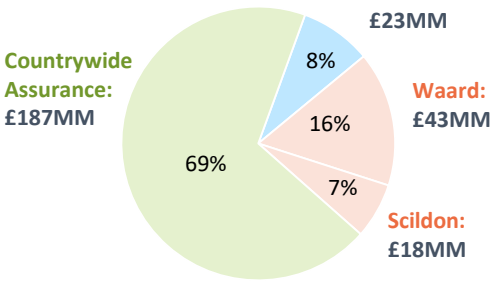
Notes:

1. Shown net of dividends paid. H1 2021 shown net of declared interim dividend of 7.88p per share

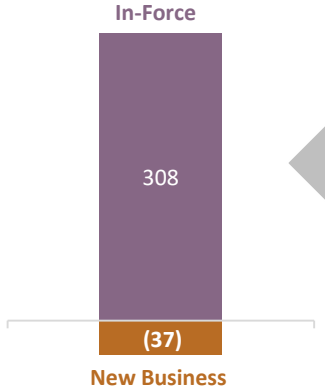
DIVERSE ENGINES OF SURPLUS & CASH FLOW GENERATION ACROSS THE GROUP

Sources of Cash Generation by Operating Division (5.5 years to 30 June 2021)[1]

Split by Operating Entity



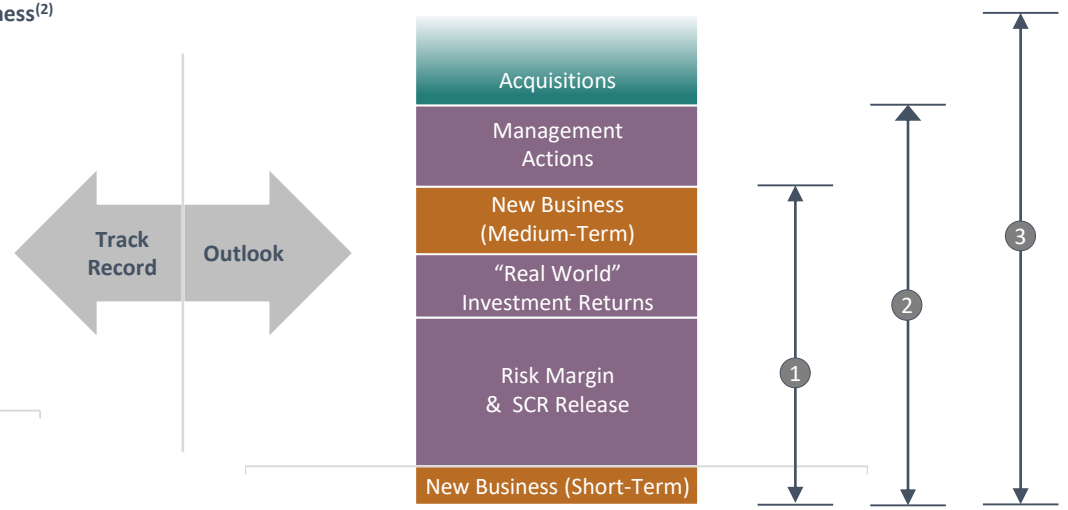
Split by In-Force vs. New Business[2]



Cumulative Cash Generation: £271MM

- All divisions, including open businesses, have generated positive cumulative cash flow contributions
- New business has a negative up-front cash strain (£37MM) but significant positive net contribution delivered over time
- Significant cash contribution from in-force book released over time
- Ability to maintain stable cash flow during volatile economic period and difficult operations conditions

Sources of Future Cash[3]



1. Base cash scenario suggests material positive cash generation across all divisions (net of new business strain)
2. Base case plus management action enhancements – potentially materials given the conservative assumptions currently employed
3. Acquisitions can create significant incremental cash generation

Diversified sources of cash flow with scope for upside from several sources over the longer-term

Notes:
1. Split of cash generation is shown gross of "Other group activities" (i.e. central costs)
2. Illustrative split of cash flow generation between existing busines in force as at 31 December 2015 vs. new business written since that date
3. Sources of cash composition not to scale but broadly reflective of relative importance

CHESNARA'S APPROACH TO NEW BUSINESS IS FOCUSED ON PROFITABILITY AND FUTURE CASH FLOW

Our aim is to write profitable new business which supports the growth of the company in the following ways:

- Provides additional future cash generation;
- Mitigates the run-off in closed books; and
- Provides an alternatives source of growth for the business, in addition to acquisitions

New Business KPIs

	Commercial Value of New Business			Incremental Long-Term Cash Generation			Market Share[1]		Total Policies in Force ('000)		
	1H21	2020	2019	1H21	2020	2019	2020	2019	1H21	2020	2019
Scildon	**£3.9m**	£8.8m	£7.5m	**£7.1m**	**£15.9m**	£15.0m	**14.2%**	11.6%	**210**	**203**	190
Movestic	**£2.7m**	£1.6m	£6.9m	**£5.5m**	**£4.8m**	£8.6m	**4.5%**	6.5%	**330**	**365**	350
Total	**£6.6m**	£10.5m	£14.4m	**£12.7m**	**£20.7m**	£23.6m	**n.a.**		**540**	**568**	540

Key Messages

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

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

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

New business franchise continues to support long-term cash flow generation and has remained profitable, despite the impact of COVID

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

OVERVIEW OF CHESNARA'S ESG STRATEGY

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

Providing responsible and sustainable investment choices

- We take responsibility for having a long-term sustainable business model focused on long-term profit maximisation
- 100% of the funds in Movestic's investment offering have signed the UN Principles for Responsible Investment and thus committed themselves to following the six principles for responsible investments
- Each of Chesnara's businesses use data from proprietary ESG investment tools to identify and measure ESG risks and screen companies against minimum standards of business practice and international norms such as UN Global Compact

Reducing our environmental impact

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

Investing in people

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

Delivery of the ESG strategy is a key priority across a number of key business functions

BALANCE SHEET STABILITY UNDERPINNED BY CONSERVATIVE APPROACH TO CAPITAL MANAGEMENT

1. Low risk liability profile, backed by conservative investment allocation
2. Strong capital position with relatively low sensitivity to market movements
3. Prudent approach to capital management, with a number of actions available to support the balance sheet if required
4. Conservative debt management framework, with PF leverage ratio of 15% following recently announced acquisitions[1]

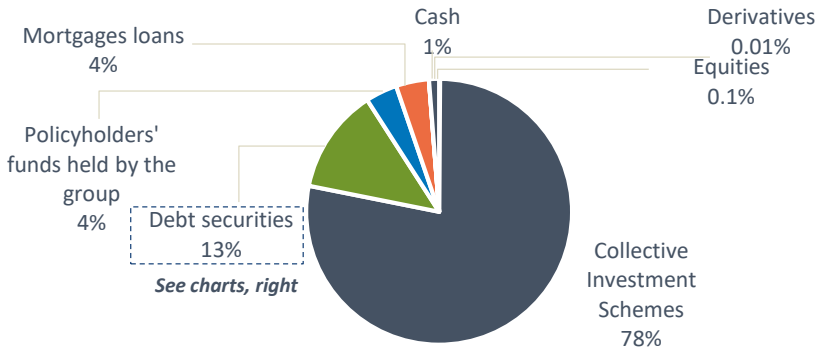
Chesnara

Conservative approach to both asset and liability sides of the balance sheet supports stable capital position

Notes:
1. Leverage is defined as bank debt divided by bank debt plus equity, as measured under IFRS

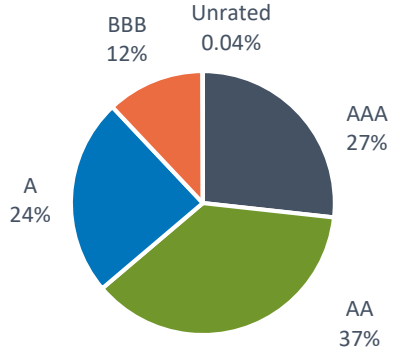
1 LOW RISK LIABILITY PROFILE, BACKED BY CONSERVATIVE INVESTMENT ALLOCATION

Breakdown of Investment Portfolio by Asset Class



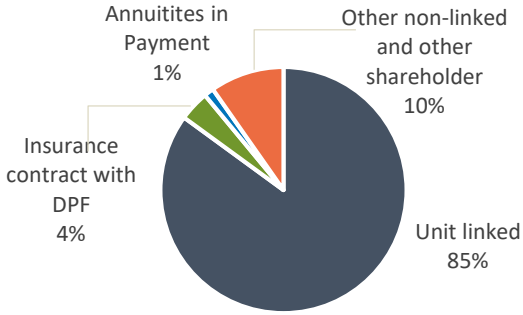
Total Financial Assets & Cash: £8.6Bn(1)

Credit Quality of Non-Linked & Shareholder Debt Securities



Non-Linked Debt Securities: £1.1Bn(1)

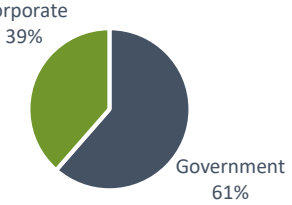
Breakdown of Reserves by Type



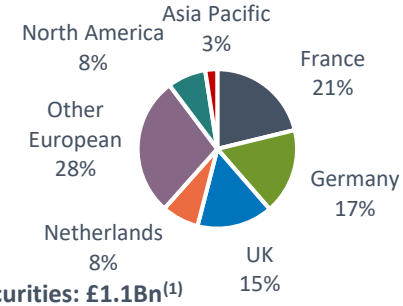
Total Insurance & Investment Contract Liabilities: £8.1Bn(1)

Further Detail on Non-linked Debt Securities

Corporate vs. Government (%)



Geographical Split (%)



Non-Linked Debt Securities: £1.1Bn(1)

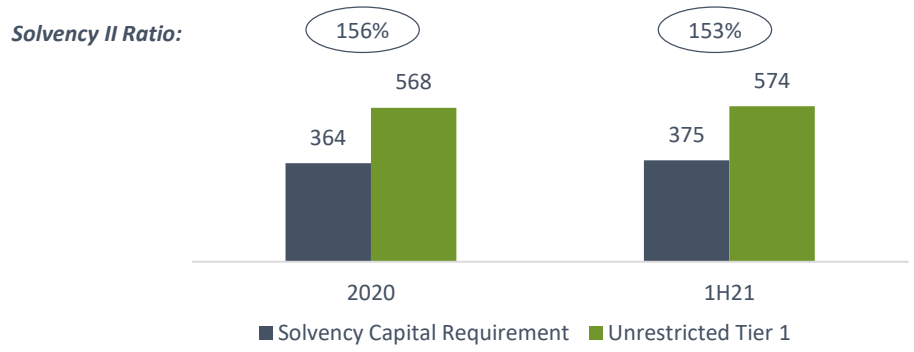
Low risk investment portfolio, with strong weighting towards high quality fixed income asset; liability profile focused on lower risk unit-linked products

Notes:
1. As at FY20

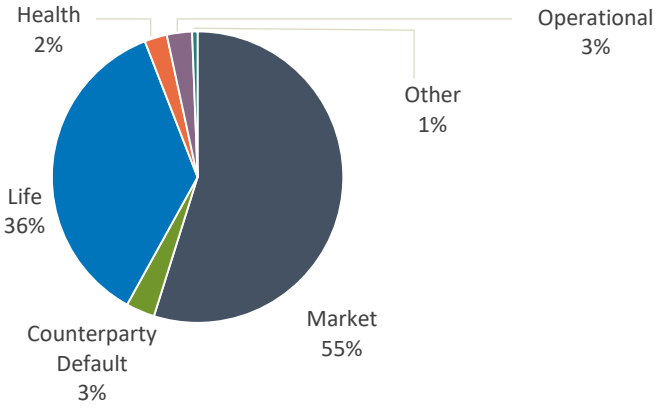
2 STRONG CAPITAL POSITION WITH RELATIVELY LOW SENSITIVITY TO MARKET MOVEMENTS

Overview of Group Capital Position

Group Capital Position, £MM

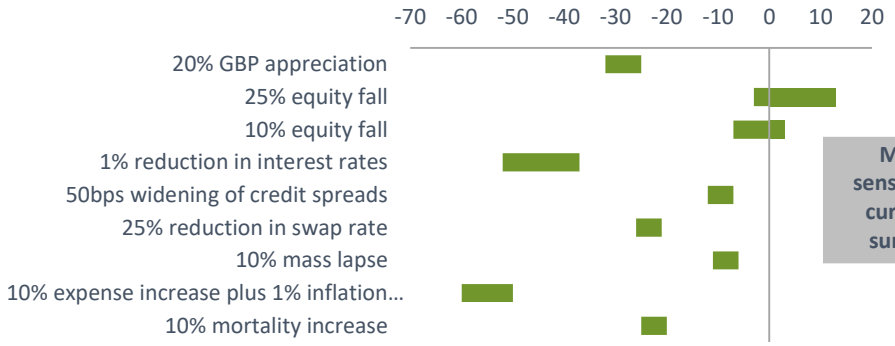


Breakdown of Solvency Capital Requirement(2)



Solvency II Sensitivities(3)

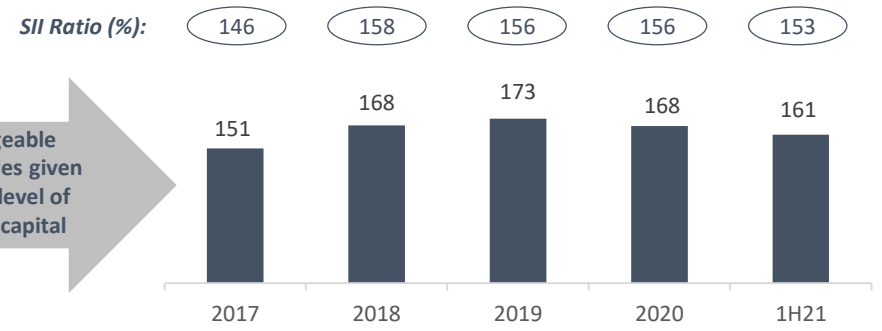
Expected Impact on Group Solvency II Surplus, £MM



Manageable sensitivities given current level of surplus capital

Solvency II Surplus Capital Development

Surplus Capital, £MM



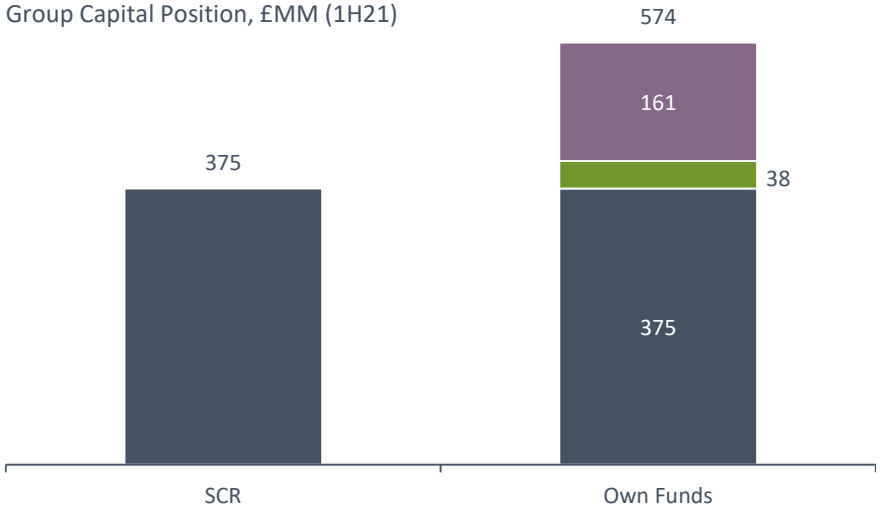
Group Solvency II ratio stable at c.150% with subsidiaries also well capitalised. Sensitivities to external market factors are manageable given existing internal capital surplus of £161MM

Notes:
1. Chesnara plc and other group activities
2. SCR as at FY20. Shown pre-diversification benefit and LAC DT
3. See further information on Solvency II sensitivities in the Appendix
4. Calculated as surplus capital above 110% internal capital management threshold

3 PRUDENT APPROACH TO CAPITAL MANAGEMENT, WITH ACTIONS AVAILABLE TO MITIGATE DOWNSIDE RISK

Group Capital Management Policy

Group Capital Position, £MM (1H21)



Solvency II Ratio >110%: Surplus capital – resources deemed to be freely available for further growth or dividends. In reality, commercial and risk appetite factors mean the Group operates at levels significantly higher than the reported 10% minimum buffer

Solvency II Ratio <110%: Assessment of available management actions. These include:

- Dividend deferral
- Intragroup transfers of surplus assets into GBP
- Increased hedging (fx, interest rates, spreads or equities)
- De-risking non-policyholder investments
- Increased use of reinsurance
- Equity raise
- Tier 2/3 debt raise

Chesnara's Approach to Solvency II Capital Management and Reporting

- **In addition to the capital management policy, it is also important to note that Chesnara's approach to Solvency II reporting is rather conservative. For example:**
  - **The group does not apply Solvency II Transitional Measures or the Matching Adjustment (unlike most peers)**
  - **Currently, eligible capital comprises exclusively Unrestricted Tier 1 capital**
  - Capital ratios at subsidiary-level are well above regulatory requirements
  - Recently received approval to apply the Volatility Adjustment in the UK but this is not reflected in the H1 2021 position
- **Pro-forma for the proposed issuance, the group's Solvency II ratio will stand at >180%**

Prudent approach to capital management and Solvency II reporting underpin the group's conservative approach. Pro-forma for the proposed issuance, the group's Solvency II ratio will stand at >180%

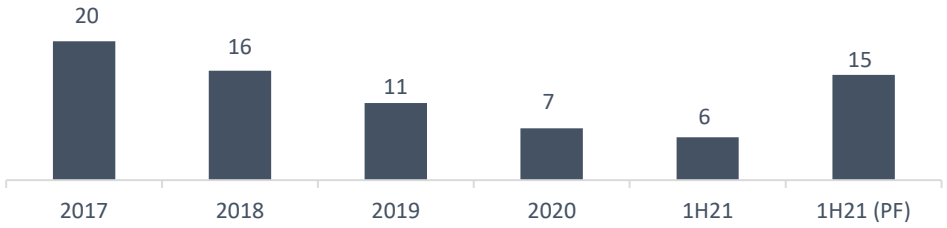
4 CONSERVATIVE DEBT MANAGEMENT FRAMEWORK PRE AND POST PROPOSED ISSUANCE

Overview of Leverage Position

Leverage Metrics, £MM	FY20	1H21	PF for Sanlam[3]	PF for Sanlam and Tier 2[4]
Financial Debt	39	30	n.a.	n.a.
IFRS Equity	487	468	n.a.	n.a.
Leverage Ratio – Internal Basis[1]	7%	6%	15%	~30%
Leverage Ratio – Fitch Basis[2]	8%	6%	16%	~30%

Leverage Ratio Development Over Time

Leverage Ratio – Internal Basis[1], %



Debt Management Policy

- **Chesnara takes a prudent approach to debt and leverage**
  - As at 1H21, the group had outstanding debt of £30MM, with no benefit from debt capital within the group's Solvency II ratio (all capital is Unrestricted Tier 1)
  - This debt was refinanced via £100MM Revolving Credit Facility (RCF) in July 2021 which was partially drawn-down to finance the Sanlam acquisition
- **The group has risk appetite for leverage ratios of up to 30% In the normal course of business, although the group has been operating well below these levels in recent years**
  - As at 1H21, the group's leverage ratio stood at 6%
  - Ratio increases to 15% pro-forma for recently announced Sanlam acquisition (16% on a Fitch basis)
- However, there is scope for the group to temporarily operate above this level where debt financing is the most effective source of funding for further acquisitions
  - In this scenario, the expected cashflows from the proposed acquisition and existing operations would be expected to bring the leverage ratio back below the 30% steady-state threshold within a 2 to 3 year period.
- **Pro-forma for the proposed Tier 2 debt issuance, the group's leverage ratio would increase to c.30%**
  - **This is broadly aligned with the UK life peer group**

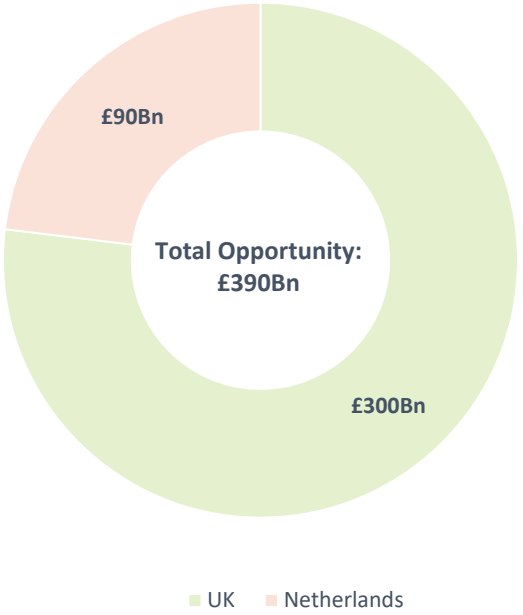
Current leverage ratio is well below that of peers and reflects a prudent approach to debt management

Notes:
1. "Leverage Ratio – Internal Basis" is defined as bank debt divided by bank debt plus equity, as measured under IFRS
2. "Fitch Leverage Ratio" (FLR) calculated using standard Fitch methodology
3. Metrics are calculated based on Sanlam Life & Pensions UK Limited's financial metrics as at 31 December 2020. Assumes that the acquisition is financed via Chesnara's existing RCF. Note: Impact of Robein Leven N.V. acquisition is immaterial to the group's leverage metrics
4. Based on illustrative Tier 2 issuance of £200MM. Assumes that existing debt financing is repaid with the proceeds

SIGNIFICANT M&A OPPORTUNITY IN CORE MARKETS WILL SUPPLEMENT LONG-TERM CASH GENERATION

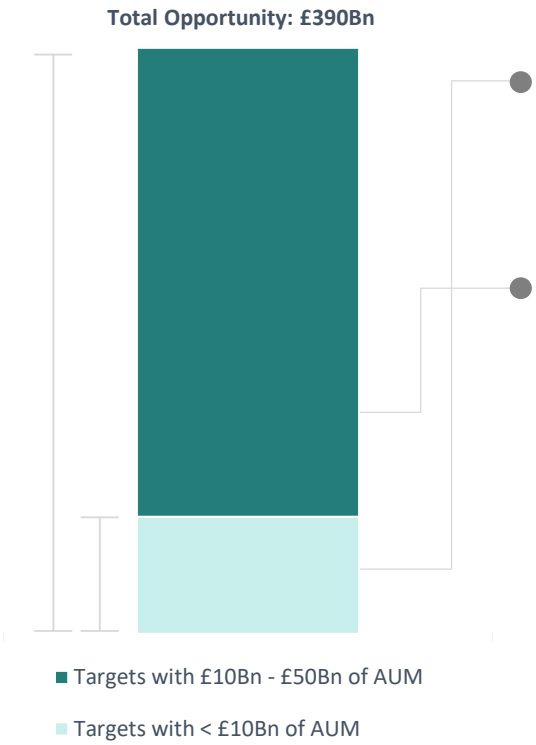
M&A Pipeline: Market Opportunity by Geography

Back-Book AUM by Geography, £Bn[1]



M&A Pipeline: Market Opportunity by Target Size

Back-Book AUM by Size (Illustrative), £Bn[1]



Strategic Priorities

Deal Size

- Historically, Chesnara has been in a strong position to derive value from opportunities with <£10Bn of AUM
  - Usually less competition/ better value and lower execution risk
  - Likely to correspond to transaction values of c.£500MM and below
- However, Chesnara has the capability and appetite to look at larger opportunities assuming strategic and financial rationale are sufficiently compelling

Geographic Focus

- Primary focus on UK and Dutch markets currently
- Appetite to expand into further European markets depending on the opportunity
  - Size of pipeline, regulatory backdrop, execution risk all to be considered

Business Mix

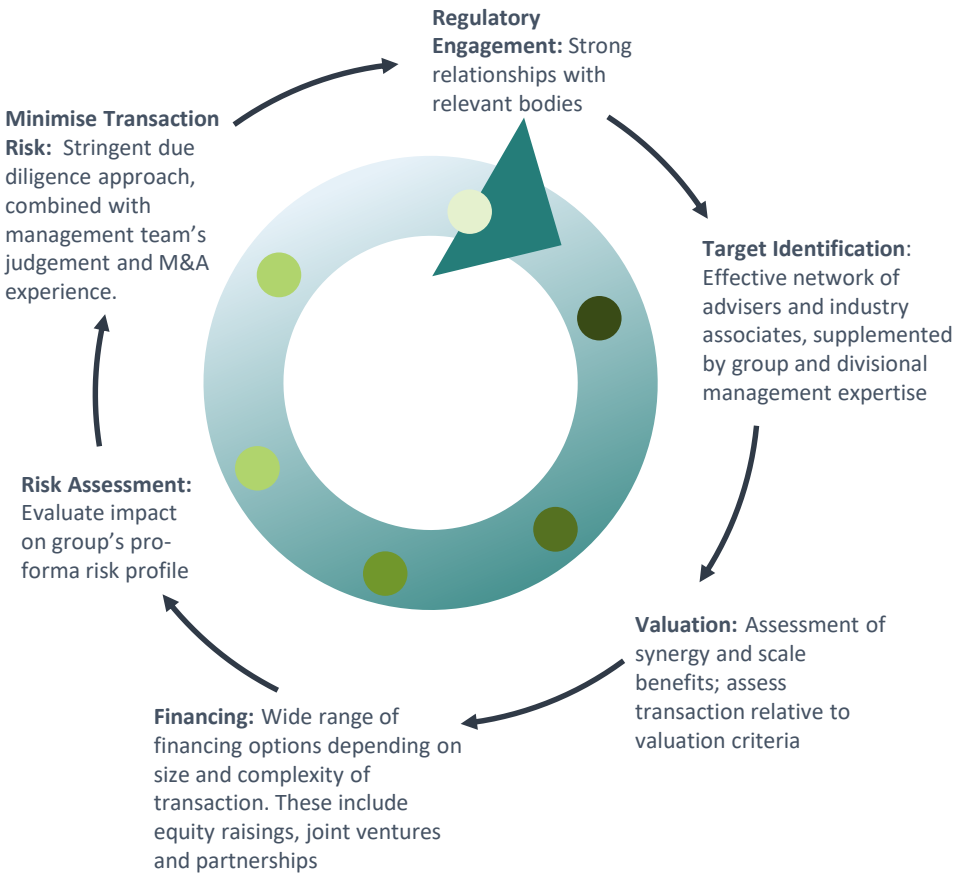
- Flexibility to accommodate wide product range
- Willingness to operate either open or closed if investment case supports

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

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

CHESNARA'S M&A APPROACH IS WELL-ESTABLISHED AND FOCUSES ON FINANCIAL AND CUSTOMER OUTCOMES

Key Steps within Chesnara's M&A Process



M&A Assessment Criteria

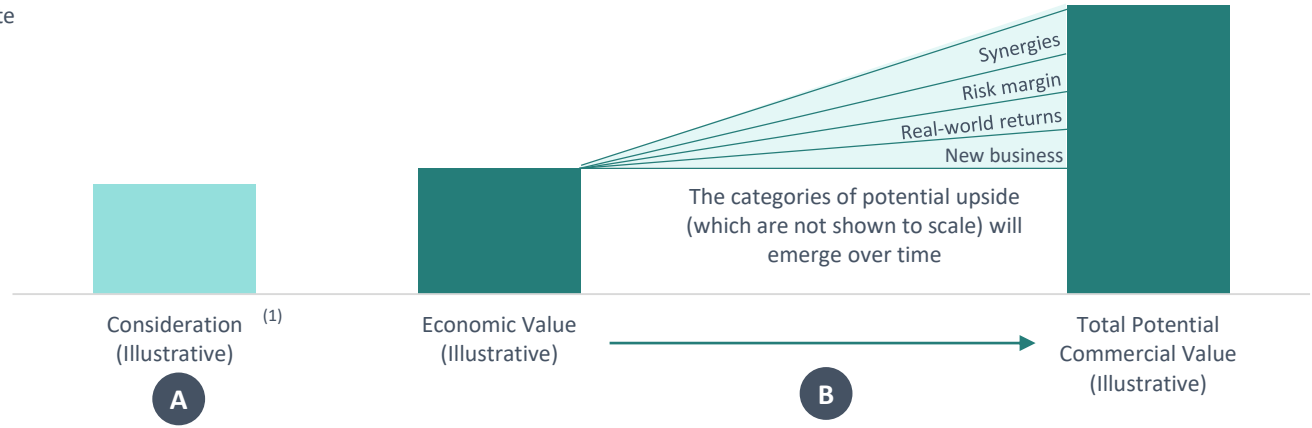
Assessment Criteria	Why This Matters
Cash Generation	Collectively, acquisitions must be suitably cash generative to continue to fund the group's long-term cash requirements, including fixed charges and the progressive dividend strategy
Value Enhancement	Acquisitions are required to be accretive to Economic Value over the long-term, under both best estimate and certain adverse scenarios
Customer Outcomes	Acquisitions must ensure we protect, or ideally enhance, customer interests
Risk Appetite	Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside our risk appetite the financial returns must be suitably compelling

Well-honed M&A strategy will continue to support the group's ambitions. Our balance sheet and existing financing provide sufficient funding capacity for future acquisitions without the need for additional debt or equity raises

M&A FRAMEWORK SUPPORTS EMERGENCE OF COMMERCIAL VALUE AND CASH FLOW OVER MEDIUM-TERM

Chesnara's approach to M&A often results in day 1 value creation via the acquisition of companies or portfolios at a discount to Economic Value. However, there are several further levers that are not recognised up-front that can provide medium-term commercial value and cashflow upside:

- Synergies – mainly costs and capital-related
- Run-off of the risk margin over time
- Investment returns above risk-free rate
- New business opportunities



A

Day 1 Discount to Economic Value

- Chesnara's prudent approach to identifying acquisition targets allows the group to execute transactions at a discount to day 1 Economic Value
- Achieved average discount of 29%(1) across the 11 acquisitions completed or announced to date

B

Commercial Value and Cash Flow Upside Levers

- Over time, the most frequently achievable sources of upside are:
  - Future expense synergies and capital efficiencies to be achieved from consolidation within existing markets
  - Run-off of the risk margin
  - "Real-world" investment returns above risk-free rate on shareholder assets
  - New business opportunities within the acquired business

Conservative entry valuations and prudent management of acquired portfolios allow Chesnara to deliver further commercial value and cash flow upside over time

Notes:
1. Average discount of 29% to Economic Value (or Embedded Value for transactions prior to 2016) achieved in acquisitions completed and announced to date

EXPERIENCED AND HANDS ON LEADERSHIP TEAM

Steve Murray ★
Group Chief Executive Officer
ROYAL LONDON · Standard Life · EY
>20

David Rimmington ★
Group Finance Director
ROYAL LONDON · KPMG
>25

Luke Savage
Independent Non-Executive Director and Chairman of the Board
Standard Life · LLOYD'S · Numis · dwf · LV= · >30

Jane Dale
Senior Independent, Non-Executive Director and Chairman of the Audit & Risk Committee
AIG · AVIVA · Legal & General · Covea · novia · amber · >30

Eamon Flanagan
Independent Non-Executive Director
SCM · AJBell Youinvest · R&Q · JLT · >30

Mark Hesketh
Independent Non-Executive Director
Standard Life · RBS · Stonebridge International Insurance · ZURICH · >25

Years of Industry Experience ★ Executive

Experienced, dynamic leadership team with over 150 years of combined experience across the insurance industry

3. PROPOSED TIER 2 ISSUANCE

OVERVIEW OF PROPOSED TRANSACTION

Proposed Transaction

- Inaugural debt capital markets transaction from Chesnara plc
- Envisaged transaction size of £200MM (WNG)
- GBP denominated Tier 2 Notes
- 10.5-year Bullet format, including a 6-month par call prior to maturity

Rationale

- Further improve and optimise the capital position of Chesnara
- Diversify sources of capital and build-out a debt capital markets presence
- For general corporate purposes, including investments and acquisitions

Key Highlights

- Inaugural transaction from a UK insurer operating in attractive core markets, whilst providing diversification across different territories, products and open vs. closed book
- Sustainable, long-term cash flow generation providing significant coverage for payments over the life of the Notes
- Strong Solvency position, with a pro-forma Solvency II ratio >180% for the envisaged transaction
- First time ratings process conducted with Fitch, with the rating to be disclosed upon public announcement

SUMMARY OF TERMS & CONDITIONS

Issuer	• Chesnara plc
Format	• £200,000,000 [•] per cent. Subordinated Tier 2 Notes due 2032
Issuer Rating	• [•] by Fitch
Instrument Rating	• Expected [•] by Fitch
Maturity Date	• [•] [July] 2032
6-Month Par Call	• Subject to regulatory consent and certain pre-conditions, the Issuer may, at its option, redeem all (but not some only) of the Notes on any day falling in the period commencing on (and including) [•] [January] 2032 and ending on (but excluding) the Maturity Date at their principal amount, together with any Arrears of Interest and any other accrued and unpaid interest to (but excluding) the date of redemption
Status and Subordination of the Notes	• The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders will be subordinated in an Issuer Winding-Up
Interest	• The Notes will bear interest on their outstanding principal amount from (and including) the Issue Date at the rate of [•] per cent. per annum • Subject to any deferral of interest, interest shall be payable in equal instalments semi-annually in arrear on [•] [January] and [•] [July] of each year, the first payment to be made on [•] [July] 2022
Mandatory Interest Deferral	• No optional deferral • Payment of interest on the Notes by the Issuer will be mandatorily deferred in full (i) on each Mandatory Interest Deferral Date, save as otherwise permitted by the Relevant Regulator or (ii) as a result of the non-satisfaction of the Issuer Solvency Condition
Early Redemption	• At par at any time (subject to regulatory consent and certain pre-conditions) for taxation reasons, if a Capital Disqualification Event or Ratings Methodology Event has occurred (or will occur within 6 months) or if 80% or more of the Notes originally issued have been repurchased and cancelled
Substitution or Variation	• At any time (subject to regulatory consent and certain pre-conditions) in whole (but not in part only) for taxation reasons or if a Capital Disqualification Event or a Ratings Methodology Event has occurred (or will occur within 6 months); subject to the new terms being not materially less favourable to holders
Mandatory Redemption Deferral	• No Notes shall be redeemed by the Issuer on the Maturity Date or on any other date set for redemption if (i) a Regulatory Deficiency Redemption Deferral Event has occurred and is continuing or would occur if the Notes were to be redeemed, (ii) the Relevant Regulator does not consent to the redemption (to the extent that consent is then required by the Relevant Regulator or the Relevant Rules), (iii) redemption would otherwise breach the provisions of the Relevant Rules which apply to obligations eligible to qualify as Tier 2 Capital
Use of Proceeds	• The net proceeds from the issue will be utilised by the Issuer for its general corporate purposes, including investments and acquisitions
Denominations	• £100,000 + £1,000
Documentation	• Standalone Offering Memorandum
Governing Law / Listing	• English Law / Euronext Dublin (GEM)
Sole Lead Manager	• Morgan Stanley

See Terms and Conditions of the Notes in the Preliminary Offering Memorandum for definitions of capitalised terms and full contractual details

STRUCTURAL COMPARISON WITH SELECTED TIER 2 TRANSACTIONS

	Chesnara	utmost	Pension Insurance Corporation	Phoenix Group	JUST.
Notes	Tier 2 Notes	Tier 2 Notes	Tier 2 Notes	Tier 2 Notes	Tier 2 Notes
Issue Date	[January] 2022	08-Sep-21	21-Oct-20	28-Apr-20	2-Oct-19
Size	GBP 200m (WNG)	GBP 400m	GBP 400m	GBP 500m	GBP 125m
IDR (Fitch)	[•]	BBB+	A	A+	A
Issue Rating (Fitch)	[•] expected	BB+	BBB+	BBB+	BBB
Interest Rate	[•]p.a. payable semi-annually	4.000% p.a. payable semi-annually	3.625% p.a. payable Annually	5.625% p.a. payable annually	8.125% p.a. payable semi-annually
Mandatory Interest Deferral	Upon (i) breach of SCR/ MCR, (ii) Solvency Condition not satisfied	Upon (i) breach of SCR/ MCR, (ii) Solvency Condition not satisfied	Upon (i) breach of SCR/ MCR incl. insolvent insurer winding up (ii) Solvency Condition not satisfied	Upon (i) breach of SCR/ MCR (ii) if required by regulator (ii) Solvency Condition not satisfied	Upon (i) breach of SCR/ MCR, (ii) Solvency Condition not satisfied
Optional Interest Deferral	None	None	None	None	None
Arrears of Interest	Cash cumulative, non-compounding	Cash cumulative, non-compounding	Cash cumulative, non-compounding	Cash cumulative, non-compounding	Cash cumulative, non-compounding
Maturity Date	[•] [July] 2032 (subject to any mandatory deferral)	15-Dec-31 (subject to any mandatory deferral)	21-Oct-2032 (subject to any mandatory deferral)	28-Apr-2031 (subject to any mandatory deferral)	26-Oct-29 (subject to any mandatory deferral)
Optional Redemption Date(s)	Any date from 6-months prior to (excluding) the scheduled maturity date, at par (subject to any mandatory deferral)	Any date from 3-months prior to (excluding) the scheduled maturity date, at par (subject to any mandatory deferral)	Any date from 6-months prior to (excluding) the scheduled maturity date, at par (subject to any mandatory deferral)	Any date from 3-months prior to (excluding) the scheduled maturity date, at par (subject to any mandatory deferral)	None
Mandatory Deferral of Redemption	Upon (i) breach of SCR / MCR incl. insolvent insurer winding up, (ii) Solvency Condition not satisfied, (iii) regulator not providing any required consent, (iv) redemption would breach the Relevant Rules	Upon (i) breach of SCR / MCR incl. insolvent insurer winding up, (ii) Solvency Condition not satisfied, (iii) if required by regulator, (iv) redemption would breach the Relevant Rules	Upon (i) breach of SCR / MCR incl. insolvent insurer winding up, (ii) Solvency Condition not satisfied, (iii) if required by regulator, (iv) redemption would breach the Relevant Rules	Upon (i) breach of SCR / MCR incl. insolvent insurer winding up, (ii) Solvency Condition not satisfied, (iii) if required by regulator	Upon (i) breach of SCR / MCR incl. insolvent insurer winding up, (ii) Solvency Condition not satisfied, (iii) if required by regulator, (iv) redemption would breach the Relevant Rules
Early Redemption	Upon Tax, Capital Disqualification and Rating Methodology Event(s) at par; Includes clean-up call (80%)	Upon Tax, Capital Disqualification and Rating Methodology Event(s) at par; Includes clean-up call (80%)	Upon Tax, Capital Disqualification and Rating Methodology Event(s) at par; Includes clean-up call (80%)	Upon Tax, Capital Disqualification and Rating Methodology Event(s) at par;	Upon Tax, Capital Disqualification and Rating Methodology Event(s) at par; Includes clean-up call (80%)
Substitution and Variation	Upon Tax, Capital Disqualification and Rating Methodology Event(s)	Upon Tax, Capital Disqualification and Rating Methodology Event(s)	Upon Tax, Capital Disqualification and Rating Methodology Event(s)	Upon Tax, Capital Disqualification and Rating Methodology Event(s)	Upon Tax, Capital Disqualification and Rating Methodology Event(s)

Familiar and well understood structure in-line with recent Insurance Tier 2 comparables

The above terms provide only an indicative summary. Please refer to the respective Offering Memorandums for a full description of the legally binding terms and conditions

4. CONCLUSION

KEY STRENGTHS OF THE CHESNARA CREDIT STORY

1

Track Record of Building Economic Value, Supporting Sustainable, Long-Term Cash Generation

- Long history of stable growth in Economic Value and cash flow over time
- Clear trajectory of future cash flow emergence from all busines units
- Meaningful upside potential from new business growth
- Delivery of the ESG strategy is a key priority across all business functions

2

Strong Solvency II Position with High Resilience to Market Volatility

- Solvency II ratio of 153% representing capital surplus of £161MM above the Group's internal capital threshold
- Solvency is highly resilient throughout periods of market volatility, including recent COVID-related market movements
- Own Funds comprise exclusively Unrestricted Tier 1 capital, with no reliance on Transitional Measures
- Solvency II ratio, pro-forma for proposed issuance, will stand at >180%, with leverage remaining at conservative levels

3

Disciplined M&A Framework with Proven Track Record of Delivery and Integration

- A strong M&A track record – acquisitions have been completed at attractive multiples and have delivered material synergies
- Focus on two sizeable and active markets (UK and Netherlands) with options for further territories if compatible with strategy
- M&A supports emergence of further value and cash flow over medium term
- Funding capacity and optionality in form of existing resources, debt capacity, equity or partnerships

4

Experienced and High Quality Management Team

- Well-regarded management team, with deep expertise and proven track record across our strategic objectives
- Group management well supported by strong divisional leadership groups
- Backed by a long-established and supportive shareholder base

Multiple drivers of stability and value growth, providing strong support for the credit proposition

APPENDICES

BUSINESS & OPERATIONAL MODEL IS WELL-SUITED TO MEETING STRATEGIC OBJECTIVES

	Chesnara			
Division	UK	NETHERLANDS		SWEDEN
Operating Company	COUNTRYWIDE ASSURED	WAARD GROUP	SCILDON	MOVESTIC
Strategic Objectives	01 02	01 02	01 03	01 03
Closed Book	✓	✓	✗	✗
Open Book	✗	✗	✓	✓
Key Products	Unit-linked pensions; life insurance; annuities; with-profits	Mainly term life; some unit-linked and some non-life	Protection, savings and group pensions	Mainly unit-linked pensions and savings; some life and health products
Distribution Method	N/A	N/A	Broker network	Largely via broker network; but some also sold direct to customers
Operating Model	Outsourced operating model	In-house (except certain asset management and IT functions)	In-house (except certain actuarial, asset management and IT functions)	In-house (except certain internal audit and IT functions)
M&A Strategy	3 acquisitions completed in the UK to date	5 transactions completed in the Netherlands to date		Movestic is the only acquisition in Sweden to date
	UK and the Netherlands remain the key target markets for M&A			
Risk Management	*Prudent approach to risk and capital management across the group*			

Diversified and complementary business model supports long-term value creation

THE GROUP HAS CONTINUED TO EVOLVE ITS OPERATING MODEL SINCE FOUNDATION

Chesnara

	UK	NETHERLANDS	SWEDEN
2004 to 2010	• **Chesnara created via acquisition of Countrywide Assured** • **Outsourcing** of CA's back-office functions • **Initial preparation for Solvency II** implementation • Successful integration of acquisitions	• **n/a**	• **Entry into Sweden in 2009** • **Initial preparation for Solvency II** implementation • Re-brand to **Movestic**
2011 to 2016	• Successful integration of further acquisitions	• **Entry into the Netherlands in 2015**	• Successful **re-engineering of platforms** to address IFA servicing issues • Launch of **"sustainability" funds**
	• **Group-wide achievements include the recruitment of Group CRO and the approval of Solvency II framework**		
2016 to Today	• Delivery of a three-year **customer strategy plan** (website refresh, change in communication methods, new product governance framework etc.) • **Realisation of cost savings** related to rationalisation of fund manager relationships • Received approval from the PRA for the **use of the Volatility Adjustment** • Successful integration of further acquisitions	• **Migration and digitalisation** of Scildon policy administration system • **Migration and integration of** the portfolio acquired from **Brand New Day** • Introduction of new product with our **white labelling partner, Dazure** • Successful integration of further acquisitions	• Implementation **of Insurance Distribution Directive** requirements • **Outsourcing of certain IT functions** • **Launch of a new claims** system and introduction of digital invoice handling • **New website launched** for partners and customers • Expansion of **direct distribution capacity** • Work has continued to work on **diversifying the channels used to distribut**e the division's products
	• **Delivery of operational resilience programme; completion of GDPR preparation project; continued progress with IFRS 17 implementation programme** • **Successfully managed the group throughout COVID-19 pandemic, focusing on customers, partners and employees**		

We have continued to deliver successful operational change across all divisions

RECENT DEVELOPMENTS IN SECOND HALF OF 2021 WILL SUPPORT LONG-TERM CASH FLOW

Since H1 results, Chesnara has announced two further acquisitions – Sanlam Life & Pensions UK Limited and Robein Leven N.V.

		Sanlam Life & Pensions UK Limited	Robein Leven N.V.
Transaction Description		• Acquisition of specialist provider of insurance and long-term product in the UK • Financed via revolving credit facility	• Acquisition of specialist provider of traditional and linked savings products, mortgage and annuities in the Netherlands • Financed from existing resources within Waard
Transaction Rationale		• c.£2.9Bn of AUM, increasing Group AUM by 34% and UK AUM by 126% to £5.2Bn • 80,000 policies • Provides future material value creation potential from expense and capital synergies, real world returns above risk free and risk margin run-off which will add further • Accretive to Economic Value over time	• Increases Netherlands closed-book AUM by 51% and policy count by 7% • Strongly aligned with strategic objective of acquiring and integrating life and pension companies and books of business within its target and value range • Chesnara's sixth acquisition in the Netherlands since 2015
Financial Metrics	Acquisition Price	£39MM	£13MM
	Economic Value[1]	£48MM	£16MM
	Discount to Economic Value (%)	19%	21%
	Incremental Cash Generation[2]	£5MM p.a.	£2MM p.a.
	Solvency II Ratio[3]	133%	211%

Both acquisitions are strongly aligned with Chesnara's strategy and are financially accretive from day one. These transactions have given us additional confidence in the strength and actionability of the pipeline

Notes:
1. Economic Value calculated on a Chesnara basis as at 31 December 2020
2. Under steady-state conditions
3. Under respective target's current Solvency II modelling framework

CHESNARA IS WELL-POSITIONED TO DEAL WITH ONGOING REGULATORY CHANGES

Chesnara

- **All territories are governed to the same Solvency II regime which creates good consistency across the Group**
- **Brexit is expected to create only modest and immaterial divergence between how Solvency II is applied in the UK vs. the rest of Europe.**
- **The Solvency II regime is currently subject to review and certain proposed changes are in consultation. Chesnara's assessment of the potential changes is that we expect no material impact on operations or financial dynamics**

UK

- **Over recent years there has been a focus on the fair treatment of long-standing customers**
  - Changes resulting from this review are now fully implemented and reflected in the group's valuations and projections
- Having come through this review in good shape we are increasingly **confident of more stable regulatory condition in the future**
- **However, several further regulatory changes on the horizon,** particularly in relation to retirements. These include:
  - Pension Dashboards
  - "*Stronger Nudge*" to pension guidance
  - Simpler annual statement
- **UK Treasury review of Solvency II**

NETHERLANDS

- **Local regulator, the DNB, requires higher capital buffers than in our other territories**
  - However, this has minimal impact on value and the impact on dividend capacity is baked into our business decisions and working capital management.
  - **We have seen a gradual reduction in buffer requirements** since entering the Dutch market
- **Ongoing regulatory focus on:**
  - Anti Money Laundering procedures
  - Operational resilience
  - Climate change
  - Material outsourcing and reassurance
- **Ongoing EIOPA review into Solvency II framework**

SWEDEN

- **Regulatory changes over recent years, particularly regarding changes to transfer charging and flexibility, have had a negative impact on Movestic**
  - This negative impact is fully recognised in the current valuation.
- **Further regulatory changes regarding opening up the more traditional market to transfers, expected to come into effect during 2022**
  - Expected to create a material opportunity for Movestic to attract new inflows
- **Ongoing regulatory focus on:**
  - Operational resilience
  - Fund classifications to reflect green credentials
  - Climate change
  - Commission disclosure
- **Ongoing EIOPA review into Solvency II framework**

Chesnara well-prepared for any regulatory changes both at group and subsidiary level

RECENT FINANCIAL PERFORMANCE: KPIs & HIGHLIGHTS

Financial performance		1H21	1H20	2020
Dividends	Dividends per share [1]	7.88p [3]	7.65p [3]	21.94p [3]
Cash	Group cash generation	£5.4m	£12.9m	£27.7m
Economic value	Economic value earnings [2]	£38.5m	(£74.1m)	(£37.6m)
IFRS	Profit before tax	£20.8m	(£9.1m)	£24.6m
New business	Commercial new business profit	£6.6m	£6.7m	£10.5m
	Incremental long term cash generation	£12.7m	£12.6m	£20.7m

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

Stable development across majority of financial KPIs during H1 2021

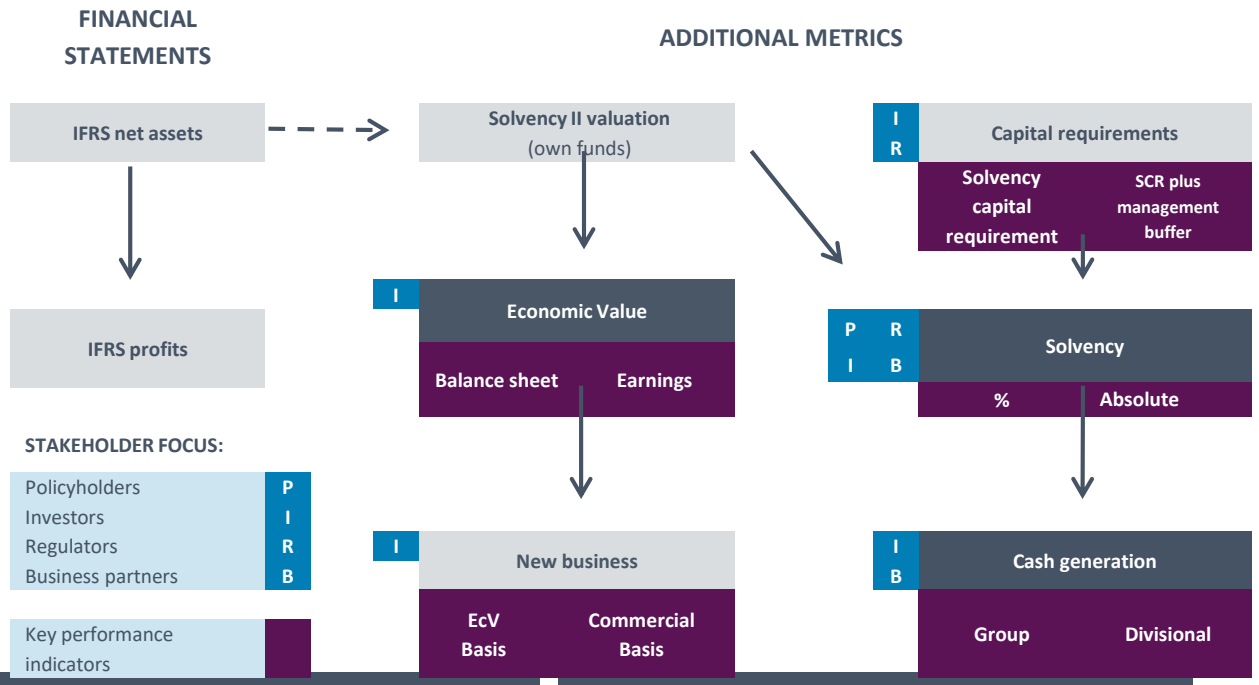
Notes:
1. Dividends per share represent those paid/declared/proposed in relation to that period
2. Economic value earnings exclude the impact of foreign exchange
3. The HY figures represent the interim dividend per share whereas the FY figure represents the full dividend for the year per share, inclusive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

MEASURING CHESNARA'S FINANCIAL PERFORMANCE

Throughout the presentation, we use measures to assess and report our performance.

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

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



SOLVENCY

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

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

ECONOMIC VALUE (EcV)

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

New business

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

CASH GENERATION

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

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

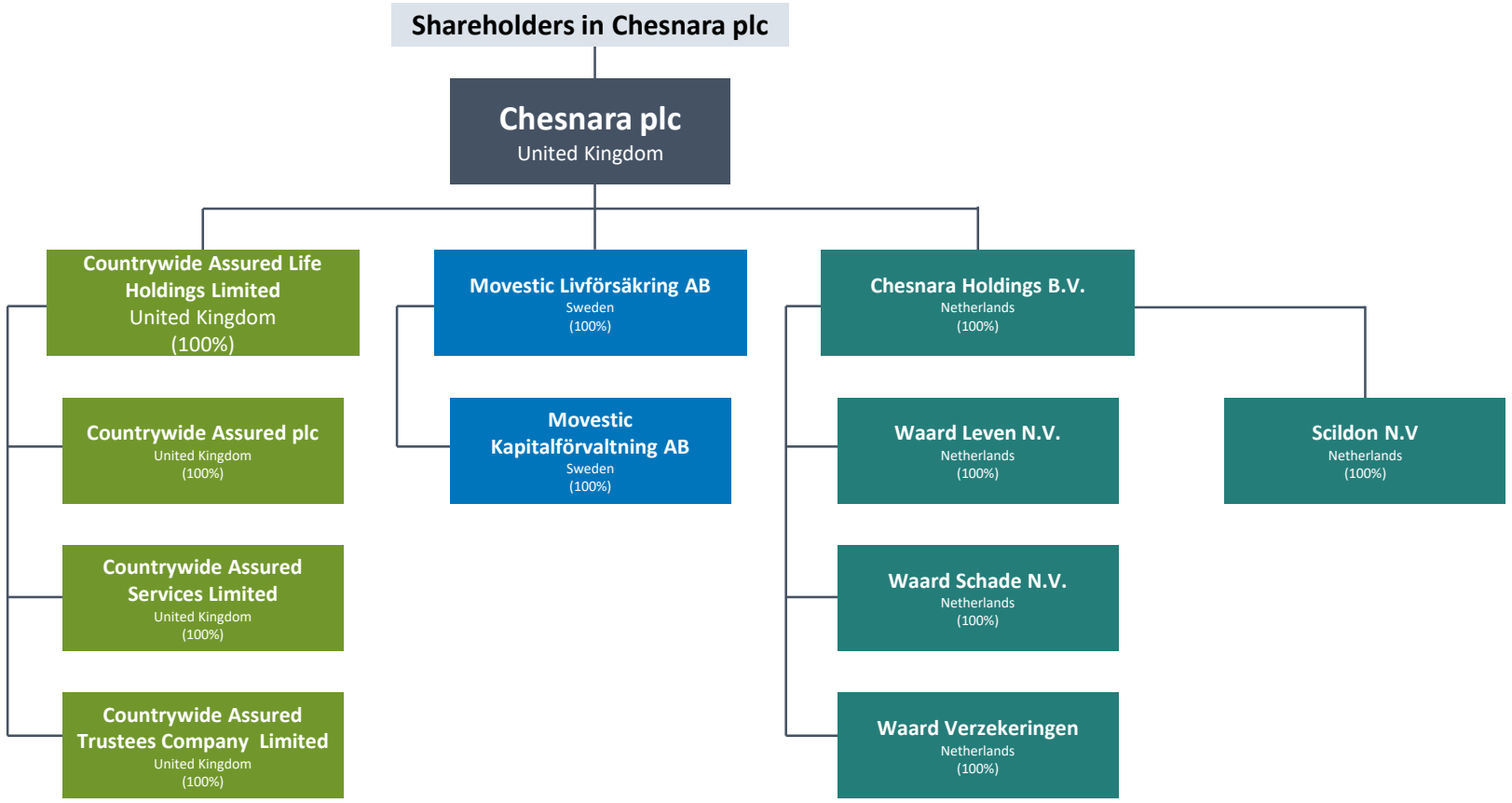
Divisional cash generation represents the movement in surplus own funds above local capital management policies within the three operating divisions of Chesnara. Divisional cash generation is used as a measure of how much dividend potential a division has generated, subject to ensuring other constraints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

FURTHER INFORMATION ON SOLVENCY II SENSITIVITIES

20% GBP appreciation	A material sterling appreciation would be expected to reduce the value of solvency surplus in the Group's overseas divisions and hence have an immediate impact on Group solvency surplus. It also is expected to reduce the value of overseas investments in Countrywide Assurance
25%/ 10% equity fall	Should equities rise, this would be expected to cause both the capital resources of the Group as measured in accordance with Solvency II valuation rules ("Own Funds") and SCR to rise, as the value of the funds exposed to risk is higher. An increase in SCR may be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment (a countercyclical adjusting factor that reduces or increases the level of capital required to be held against equity investments depending on historical market conditions). Conversely, in an equity fall, Own Funds and SCR would both be expected to fall; the extent to which the SCR reduction offsets the Own Funds depends on the stress applied. Countrywide and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities
1% reduction in interest rates	An interest rate rise would be generally expected to be positive for the Group's absolute level of solvency surplus. An interest rate fall would generally result in a larger impact on Own Funds than an interest rate rise, given the current low interest rate environment
50bps widening of credit spreads	A credit spread rise would be expected to have 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
25% reduction in swap rates	Should the swap discount curve fall with no change in the value of assets this would be expected to result in liability values increasing in isolation, which would in turn be expected to reduce the solvency surplus of the Group
10% mass lapse	In the event of a mass lapse, this would be expected to have a small impact on surplus as the reduction in Own Funds is largely offset by the SCR fall. However, with fewer policies on the books there is less potential for future profits, and therefore, in the longer term, a mass lapse event would be expected to reduce the Group's surplus generation. The division expected to be most affected would be Movestic; the loss in future fee income following mass lapse hits Own Funds by more than the SCR reduction
10% expense increase plus 1% inflation increase	A rise in inflation would be expected to reduce the solvency position of the Group as the increase in future expenses and inflation would be expected to be capitalised into the balance sheet
10% mortality increase	This would be expected to have an adverse impact on surplus, particularly for Scildon due to its term products

GROUP CORPORATE STRUCTURE

Our corporate structure is shown below. Chesnara plc is limited by shares; the majority of which are owned by private and institutional investors.



Registered and Head Office
Building Four, West Strand Business Park,
West Strand Road, Preston, Lancashire PR1 8UY
T +44 (0)1772 972050 **F** +44 (0)1772 482244
www.chesnara.co.uk

Registered Number: 4947166
Designed by The Chase