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8 March 2021

Chrysalis Investments Limited ("Chrysalis" or the "Company")

Portfolio Update

As announced on 26 February 2021, the Company's net asset value ("NAV") per ordinary share was 180.75 pence as of 31 December 2020. The Company subsequently announced on 1 March 2021 an estimated revised valuation of the Company's investment in Klarna Holding AB, due to its funding round, would result in a gross increase in the NAV per ordinary share of approximately 32p (based on Swedish Krona foreign exchange rates as of 26 February 2021) as compared to the Company's last reported NAV per ordinary share.

The Company notes Starling Bank's announcement today of the completion of a major funding round – conducted at a post new-money valuation of £1.3 billion – which represents a material uplift on the Company's carrying value of that asset. It is anticipated that this will lead to a gross NAV per share increase of approximately 6p compared to the Company's last reported NAV per share (calculated on the basis that the achieved valuation on the funding round is applied to revalue the Company's holding of the asset).

The round, which was led by Fidelity Investments and included The Qatar Investment Authority, RailPen Investments and Millennium Management, has raised £272 million of capital to allow Starling to continue its rapid expansion in the UK, as well as launching Starling into Europe and offer M&A flexibility. The funding round is subject to approval by the regulatory authorities.

Starling's recent growth has been exceptional. In February 2020, the bank had approximately £1 billion of customer deposits; as of today, customer deposits are greater than £5.4 billion. In addition, lending has exceeded £2 billion and the bank had achieved its fourth consecutive month of profitability. As of January 2021, run rate net profit was in excess of £1.5 million per month with an annualised run-rate revenue of approximately £145m – an increase of over 400% year on year. Growth continues to be strong with a new customer being added every 39 seconds.

The Company has not participated in the round. However, the Company's Investment Adviser has structured an option, but not an obligation, to allow the Company to participate should it wish to do so in the future. As announced by the Company on 17 February 2021, the Investment Adviser has identified circa £250 million of potential follow-on opportunities for the coming months and this option forms part of that.

Shareholders should note that the gross NAV per ordinary share increases referenced in this announcement and the Company's announcement on 1 March 2021 do not include the fees that may accrue as a result of the changes to this valuation, or any other portfolio company revaluations and associated foreign exchange movements that may be included when the Company next calculates its NAV per ordinary share as at 31 March 2021.

Richard Watts and Nick Williamson (co-Portfolio Managers) comment:

“Starling has shown extraordinary agility to react to the challenging conditions over the last 12 months, as demonstrated by its explosive growth in deposits and profitability. This was facilitated by significant commitment of capital by its shareholders, including Chrysalis Investments, over the course of 2020, which allowed a rapid expansion of its activities.

The endorsement of its valuation and validation of its operating model by new investors underlines the recent progress made. The potential for further profitable growth is highlighted by the fact that Starling managed to drive last year’s revenue performance with monthly operating costs staying broadly flat over that period. We believe the expansion of the shareholder base gives Starling a very strong footing from which to continue its growth trajectory, and given its operational gearing dynamics, we remain highly optimistic over its financial prospects.

We believe the likelihood of further value creation for the Company’s investors is significant from this asset, and as such, we have negotiated the option for Chrysalis Investments to participate in this round in the coming months.”

-ENDS-

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A copy of this announcement will be available on the Company's website at

<https://www.chrysalisinvestments.co.uk>

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