HALF YEAR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

Chesnara

CHESNARA HALF YEAR REPORT

for the six months ended 30 June 2018



SECTION A: OVERVIEW



HIGHLIGHTS

FINANCIAL



IFRS

£26.5_M

IFRS PRE-TAX PROFIT

SIX MONTHS ENDED 30 JUNE 2017 £51.6M

The 2017 result includes a £20.7m gain on acquisition of Legal & General Nederland.

£14.9_M

IFRS TOTAL COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2017 £53.8M

The 2018 result includes a foreign exchange loss of £6.9m (2017: gain of £7.1m). The 2017 result includes a £20.7m gain on acquisition of Legal & General Nederland.

Financial review p28



SOLVENCY

157%

GROUP SOLVENCY

31 DECEMBER 2017 146%

We are well capitalised at both group and subsidiary level and under Solvency II have not used any elements of the long term guarantee package, including transitional arrangements.

Capital management p24

ECONOMIC VALUE

£700.8_M

ECONOMIC VALUE

31 DECEMBER 2017 £723.1M

Movement in the period is stated after dividend distributions of £19.6m and includes a foreign exchange loss of £16.4m.

Financial review p31



CASH GENERATION

£48.6_M

GROUP CASH GENERATION

SIX MONTHS ENDED 30 JUNE 2017 £(2.7)M*

The cash generation figures can be impacted by one-off items. Further analysis is provided at page 29. The 2018 result benefits from a £26.8m release of surplus previously constrained in the UK with-profit fund. The 2017 comparison includes a £55.3m adverse effect of completing the acquisition of Legal & General Nederland.

* restated - for further detail see page 29

Financial review p29



ECONOMIC VALUE EARNINGS

£13.6_M

ECONOMIC VALUE EARNINGS

SIX MONTHS ENDED 30 JUNE 2017 £105.8M

The 2017 result includes a non-recurring £65.4m gain arising on the acquisition of Legal & General Nederland.

Financial review p30

£5.3_M

NEW BUSINESS PROFIT

SIX MONTHS ENDED 30 JUNE 2017 £7.1M

Business review pages 18 and 20

These financial highlights include the use of Alternative Performance Measures (APMs) that are not required to be reported under International Financial Reporting Standards. The definition for each of these items has been included in page 6 and in further detail within the Financial Review section on pages 26 to 27.

£53.1_M

DIVISIONAL CASH GENERATION

SIX MONTHS ENDED 30 JUNE 2017 £54.8M

The 2018 group cash result benefits from a £26.8m release of previously constrained surplus within the UK with-profit fund.

Financial review p29

HIGHLIGHTS

OPERATIONAL & STRATEGIC



DIVIDEND

INTERIM DIVIDEND INCREASE

Interim dividend increased by 3.00% to 7.21p per share (2017: 7.00p interim and 13.07p final).



ECONOMIC BACKDROP

LIMITED EQUITY GROWTH AND WEAKENING SWEDISH KRONA

A more subdued equity market performance in the period compared with the same period in 2017. Falling Italian bond values have adversely impacted Scildon investment performance. Swedish krona has weakened against Sterling by 6% since the start of the year.

17

IFRS₁₇

GROUP-WIDE IFRS 17 PROGRAMME IS PROGRESSING TO PLAN

The 'impact assessment' phase of the group and divisional IFRS 17 programme is in progress and will complete in Q3. The multi-year design and implementation phase will begin later in 2018.

SYMBOL GUIDE

Throughout the Half Year Report the following symbols are used to help distinguish between the various financial and non-financial measures reported:



IFRS



Cash generation



Economic Value



Economic Value earnings



Solvency



Dividend / Total Shareholder Return



Part VII



Operational performance



Compliance



New business market share



Acquisitions



Risk appetite



IFRS 17

MEASURING OUR PERFORMANCE

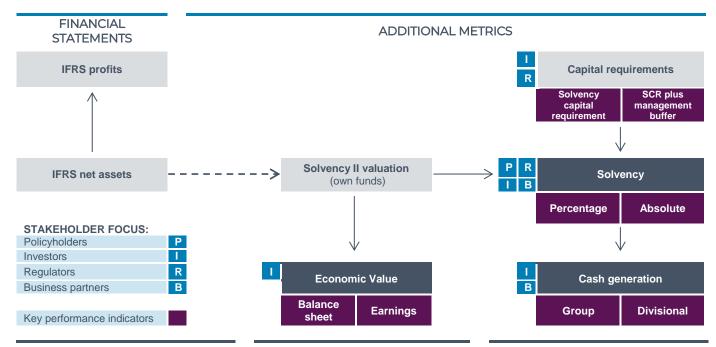
HOW WE MEASURE PERFORMANCE WITHIN THIS HALF YEAR REPORT

Throughout this Half Year Report, 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

Whilst the IFRS results form the core of the Half Year Report and hence retain prominence as a key financial performance metric, there is a general acceptance that the IFRS results in isolation do not adequately recognise the wider financial performance of a typical life and pensions business.

In light of the limitations of IFRS reporting, this Half Year Report adopts several Alternative Performance Measures (APMs) to present a more meaningful view of the financial position and performance. 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 diagram below shows the core financial metrics that sit alongside the IFRS results, together with their associated KPIs and interested parties.



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).

Further detail on p23 to 25

ECONOMIC VALUE

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, which was used before the introduction of SII. 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 of long term policies.

EcV is derived from Solvency II Own Funds and recognises the impact of future profit expectations from existing business.

Further detail on p30 to 31

CASH GENERATION

Cash generation is a measure of how much distributable surplus has been generated in the period, which supports the ability of the group to pay its dividends. It is driven by the change in solvency surplus, taking into account boardapproved capital management policies.

Further detail on p29

MEASURING OUR PERFORMANCE

OPERATIONAL AND OTHER PERFORMANCE MEASURES

In addition to the financial performance measures, this Half Year Report includes measures that consider and assess the performance of all of our key stakeholder groups. The diagram below summarises the performance measures adopted throughout this report.

	KE	Y STAKI	EHOLDI	ERS	KEY: Primary interest Secondary interest	
Measure	Policyholder	Investor	Regulators	Business Partner *	What is it and why is it important?	
Customer service levels	•	•	•	•	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 Half Year Report refer to a number of indicators of customer service levels.	Pages 16-21
Broker satisfaction	•	•	•	•	Broker satisfaction is important because they sell new policies, provide ongoing service to their customers and influence book persistency. We include several measures within the Half Year Report, including direct broker assessment ratings for Movestic and general assessment of how our brands fair in industry performance awards in the Netherlands.	Pages 18-21
Policy investment performance	•	•	•	•	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.	Pages 16-21
Industry performance assessments	•	•	•	•	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.	Pages 16-21
Funds under management	•	•	•	•	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.	Pages 18-21
Policy count	•	•	•	•	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.	See annual Report & Accounts
Total shareholder returns		•	•		his includes dividend growth and yield and shows the return that an investor is enerating on the shares that they hold. It is highly important as it shows the uccess of the business in translating its operations into a return for shareholders.	
New business profitability		•			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".	Pages 18-21
New business market share		•			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.	
Gearing ratio		•	•		The gearing is a ratio of debt to IFRS net assets and shows the extent to which the business is funded by external debt versus internal resources. The appropriate use of debt is an efficient source of funding but in general Chesnara seeks to avoid becoming overly dependent on permanent debt on the balance sheet.	
Knowledge, skills and experience of the Board of Directors	•	•	•	•	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.	

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

CHAIRMAN'S STATEMENT



I am pleased to report that during the first half of 2018, a period in which equity markets remained broadly unchanged, we continued to generate more than sufficient cash to fund the dividend strategy, though we saw a fall in our Economic Value following the payment of the final 2017 dividend and foreign exchange losses as a result of a weakening of the Swedish krona.

The strong 2017 results were most welcome as they reflected the benefits that can arise from successful acquisitions and from positive market conditions, but it is equally important that the business, as in the first half of this year, can generate sufficient cash in the absence of acquisitions and without the assistance of economic tailwinds.

We have made good progress with the Scildon development programme and I am pleased to report a 29% increase in the sales of term contracts compared to the first half of 2017. There is more to do and time is required but I am encouraged by the improvements during the year.

PETER MASON, CHAIRMAN Against a backdrop of continuing political uncertainty, economic volatility and during a period of significant operational development, the Chesnara business model has held up well.

At the heart of Chesnara's position as a reliable income stock, the UK book has continued to generate sufficient cash to fund the Chesnara dividend and the recent trend of Movestic making meaningful positive cash contributions continues. Movestic's new business profits have remained within their target range.

As we have previously reported, Scildon remains in transition and this is reflected in its short term financial results. The successful launch of a new mortgage term assurance product was too late during the period to have a meaningful impact on the results. Although a slight increase in new business volumes was reassuring, the fact that the new business operation only made modest profits serves to highlight the importance of successfully implementing the Scildon improvement initiatives.

The resilience of the established business units creates a strong foundation to support the continued improvement programme in Scildon.

The headline results for the first half of 2018 generally suffer by comparison to the first half of 2017. The 2017 results were unusually strong due to a combination of non-recurring items (including the completion of the acquisition of Legal & General Nederland) and highly beneficial economic conditions. However, total cash generated exceeds the cost of the full annual 2017 dividend.

In addition to funding an attractive dividend strategy, we have a long-term objective to at least protect the post dividend Economic Value of the group. This means that over time we aim to create value at least to the level of the annual dividend. Due to the sensitivity of the Economic Value to key investment market variables (see our sensitivity analysis on page 25), it can be particularly difficult to meet this Economic Value protection objective in periods where conditions are adverse. Also, the dividend outflow strain is concentrated to the first half of the year. Economic Value profits during the period were insufficient to cover the payment of the final 2017 dividend, largely due to the adverse impact of a Swedish Krona weakening against Sterling. This does not give rise to any particular undue concern, with management's focus primarily being on managing the core operating results of the group.



MAXIMISE VALUE FROM EXISTING BUSINESS

Divisional cash generation of £53.1m.

See pages 16 to 21 for further information.

When assessed in terms of levels of cash generated in the period we have, with the exception of Scildon, delivered broadly in line with expectations. £16.1m of cash emerged from the UK division during the period which, together with £26.8m of previously constrained surplus released from the with-profits fund, resulted in total cash significantly in excess of recent dividend payments. Movestic has increased its level of surplus resulting in a further £7.3m of cash generation. Scildon has reported negative cash generation of £2.3m. This is primarily due to the impact of valuation pressures on its fixed interest investments. The result in the period does not in itself impact our view regarding the future cash generation of the business.

Value growth in the period has been more muted. EcV earnings of £13.6m have been delivered, which includes a loss of £6.5m arising in Scildon due to the aforementioned investment value movements. Foreign exchange losses of £16.4m have also emerged in the period, largely as a result of a weakening of Swedish krona. These factors, coupled with the payment of the year end dividend of £19.6m have resulted in a reduction in EcV since the start of the year of 3%.



ACQUIRE LIFE AND PENSIONS BUSINESSES

Our post acquisition plans with Scildon are continuing to be delivered and remain on track.

See page 22 for further information.

THE OUTLOOK REMAINS POSITIVE.
ACQUISITION ACTIVITY CONTINUES TO TAKE
PLACE IN OUR TARGET MARKETS, WITH
OPPORTUNITIES CONTINUING TO EMERGE.

During the period we finalised arrangements to form a broader debt syndicate and this, together with increases in solvency surplus, means we are in a strong position to fund future acquisitions where they meet our assessment criteria.

CHAIRMAN'S STATEMENT (CONTINUED)





ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

New business profits from Movestic of £4.7m and £0.6m from Scildon.

See pages 18 to 21 for further information.

Chesnara writes new business in both Sweden and the Netherlands. The ultimate aim is to create sufficient annual profits, either through returns on the existing business, or through writing new business, to replace the proportion of Economic Value lost by way of dividend payments. Movestic continues to deliver within its target profit range with a profit for the six months to 30 June 2018 of £4.7m. This represents a slight reduction compared to 2017 mainly due to adopting a more prudent assessment of the profitability of increments to existing policies. Profits from new contracts remain broadly consistent with 2017.

Scildon are not currently generating sufficient new business profits. This is very much in line with our expectation at this stage and the need to drive profitability improvements over the coming years was factored into our acquisition price and has been clearly reported to shareholders. The expected cost of the improvement programme has been fully provided for.

I will take this opportunity to provide a little more detail about Scildon's recent performance and importantly the status of transition plans. Whilst new business volumes have actually increased slightly compared to the same period of 2017, the associated modest new business result has yet to reflect the expected positive impact of the improvement programme. Scildon successfully launched a new mortgage term assurance product towards the back end of the half year period.

SOLID NEW BUSINESS PROFITS HAVE EMERGED FROM MOVESTIC IN A CHALLENGING MARKET. SCILDON'S NEW BUSINESS OPERATION IS NOT GENERATING SUFFICIENT PROFIT AND THE FOCUS OVER THE COMING YEARS IS TO ADDRESS THIS ISSUE.

The successful launch of a new mortgage term assurance product is a first positive step on our Scildon improvement plan.

Solvency

The group continues to show a robust solvency position, with a solvency ratio of 157% at 30 June 2018 (31 December 2017: 146%). A large contributing factor to this increase is a £26.8m release of capital from the UK's with profit funds, which positively benefitted own funds in the period. The closing solvency position is stated after recognising the £10.8m cost of the interim dividend, which will be paid in October 2018.

Regulation and governance

IFRS 17

I have previously commented on the scale of the task, to both Chesnara and the wider industry, associated with delivering the new insurance accounting standard, IFRS 17. Our programme has progressed well in the period, with our immediate focus being on delivering an impact assessment. This deals with an initial early view on the technical application of the standard to the group and its associated financial and operational impacts. This initial work is expected to conclude during Q3 this year, and then transition to the implementation phase. We have previously provided for the cost of delivering the programme within our actuarial expense reserves, and these estimates have remained unchanged.

We continue to be of the view that IFRS 17 should not have any significant bearing on the commercial assessment of Chesnara, with our expectation that capital management decision making will continue to be driven by regulatory solvency and Economic Value as opposed to our IFRS results and position.

Regulatory compliance

Compliance with regulation remains a priority for the group. We have continued to maintain a positive and constructive relationship with regulatory bodies across the group. During the period we have delivered our GDPR readiness programmes, with the new rules coming into force on 25 May 2018.

The investigation into how Countrywide Assured disclosed exit fees to customers, initially announced on 3 March 2016, is ongoing. We have provided the FCA with all information requested. Discussions continue and given the narrow scope of the investigation we retain our opinion that the outcome from the investigation will not have a material impact on the company.

Governance framework

We continue to place great importance on ensuring our risk and governance system is fit for purpose. Work has continued to progress on ensuring that Scildon's risk and governance monitoring and reporting routines are in line with the wider group's.

CHAIRMAN'S STATEMENT (CONTINUED)

AT CHESNARA 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.

Corporate purpose

We assess our corporate purpose by considering eight aspects of our business and by looking at the business from the perspective of all stakeholders.

Business model

 Our acquisition strategy is built upon long term commitments to any markets we operate in. Our consolidation model therefore offers a genuine solution to the challenges certain insurance markets face.

The products and services we provide

 We help protect people and their dependants through the provision of life, health and disability cover or by providing savings and pensions which help customers with their financial needs in the future. We seek to provide customers and their advisers with helpful and reliable support.

Sustainability

- Driven in part by consumer demand, especially in our Dutch and Swedish operations, there is a continued positive shift towards an increased focus of sustainable fund investments.
- The nature of our business is such that in general we have a relatively low carbon footprint.

Shareholder proposition

 Investors, especially in a low interest rate environment do have a genuine need for income and hence our investor proposition, track record and responsible approach provides an investment opportunity for individuals seeking sustainable equity based income.

I AM PLEASED TO REPORT A 3% INCREASE IN THE INTERIM DIVIDEND

Taxation

 As detailed in our tax strategy, we adopt a responsible and open approach to taxation and, as a consequence, pay the appropriate taxes throughout the group.

Staff

 We provide high quality jobs with competitive remuneration and good working conditions both directly and through outsourced arrangements.

Suppliers and partners

 We seek mutually respectful and sustainable relationships with our suppliers. We believe that supplier relationships only work in the long term if the terms and conditions are mutually beneficial. Our instinct and natural preference is to maintain established long term supplier relationships where they remain commercially competitive and operationally viable.

Local community

- In the UK our investment and continued commitment to the North West and Preston in particular creates high quality financial services roles outside of London.
- All divisions support local community initiatives to the extent deemed appropriate given our financial responsibilities as a PLC.

Outlook and Brexit

I remain optimistic that Chesnara can continue to deliver against its strategic objectives, which in turn fund our well established dividend strategy. The ability to generate cash in less economically beneficial conditions, as has been the case during the first half of 2018, further supports my optimism.

In particular, the UK business remains a robust source of cash, with additional potential to take management actions to enhance the core cash if required. Movestic now has the scale to continue contributing to the cash position. Scildon has significant surplus capital and despite the negative cash emerging during the period, is also expected to be cash generative on an ongoing basis.

We now have sufficient scale and presence in both the UK and the Netherlands to continue our focus on acquisition activity in those territories in a disciplined manner. We also remain open minded about new territories but the benefits would need to outweigh the inherent challenge of adding another regulatory environment into our business model. Our balance sheet has further capacity for debt and having completed a debt syndication process, we are in a strong position to take advantage of the balance sheet capacity. We have significant levels of surplus capital and recent experience suggests we retain shareholder support for further equity for the right deal. This together with operational capacity means we remain well positioned to act should an opportunity arise that meets our stringent price and risk profile criteria.

Movestic has become an established profitable new business operation. We recognise that current new business profits from Scildon are not sufficient. However, the fact that we have recorded a modest profit calculated on a suitably stringent basis of assessment, together with the expected positive impact of the newly launched mortgage term protection contract does create an improved platform upon which we aim to deliver further profit growth over the coming years.

The structure of the group, with established regulated entities in several European countries, together with the fact we do not trade or share resource across territories, means I remain of the view that whatever the outcome from the Brexit negotiations, we expect it to have little direct impact on our business model.

In light of the above I remain confident that Chesnara is well positioned to continue to provide value to policyholders and shareholders.

Peter Mason Chairman 29 August 2018

OUR VIEW IS THAT CHESNARA FULFILS A POSITIVE CORPORATE PURPOSE.

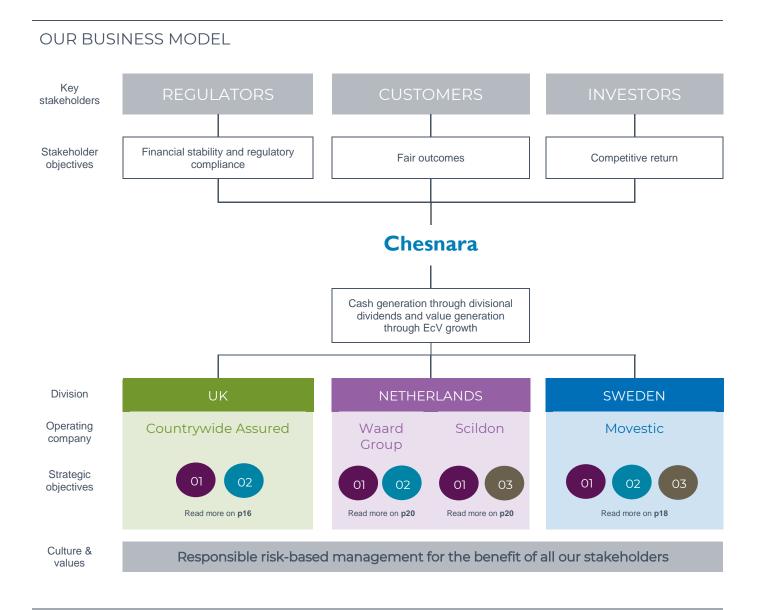
SECTION B: MANAGEMENT REPORT



BUSINESS REVIEW • INTRODUCTION

OVERVIEW OF OUR STRATEGY, CULTURE & VALUES AND BUSINESS MODEL

Our strategy focuses on delivering value to policyholders and shareholders. The strategy is delivered through a proven business model underpinned by a robust risk management and governance framework and our established culture & values.



OUR STRATEGIC OBJECTIVES

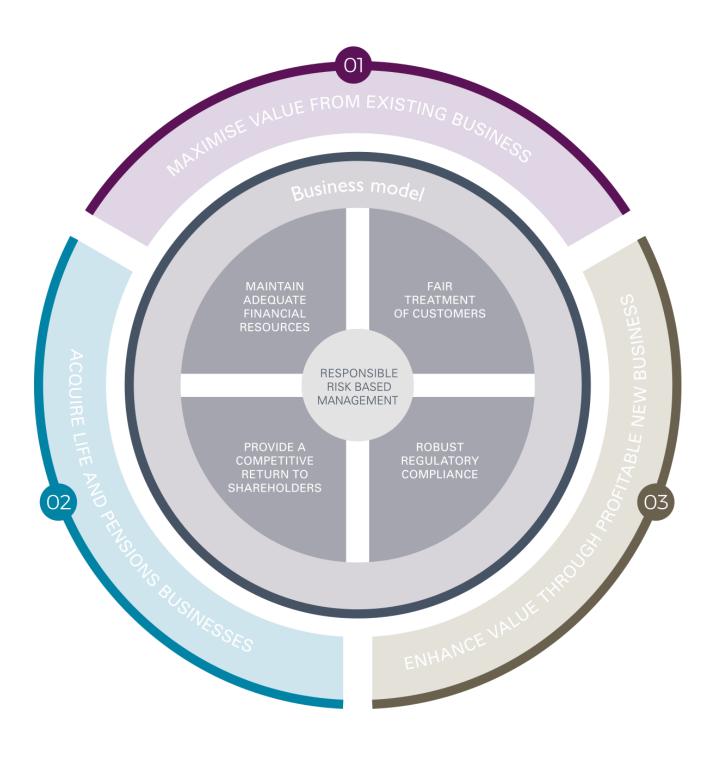


Managing our existing customers fairly and efficiently is core to delivering our overall strategic aims. Acquiring and integrating companies into our business model is key to continuing our growth journey.

Writing profitable new business supports the growth of our group and helps mitigate the natural run-off of our book.

BUSINESS REVIEW • INTRODUCTION

OVERVIEW OF OUR STRATEGY, CULTURE & VALUES AND BUSINESS MODEL



BUSINESS REVIEW • UK

The UK division manages c287,000 policies and is in run-off. The division follows an outsourcer-based operating model, with functions such as customer services, investment management and accounting and actuarial services being outsourced. A central governance team is responsible for managing all outsourced operations.

BACKGROUND INFORMATION

INITIATIVES & PROGRESS IN 2018

CAPITAL & VALUE MANAGEMENT

- As a closed book, the division creates value through managing the following key value drivers: costs; policy attrition; investment return; 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.

- EcV earnings of £8.4m in the period.
- Cash of £42.9m has been generated. This includes an exceptional cash generation of £26.8m arising from releasing trapped capital from the division's two ring-fenced with profit funds. Full consideration was given to the protection of the company's with-profit customers prior to this capital release, which was approved by the Financial Conduct Authority.
- IFRS profit of £27.6m. This includes the positive impact of £8.6m arising from a refinement to the way policyholder tax obligations are reserved for.
- The results have benefitted from improvements in the look-through of our asset holdings, resulting in a reduction in required capital in the period.

CUSTOMER OUTCOMES

Treating customers fairly is one of our primary responsibilities. We seek to do this by having effective customer service operations together with competitive fund performance whilst giving full regard to all regulatory matters. This supports our aim to ensure policyholders receive good returns, appropriate communication, and service in line with customer expectations.

- The division's customer strategy implementation programme has progressed well and is on track. The programme focuses on developing our business as usual processes to ensure they remain up to date with the expectations of policyholders and regulators. Specific activity has included developing enhanced policyholder communications, such as pension annual statements, ready for implementation later this year. The refreshed communications have drawn from a combination of customer research and expert guidance.
- A refreshed Countrywide Assured website was launched during the period. A second phase update is expected later this year.
- Our Vulnerable Customer Strategy has been implemented, providing additional support and reasonable adjustments to policy and processes in order to ensure fair customer outcomes.
- As part of our customer engagement programme we have been progressing our 'goneaways' programme to help re-connect with our customers.
- Our main managed funds have out-performed benchmarks.

GOVERNANCE

- Maintaining effective governance and a constructive relationship with regulators underpins the 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.
- The General Data Protection Regulation (GDPR) project was completed prior to the rules coming into force on 25 May 2018.
- The division's IFRS 17 project is underway, with the initial impact assessment expected to conclude in Q3.
- The FCA's investigation into the level of disclosure of exit charges to customers, which was announced in March 2016, remains open. Full ongoing support has been provided to the FCA. We have completed nine separate information requests to date and understand that the FCA is reviewing these. We believe that our disclosures to customers were consistent with that of the industry and met the regulatory requirements for the period covered by the investigation.

The UK has continued to progress its objectives in line with plans - the customer strategy implementation plan continues to be delivered and the division remains focused on good governance of the business. The results for the period show strong cash generation and underlying Economic Value growth. Management will continue to focus on these areas, coupled with identifying and delivering capital management initiatives and supporting the group in relation to any UK-based acquisitions.

FUTURE PRIORITIES

 Continue to focus on initiatives to optimise the balance between value growth and surplus capital availability.

KPIs



Continued underlying growth in economic value after removing the impact of dividends.



Cash generation of £42.9m, which includes a one-off surplus transfer from WP funds, continues to support the group's dividend strategy.

- Implement and deliver updated customer communications.
- Deliver identified improvements to customer claims processes.
- Continue with customer 'goneaways' work.
- Implement the second phase of the CA website development, enhancing both engagement with customers and also their access to information.

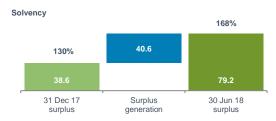
Policyholder fund performance:



Our main managed funds continue to out-perform their benchmark.

- Ensure we continue to stay on top of the regulatory change agenda. For example, there remains ongoing regulatory focus on the pensions and retirement income sectors, and the team is monitoring developments to ensure that we respond to any future consultation papers and/or policy statements as appropriate. The new Senior Managers & Certification Regime, designed to strengthen individual accountability in insurance, will apply to the business from December 2018.
- Delivery of the IFRS 17 programme will continue and will require significant resource.

SOLVENCY RATIO: 168%



Solvency remains robust. The surplus generated in the period increases the solvency position from 130% to 168%.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

BUSINESS REVIEW • SWEDEN

Movestic is a life and pensions business based in Sweden, and is open to new business. From its Stockholm base, Movestic operates as a challenger brand in the Swedish life insurance market. It offers transparent unit linked pension and savings solutions through brokers and is well-rated within the broker community.

BACKGROUND INFORMATION

INITIATIVES & PROGRESS IN 2018

CAPITAL & VALUE MANAGEMENT

Movestic creates value predominantly by generating growth in the unit linked assets under management (AuM) and by optimising the income that the assets generate, whilst assuring a high quality customer proposition. AuM 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.

- EcV earnings of £10.6m in the period.
- Cash of £10.6m has been generated, on constant exchange rates (£7.3m post foreign exchange retranslation).
- IFRS profit of £4.7m.
- Assets under management have grown by 6.7% in the period, on constant exchange rates.
- The transfer market remains intense. Policy transfers in and out being higher than expected with transfers in 20% higher than transfers out.
- The division has embarked on an operational 'right-sizing' programme, designed to improve efficiencies within the business and hence combat the impact of price pressure. This has progressed according to plan and is expected to deliver future expense savings which are not as yet recognised in the financial results.
- The Swedish Krona has weakened by 6.2% during the period, resulting in retranslation losses being reported in EcV and cash generation. During 2017 the Swedish Krona strengthened by 0.6%.
- While equity markets closed in line with the start of the year, they have been relatively volatile during the period.

CUSTOMER OUTCOMES

 Movestic places great importance on providing quality service to both customers and brokers, with simple, clear unit linked products, supported by an attractive and broad investment fund range. The aim of Movestic is to offer policyholders a range of the best funds and management services on the market.

- Policyholder average investment return of 3.5% in the year to date (H1 2017: 4.8%), ahead of the market average return of 2.6%.
- Fees have been lowered in Movestic's funds from 1 May to strengthen its customer proposition.
- The division introduced three new funds during the period, thus improving the choice available to its customers.

GOVERNANCE

- 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 valueenhancing initiatives planned by the division.
- The General Data Protection Regulation (GDPR) project was completed prior to the rules coming into force on 25 May 2018.
- Significant progress has been made on ensuring that the business is ready for the Insurance Distribution Directive, which applies from 1 October 2018.
- The IFRS 17 project has progressed well, with the initial impact assessment study expected to be completed during Q3.

PROFITABLE NEW BUSINESS

- 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 dividend strategy. Movestic has a clear sales focus and targets a market share of 10 -15% of the advised occupational pension market. This focus ensures we are able to adopt a profitable pricing strategy.

- Movestic continues to operate within its target market share range of between 10% and 15%.
- Volumes of new contracts sold have decreased compared with the same period in 2017, although gross margin rates have improved.
- Overall new business profits have reduced compared with the prior year. This is largely as a result of lower regular premium increments being received compared with the same period in 2017.

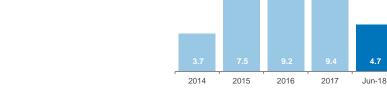
Movestic has delivered a positive set of results across key financial metrics. Its new business operation continues to add value to the group and assets under management growth continues to support the division in achieving its ambitions on scale. The division will continue to focus on it's IT streamlining plans, which are anticipated to bring cost efficiencies and improvements in broker and policyholder experience.

FUTURE PRIORITIES

KPIS ALL COMPARATIVES HAVE BEEN PRESENTED USING 2018 EXCHANGE RATES

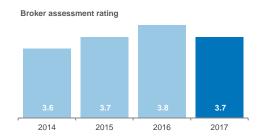
- Continue the journey of digitising and automating processes, with a view to improving both efficiency and control.
- Continue with the re-launch of risk and health business, including a new claims system being launched later in the year.







Introduce a new fund switching process, expected to be delivered during the second half of the year.



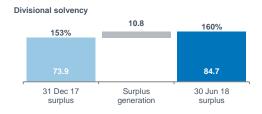
POLICYHOLDER AVERAGE INVESTMENT **RETURN:**

3.5%

(SWEDISH STOCK MARKET 2.6%)

- Deliver on plans to outsource IT operations with a view to increasing efficiency.
- Deliver compliance with the new Insurance Distribution Directive (IDD). The IDD seeks to strengthen consumer protection and transparency within the distribution of insurancebased products.
- Deliver IFRS 17 implementation plans.

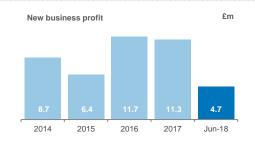
SOLVENCY RATIO: 160%



Solvency remains strong at 160%. Solvency surplus of £10.8m has been generated in the period.

- Continue to focus on writing new business within our target range.
- Ongoing digitalisation of processes to improve broker experience.
- Focus on increasing brand awareness.





BUSINESS REVIEW • NETHERLANDS



Our Dutch division consists of two separate businesses; Scildon and Waard. Scildon, acquired in 2017, is an open business, writing new policies focusing on three product markets via a broker network. Scildon is a well-established player in the term assurance market, the current market leader in unit-linked savings insurance and is a challenger brand in the Dutch defined contribution pension insurance market. Waard manages c108,000 policies and is in runoff, focusing on the efficient administration of its existing book of business.

BACKGROUND INFORMATION

INITIATIVES & PROGRESS IN 2018

CAPITAL & VALUE **MANAGEMENT**

- 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.
- Waard and Scildon paid dividends to Chesnara, in respect of 2017, of £12.9m and £21.7m and ended the period with healthy solvency ratios of 602% and 229%.
- Scildon has reported an EcV loss of £6.5m with Waard delivering a profit of £1.8m. The loss in Scildon is driven by adverse asset valuation movements from widening credit spreads on Italian government bonds.
- Cash generation of £2.9m, with £5.2m from Waard due to SCR reductions, offset by a cash loss of £2.3m from Scildon due to adverse market movements.
- IFRS loss of £1.1m largely caused by a £2.8m loss in Scildon due to asset value movements.
- Developed a focused plan for Scildon to drive the improvements in new business development, cost management and organisational structure.
- Aligned some functions between the two Dutch businesses to provide operational efficiencies.

CUSTOMER OUTCOMES

- 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.
- Updated the Scildon service desk to enhance the 'customer journey' for IFAs and consumers.
- Scildon received awards for "Best occupational pension insurer" and "Best annuity insurer" for 2017, according to the broker organisation
- The annual performance research for consumers shows high scores.

GOVERNANCE

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.

- Scildon has aligned its governance and risk management framework to Chesnara practices.
- The business strengthened the governance framework during the first half of 2018 through changes in structure and personnel.
- The IFRS 17 project is underway for both companies, with the initial impact assessment expected to conclude in Q3.
- Implemented GDPR in both companies.

PROFITABLE NEW **BUSINESS**

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 realistic market share. Having realistic aspirations regarding volumes means we are able to adopt a profitable pricing strategy. New business also helps the business maintain scale and hence contributes to unit cost management.

- Scildon generated new business profits of £0.6m. This is in line with expectations and was factored into our acquisition pricing but it is not currently generating sufficient new business profits and this is therefore a focus of our two year improvement
- As part of those plans, Scildon successfully launched a new mortgage term product towards the end of the period. The product has been well received by the market.
- Market share for the core protection business is at the top end of the 5-10% target range but we have further work to do to strengthen the proposition and reduce costs.
- Scildon updated the group pension offering to maximise value transfers and premium levels.

2018 has seen positives for the Dutch division, including dividends payments to Chesnara from both Scildon and Waard. The integration of Scildon into the group has continued in line with its improvement plan, with key steps taken including key organisational changes and the launch of its new mortgage term product. Due to timing, the steps have had minimal impact on the results thus far and in line with our expectations on acquisition, there remains further work to do. Economic conditions in 2018 have impacted results; however, these results do not have any bearing on the ongoing view of the cash and profit potential from the Scildon business.

FUTURE PRIORITIES

KPIS ALL COMPARATIVES HAVE BEEN PRESENTED USING 2018 EXCHANGE RATES

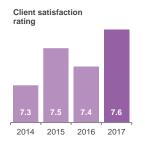
- Continue dividends from both divisions to support the group dividend.
- Continuation of the Scildon improvement plan which will strengthen future cash generation and value growth. The two year plans include:
 - Process and value for money improvements, such as increased levels of "straight through" processing:
 - Continuation of existing IT infrastructure developments to facilitate efficient processes;
 - Continual assessment of the business model to ensure an optimal balance between returns generated versus solvency capital requirements.





Scildon has a track record of delivering value growth enabling dividend distribution to the parent company and paid its first dividend to Chesnara plc in April 2018.

- Continuing to enhance and develop existing processes, customer experiences and the underlying infrastructure.
- Engage with brokers to support the development of our processes in conjunction with their requirements.
- Regular customer assessment, with the outcome used to improve service quality.







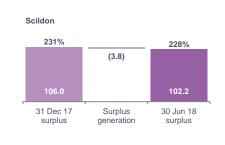
WINNAAR ZAKELIJK
PENSIOEN

 The focus during the second half of the year and into 2019 is to further embed the governance and risk management framework.

SOLVENCY RATIO: SCILDON 228%

WAARD 602%

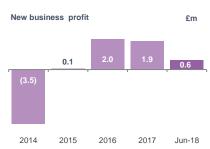
Solvency is strong in both businesses. Scildon has reported a reduction in surplus of £3.8m, largely due to increasing spreads reducing asset values. Waard has generated surplus capital of £3.7m.





- Management actions are planned as part of the two year improvement plans to generate a more commercially meaningful level of new business profit.
- An objective of the improvement programme is to deliver cost reductions whilst strengthening the proposition and maintaining market share.





ACQUIRE LIFE & PENSIONS BUSINESSES

Well considered and appropriately priced acquisitions maintain the effectiveness of the operating model, create a source of value enhancement and sustain the cash generation potential of the group.

HOW WE DELIVER OUR ACQUISITION STRATEGY

- Identify potential deals through an effective network of advisers and industry associates, utilising both group and divisional management expertise as appropriate.
- We primarily focus on acquisitions in the UK and Netherlands, although will consider other territories should the opportunity arise.
- We assess deals 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 minimised 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 debt, equity or cash depending on the size and cash flows of each opportunity.

HOW WE ASSESS DEALS



Cash generation Collectively our future acquisitions must be suitably cash generative to continue to fund the Chesnara dividend strategy.



Value enhancement

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



Customer

- Acquisitions must ensure we protect, or ideally enhance, customer interests.

ī

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.

RISKS

- There is the risk that if a lack of suitable acquisition opportunities come to market at a realistic valuation, the investment case for Chesnara diminishes over time.
- There is the risk that we make an inappropriate acquisition that adversely impacts the financial strength of the group.
- Our acquisition strategy includes both UK and non-UK markets.

WHAT WE CAN DO ABOUT THIS

- Operating in three territories increases our options thereby reducing the risk that no further value adding deals are done.
- A broader target market also increases the potential for deals that meet our strategic objectives.
- Flexibility over the timing of subsequent capital extractions and dividend flows provide an element of management control over the sterling value of cash inflows.
- Each acquisition is supported by a financial deal assessment model which includes high quality financial analysis. This is reviewed and challenged by management and the board, mitigating the risk of a bad deal being pursued.

ACQUISITION OUTLOOK

- In the UK, we have seen a continued gradual increase in closed book market activity which, in our view, is driven in part at a global level by regulatory developments and, at a company level, strategic developments. We expect these drivers to continue to be relevant going forward.
- Regarding the Netherlands, we have also seen a gradual increase in market activity which we are well positioned to take advantage of, given our scale and presence. Again, regulatory and strategic developments are the drivers, and we expect these themes to continue into the future.
- We continue to assess opportunities within Western Europe that are outside of Chesnara's current territories. All opportunities and territories considered are assessed on the basis that these do not compromise the well-established Chesnara's acquisition assessment model, as well as ensuring that these fit within Chesnara's governance framework and that they are able to support Chesnara's strategy and business model. There has been a reasonable level of market activity in Western Europe.
- The environment in which European life insurance companies operate continues to increase in complexity. For example, "IFRS 17 Insurance Contracts" was issued in 2017, which is a fundamental overhaul of the way in which insurance contracts are accounted for. We believe this additional complexity will potentially drive further consolidation as institutions seek to remove operational complexity and potentially release capital or generate funds from capital intensive life and pension businesses.
- Chesnara is a well-established life and pensions consolidator with a proven track record. Our financial foundations are strong, we have an established and stringent acquisition assessment model, and we continue to have strong support from shareholders and lending institutions to progress our acquisition strategy. We believe our operating model has the flexibility to accommodate a wide range of potential target books. Our good network of contacts in the adviser community, who understand the Chesnara acquisition model, ensures we are aware of most viable opportunities in the UK and Western Europe. With this in mind, we are confident that we are well positioned to continue the successful acquisition track record in the future.
- In April 2018 we converted our existing debt arrangement with RBS into a syndicated facility. This will provide access to higher levels of debt financing from a wider panel of lenders, which in turn will enable us to fulfill our appetite of financing future deals up to the maximum levels of gearing set out in our debt and leverage policy, without being restricted by the lending capacity of one individual institution. This facility enables Chesnara to access an increased level of funds efficiently, which in turn supports our acquisition strategy.

CAPITAL MANAGEMENT • SOLVENCY II

WHAT IS SOLVENCY AND CAPITAL SURPLUS?

- 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 Solvency II regime.
- The capital requirement is also 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.



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.

MORE ABOUT OWN FUNDS

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 is deemed to represent a commercially meaningful figure with the exception of:

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.

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 Own Funds include writing profitable new business, reducing the expense base and improvements to lapse rates.

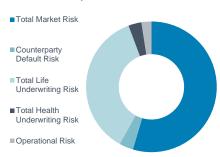
CHESNARA GROUP OWN FUNDS

MORE ABOUT THE CAPITAL REQUIREMENT

WHAT IS CAPITAL REQUIREMENT?

The Solvency Capital Requirement can be calculated using a 'standard formula' or 'internal model'. Chesnara adopts the 'standard formula'.

The standard formula requires capital to be held against a range of risk categories. The following chart shows the categories and their relative weighting for Chesnara:



There are three levels of capital requirement:

Minimum dividend paying requirement

The board sets a 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.

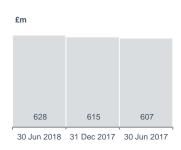
Minimum capital requirement (MCR)

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.

CHESNARA GROUP SCR

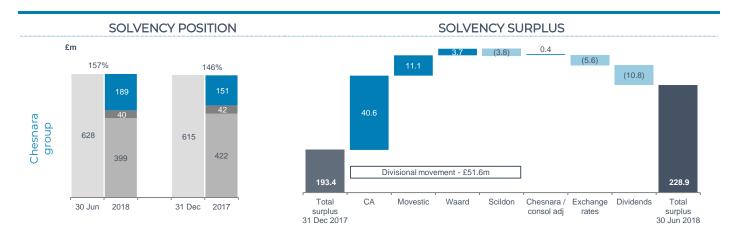


30 Jun 2018 157% £228.9m 31 Dec 2017 146% £193.4m		Group solvency ratio	Group solvency surplus	
31 Dec 2017 146% £193.4m	30 Jun 2018	157%	£228.9m	
	31 Dec 2017	146%	£193.4m	
30 Jun 2017 143% £181.9m	30 Jun 2017	143%	£181.9m	



CAPITAL MANAGEMENT • SOLVENCY II

We are well capitalised at both a group and subsidiary level, and we have not used any elements of the long term guarantee package.



THE COMMENTARY BELOW HIGHLIGHTS KEY POINTS IN THE YEAR TO DATE.

Surplus: The solvency position of the group has improved considerably from 146% to 157%. The group now has £189m of surplus over and above the internal capital management policy, compared to £151m at the end of 2017. The growth in surplus has arisen from a growth in Own Funds, coupled with a reduction in capital requirements.

SCR

Dividends: The closing solvency position is stated after deducting the £10.8m proposed interim dividend (31 December 2017: £19.6m).

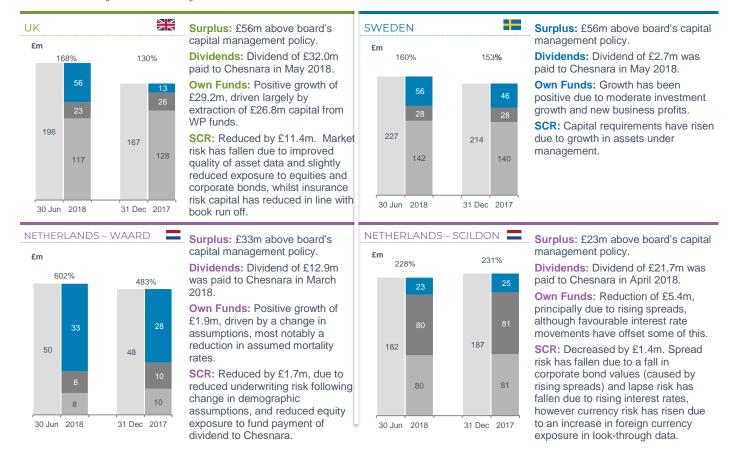
KEY

Own Funds (post Div)

Own Funds: Own Funds have increased by £23.6m, before the impact of the interim dividend. A large contributor to this growth is a £26.8m capital extraction from the with-profit funds within the UK division. Additional Own Funds growth has been curbed by rising spreads which affected Scildon and the depreciating Swedish krona, which has caused a reduction in the Sterling value of the Swedish business.

SCR: The SCR has fallen by £22.7m so far this year. The key movements underlying this are reductions in equity risk, spread risk, currency risk and lapse risk.

The graphs on this page present a divisional view of the solvency position which may differ to the position of the individual insurance company(ies) within that division. Note that prior year figures have been restated using 30 June 2018 exchange rates.



Surplus

Buffer

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 diagram below provides some insight into the immediate and longer term impact of certain sensitivities that the group is exposed to, covering solvency, cash generation and Economic Value. As can be seen, EcV tends to take the 'full force' of adverse conditions whereas cash generation is often protected in the short term and, to a certain extent, in the longer term due to compensating impacts on our required capital.



INSIGHT*

20% Sterling appreciation: A material Sterling appreciation reduces the value of surplus in our overseas divisions, and hence has an immediate day 1 impact on group cash generation. It also reduces the value of projected Own Funds growth in our overseas divisions and also reduces the value of overseas investments in CA.

Equity sensitivities: The impact of an equity fall causes the Own Funds to fall and the SCR also falls as the value of the funds exposed to risk is lower. Since the two movements largely offset each other, the net impact on surplus is small. In an equity rise, the Own Funds and SCR both rise and, again, the impact on balance sheet surplus is small. The impacts are not symmetrical due to the use of management actions and differences in the application of tax depending on the direction of the stress. The EcV impacts are more intuitive as they are more directly linked to the Own Funds impact. The impact on future growth builds on the immediate impact as future returns are directly impacted by the rise/fall in fund values.

1 % interest rate rise: An interest rate rise is generally positive across the group. CA, Movestic and Scildon all contribute significantly towards the total group cash generation impact.

50bps credit spread rise: A credit spread rise has a notable adverse impact on day 1 cash surplus and future cash generation in Scildon, largely as a result of the extent of corporate bond holdings that form part of the asset portfolios backing non-linked insurance liabilities. The impact on the other divisions is far 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: For this sensitivity, there is only a small immediate impact on surplus as any the reduction in Own Funds is negated by a reduction in the SCR. However, with fewer policies on the books there is less potential for future profits. The division most affected is Movestic, largely because as a unit-linked business the loss in future AMCs following a mass lapse hits Own Funds by more than the associated reduction in SCR.

10% expense rise + 1% inflation rise: The expense sensitivity hits the solvency position immediately as the increase in future expenses and inflation is capitalised into the balance sheet.

*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 the 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.

FINANCIAI REVIEW

The key performance indicators are a reflection of how we have performed in delivering our three strategic objectives and our core culture and values. The first half of 2018 has seen solid results across all metrics, despite pressure from a weakening Swedish Krona, volatile equity markets and a widening of spreads on fixed income assets held by our Dutch business.



() IFRS PRE-TAX PROFIT

TOTAL COMPREHENSIVE INCOME:

\$26.5M 30 JUNE 2017: £51.6M

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?

IFRS profit is a statutory measure used both internally and by our external stakeholders in assessing the performance of the business. IFRS profit is an indicator of how we are performing against our stated strategic objective of 'maximising value from the existing business' and can also be impacted by one-off gains arising from delivering against our stated objective of 'acquiring life and pensions businesses'. Whilst the IFRS results form the core of reporting and hence retain prominence as a key financial performance metric, there is a general acceptance that the IFRS results in isolation do not adequately recognise the wider financial performance of a typical life and pensions business.

Risks

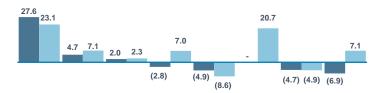
The IFRS profit can be affected by a number of our principal risks and uncertainties as set out on pages 32 to 34. In particular, volatility in equity markets and bond yields can result in volatility in the IFRS pre-tax profit, and foreign currency fluctuations can affect total comprehensive income. The IFRS results of Scildon are potentially relatively volatile, in part, due to the different approach used by the division for valuing assets and liabilities, as permitted under IFRS 4.

£14.9_M 30 JUNE 2017: £53.8_M

Further detail on p28

Highlights





*includes other comprehensive income

- Strong pre-tax performance in the UK drives results.
- IFRS pre-tax profit of £26.5m is lower than in the same period in prior year, owing to profit on acquisition in 2017 and economic losses suffered in
- Operating profits of £27.3m are the foundation of the result, demonstrating the strength and stability of the underlying business, offsetting the small economic loss, driven by markets conditions.
- Total comprehensive income includes a foreign exchange loss of £6.9m (2017: £7.1m gain) predominantly relating to sterling's appreciation against the Swedish Krona.



CASH GENERATION

£48.6M 30 JUNE 2017: £(2.7)M

Cash generation is a measure of how much distributable cash has been generated in the period. Cash generation is driven by the change in solvency surplus in the period, taking into account board-approved capital management policies.

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 the 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

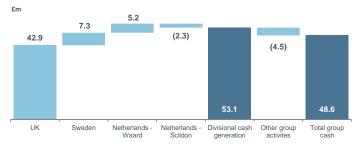
The ability of the underlying regulated subsidiaries within the group to generate cash is affected by a number of our principal risks and uncertainties as set out on pages 32 to 34. Whilst cash generation is a function of the regulatory surplus, as opposed to the IFRS surplus, they are impacted by similar 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.

DIVISIONAL CASH GENERATION

£53.1M 30 JUNE 2017: £54.8M

Further detail on p29

Highlights



Divisional cash generation

- Significant cash generation from the UK, with positive contributions from Movestic and Waard. Volatility in European market conditions resulted in an economic loss in Scildon, more than offsetting the division's operational
- The result includes the non-recurring benefit of a £26.8m capital extraction from restricted with profit funds in the UK.

Total cash generation

- Total group cash generation includes the impact of other group activities, primarily the impact of group expenses on own funds and changes to capital requirements upon consolidation of divisions.
- Total cash generation in 2017 included the negative impact of the completion of the LGN acquisition (£55.3m).
- Excluding the aforementioned non-recurring items, the underlying group cash generation is £21.8m compared to £52.6m.

These two pages provide a "snapshot" of our key financial measures and some insight into what's driving the outcome in 2017. Further analysis can be found on pages 28 to 31.



ECONOMIC VALUE (EcV)

£700.8M 31 DECEMBER 2017: £723.1M

Further detail on p31

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. Conceptually, EcV is broadly similar to EEV in that both reflect a marketconsistent assessment of the value of existing insurance business, plus adjusted net asset value of the non-insurance business 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 intrinsic 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 and yields on fixed interest securities. 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 by 6.8%, based on the composition of the group's EcV at 30 June 2018.

Highlights



- Economic value at the end of the June of £700.8m.
- Underlying earnings of £13.6m have been generated in the first half year.
- The movement in EcV since the start of the year includes the impact of the payment of the year end 2017 dividend.
- Foreign exchange losses arising on re-translating of the Dutch and Swedish divisions have contributed to the overall reduction, primarily representing the strengthening of sterling against the Swedish krona since the start of the year.



EcV EARNINGS NET OF TAX

£13.6M 30 JUNE 2017: £105.8M (includes £65.4m gain on acquisition)

Further detail on p30

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:

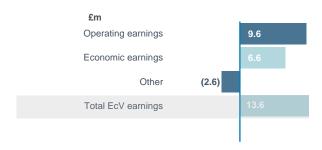
- The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force);
- Value added by the writing of new business;
- Variations in actual experience from that assumed in the opening valuation;
- The impact of restating assumptions underlying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

Why is it important?

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. 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.

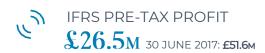
The EcV earnings of the group can be affected by a number of factors, including those highlighted within our principal risks and uncertainties and sensitivities analysis as set out on pages 32 to 34. In addition to the factors that affect the IFRS pre-tax profit and cash generation of the group, the 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.

Highlights



- EcV earnings of £13.6m have been generated in the first half of the year.
- Underlying operating earnings have continued to emerge across all divisions.
- Economic earnings are more muted than the same period in 2017 (£36.6m) largely as a result of comparably lower growth in equity markets.
- EcV earnings in the prior period benefitted from a one off gain of £65.4m arising as a result of the completion of the acquisition of Scildon.

IFRS



IFRS TOTAL COMPREHENSIVE INCOME

 $\pounds 14.9_{M} \text{ 30 JUNE 2017: } \pounds 53.8_{M}$

Executive summary

The group IFRS results reflect the natural dynamics of the segments of the group, which can be characterised in three major components:

- (1) Stable core: At the heart of surplus, and hence cash generation, are the core CA and Waard Group segments. The requirements of these books are to provide a predictable and stable platform for the financial model and dividend strategy. As closed books, the key is to sustain this income source as effectively as possible. The IFRS results below show that the stable core continues to deliver against these requirements.
- (2) Variable element: Included within the CA segment is the Save & Prosper book. This can bring an element of short-term earnings volatility to the group, with the results being particularly sensitive to investment market movements due to product guarantees. The IFRS results of Scildon are potentially relatively volatile although this is, in part, due to reserving methodology rather than 'real world' value movements.
- (3) Growth operation: The long-term financial models of Movestic and Scildon are based on growth, with levels of new business and premiums from existing business being targeted to more than offset the impact of policy attrition, leading to a general increase in assets under management and, hence, management fee income.

IFRS results

The financial dynamics of Chesnara, as described above, are reflected in the following IFRS results:

	Unau	dited	Year	
	6 month	s ended	ended	
	30 Jun 18	30 Jun17	31 Dec 17	
	£m	£m	£m	Note
CA	27.6	23.1	50.6	1
Movestic	4.6	7.1	9.8	2
Waard Group	2.0	2.3	5.2	3
Scildon	(2.8)	7.0	18.4	4
Chesnara	(2.0)	(6.6)	(12.1)	5
Consolidation adjustments	(2.9)	(2.0)	(2.6)	6
Profit before tax and profit on acquisition	26.5	30.9	69.3	
Profit on acquisition of Scildon	-	20.7	20.3	
Profit before tax	26.5	51.6	89.6	

Note 1: The CA segment has reported strong results for the half-year, in excess of those for the same period in 2017. Positive economic conditions contributed £8.0m to the result, of which £4.6m related to a reduction in the cost of guarantees within the S&P book. This was mainly driven by favourable valuation interest rate movements in the period. Operating profits at £19.6m were also strong in the period, reflecting the positive impact arising from a change to annuitant mortality rate assumptions and a one-off gain resulting from the refinement of a reserving approach in respect of tax charges arising on unrealised gains.

Note 2: Movestic continues to contribute positively to the overall group IFRS result despite a reduction in profits when compared to the same period in 2017. Lower fund performance fees and a fall in the profits generated by its associate, Modernac, were the main drivers

Note 3: The Waard Group result is in line with expectations, with profits emerging in line with the run-off book profile.

Note 4: Although Scildon has delivered a strong operating profit, the division has posted an overall loss due to adverse market movements. This arises from the fact that Scildon measures the majority of its insurance contract liabilities using historical rates of interest, as is customary in the Netherlands. This can lead to increased volatility in IFRS profits by virtue of the assets that back the liabilities being reported and measured on a fair value basis. In addition, new business volumes have been below expectations, resulting in weaker than expected new business contribution.

Note 5: The Chesnara result represents holding company expenses. It includes a foreign exchange gain in the period of £0.6m, compared to a loss of £2.6m in the prior year, in respect of the euro denominated loan taken out to part-fund the Scildon acquisition.

Note 6: Consolidation adjustments relate to items such as the amortisation of intangible assets. These are higher than previous periods, due to the impact of the Scildon acquisition.

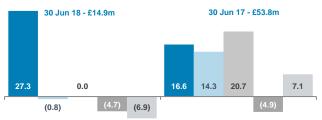
Note 7: Sterling strengthened against both the euro and Swedish krona in the period, reversing most of the exchange gains in 2017.

	Unau	dited	Year	
	6 month	s ended	ended	
	30 Jun 18	30 Jun 17	31 Dec 17	
	£m	£m	£m	Note
Operating profit	27.3	16.6	38.4	8
Economic profit	(0.8)	14.3	30.9	9
Profit before tax and profit on acquisition	26.5	30.9	69.3	
Profit on acquisition of Scildon	-	20.7	20.3	
Profit before tax	26.5	51.6	89.6	
Tax	(4.7)	(4.9)	(11.2)	
Profit after tax	21.8	46.7	78.4	
Foreign exchange	(6.9)	7.1	8.3	7
Other comprehensive income	-	-	0.2	
Total comprehensive income	14.9	53.8	86.9	

Note 8: The operating result demonstrates the strength and stability of the underlying business, driving the generation of profit. Product based income and favourable movements in operating experience in the UK, were offset slightly by the marginal strengthening of expense reserves to support future developments. Strong premium growth and higher fund rebates, offset by unfavourable claims experience in the period supported the Movestic operating result. Whilst the Waard operating results were in line with expectation, the Scildon operating result was better than expected.

Note 9: Economic profit represents the components of the earnings that are directly driven by movements in economic variables, e.g. the impact of yield movements on the cost of guarantees reserves. During 2018, the economic result is mainly driven by the impact on Scildon of widening credit spreads, whereas 2017 benefitted from positive equity market growth which has not been witnessed in the same period in 2018.

Analysis of IFRS total comprehensive income (£m)



■Operating ■Economic ■Profit on acquisition of the Scildon ■Tax ■Forex

CASH GENERATION



GROUP CASH GENERATION

£53.1M 30 JUNE 2017: £54.8M

DIVISIONAL CASH GENERATION

\$48.6M 30 JUNE 2017: $\mathbf{\pounds}(2.7)$ M

Strong cash generation in the UK has driven a total divisional cash result of £48.6m in the period, with supporting contributions from the overseas territories. Cash in the business is generated from increases in the group's surplus funds. Surplus funds represent the excess of assets held over management's internal capital needs, as reflected in the capital management policies across the group. These are based on regulatory capital requirements, with the inclusion of additional "management buffers".

GROUP

- Sufficient group cash has been generated in the year to date to cover the cost of last year's dividend.
- 2017 group cash generation included the impact of the completion of the Legal & General Nederland (Scildon) acquisition. In line with expectations, this was a £55.3m negative impact on cash generation.
- Other group activities reflect group expenses and the impact of consolidation routines, specifically movements in capital requirements determined at a group level. From a capital requirement perspective, this is driven by movements in required capital at a Chesnara holding company level coupled with consolidation adjustments. At a Chesnara holding company level, additional capital is principally required to be held for the currency risk associated with the Movestic, Scildon and Waard Group surplus assets.

£m			June 2018			June 2017
		Movement in Own Funds	Movement in management's capital requirement	Forex impact	Cash generated	Cash generated
UK		29.2	13.7	-	42.9	30.4
Sweden		13.8	(3.2)	(3.3)	7.3	13.8
Netherlands	Waard Group	2.0	3.3	(0.1)	5.2	7.4
	Scildon	(5.4)	3.2	(0.1)	(2.3)	3.2
Divisional cash		39.6	16.9	(3.4)	53.1	54.8
Other group activities		(0.7)	(3.8)	-	(4.5)	(2.2)
Group cash pre-Scildon acquisition		38.9	13.1	(3.4)	48.6	52.6
Impact of Scildon acquisition		-		-	-	(55.3)
Total group cash		38.9	13.1	(3.4)	48.6	(2.7)

UK



SWEDEN









- Own Funds growth is the main driver of cash generation in the UK. The result includes the benefit of a £26.8m release of restricted surplus form the with-profit funds.
- At 30 June 2018 a further £6.6m of surplus capital exists within the with profit funds that has not been recognised in the results.
- Investment return and yield curve movements in Q2 have also contributed to increase in Own Funds.
- There has also been a reduction in required capital, with reduced equity risk and spread risk, following the capital extraction.

- Sweden generated £7.3m of cash in the first half of the year, due to growth in Own Funds
- Own Funds have benefitted from growth in assets under management, particularly in equity markets and unit linked contracts where positive returns have driven higher SEK fund values.
- Conversely, growth in assets also had the consequential impact of having to hold a higher level of capital within the business
- SEK depreciation against sterling saw an exchange loss of £3.3m.

- The Waard Group has continued to supply stable cash generation, with positive underlying movements in both Own Funds and capital requirements.
- Positive movement in Own Funds was driven primarily by reductions in assumed mortality and lapse rates.
- Falls in counterparty default risk and market risk underpins the reduction in the capital requirement.
- Scildon has reported a loss in the period, largely due to a reduction in Own Funds.
- Positive operating performance has been offset by economic losses in the second quarter of the year, owing to volatility in European markets.
- Capital requirements moved favourably in the period, with the market conditions driving a reduction in spread risk.

A £48.9m one-off positive impact in respect of equity raised ahead of completion of the acquisition of Legal and General Nederland, was included in the 2016 result. We highlighted this as a temporary impact in our 2016 accounts. As expected, on completion, the 2017 result included a consequential negative impact of £55.3m. The end to end impact of the acquisition of LGN resulted in a day 1 surplus cash reduction of £6.4m. Our reported group cash generation of £46.2m for the six months to 30 June 2017 was reported on an adjusted basis. The 2017 comparative has subsequently been re-stated to reflect the reversal of the £48.9m positive equity raise impact and aligns the half-year result with the basis presented in our 2017 Annual Report and Accounts.

FcV FARNINGS



EcV EARNINGS

£13.6M 30 JUNE 2017: £105.8M*

ncludes £65.4m gain on acquisition

The group's EcV earnings in the period are largely driven by operating profits. Economic earnings have contributed less than in the prior period as a consequence of more muted equity market performance.

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

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m	Note
Expected movement in period	3.8	5.0	12.0	
New business	5.3	7.1	12.4	
Operating variances	(7.0)	4.4	1.2	
Operating assumption changes	8.9	(6.4)	(3.6)	
Other operating variances	(1.3)	-	0.5	
Total underlying operating earnings	9.6	10.1	22.5	
Exceptional operating variances	-	(11.4)	(19.2)	2
Total operating earnings	9.6	(1.4)	3.3	
Economic experience variances	0.6	35.7	74.6	1
Economic assumption changes	5.9	7.6	2.2	
Total economic earnings	6.6	43.3	76.8	
Other non-operating variances	(0.3)	5.0	1.2	
Risk margin movement	(0.5)		4.0	
Gain on acquisition	-	65.4	65.4	3
Tax	(1.8)	(6.5)	(11.1)	
Total EcV earnings	13.6	105.8	139.5	

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

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m	Note
UK	10.9	26.2	54.5	4
Sweden	10.6	15.8	24.0	5
Netherlands	(5.8)	14.8	21.8	6
Gain on acquisition	-	65.4	65.4	
Group and group adjustments	(0.3)	(9.9)	(15.1)	7
EcV earnings before tax	15.4	112.3	150.6	
Tax	(1.8)	(6.5)	(11.1)	8
EcV earnings after tax	13.6	105.8	139.5	

Note 1 - Economic conditions: The EcV result is sensitive to investment market conditions. Key investment market conditions in the period are as follows:

- The FTSE All share index has decreased by 0.5% (6 months to 30 June 2017: increased by 3.3%);
- The Swedish OMX all share index has increased by 0.9% (6 months to 30 June 2017: increased by 7.2%); and
- 10 year UK gilt yields have increased from 1.26% at the start of the year to 1.39% (2017: 1.28% at the start and end of the period).

Note 2 – 2017 Exceptional operating items: The Movestic result included an £11.4m impact relating to changes in future charge assumptions if, as expected, commercial pressures were to drive fee changes in the future. Also included was a £7.8m provision to cover the future Scildon development programme.

Note 3 - Gain on acquisition of LGN: The acquisition of LGN in April 2017 resulted in a 'day 1' gain of £65.4m, representing the difference between the purchase price of £137.6m and the EcV of LGN at the point of acquisition of £203.0m.

Note 4 - UK: The UK delivered pre-tax earnings of £10.9m in the first half of the year. Solid operating earnings of £2.8m were driven by favourable movements in both mortality and lapse assumptions. This was supported by lower than expected rates of attrition across the books of business, resulting in higher assumed future fee income. Economic profits of £7.7m underpin the result, supported by market conditions. Key items driving the economic result include investment return movements and subsequent impact on future reserves; returns driven by the higher unit prices versus static guarantees on claims and fee income; and the impact of the rise in vield curve.

Note 5 - Sweden: The Swedish division has continued to deliver stable EcV growth into 2018. New business profits of £4.6m were the consequence of a combination of increased sales volumes (both transfers and single premiums) in Q2, and a higher margin rates throughout the period. This was partially offset by adverse movement in future fund management fee and fund rebate assumptions, resulting in a total operating earnings of £1.0m. An economic profit of £10.7m was reported, driven by equity market performance in the second quarter and strong returns on the unit linked investment portfolio. The weakening of the Swedish krona during the period also contributed, with foreign currency investments having higher SEK fund values.

Note 6 - Netherlands: The Dutch division has reported a pre-tax loss of £5.8m in the period. Waard delivered earnings of £2.4m, largely due to the impact of a reduction in assumed mortality and lapse rates. This was offset by a pre-tax loss of £8.2m in Scildon. Underlying operating earnings of £4.5m were offset by economic performance. Volatility in European market conditions saw significant adverse movement in spreads, driving the economic

Note 7 - Group: In line with expectations, a loss has been reported in the group component. This includes costs incurred at group level, dividend payments and the impact of consolidation activities.

Note 8 - Tax: The business is reporting a tax expense of £1.8m in the year. This is driven by a combination of current tax on the profit in the period and movements in deferred tax relating to group level activities.

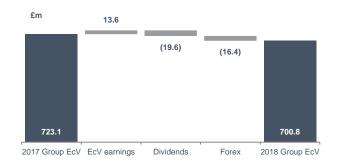
FcV



\$700.8M 31 DECEMBER 2017: £723.1M

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 2018 to 30 Jun 2018

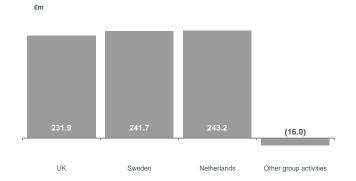


EcV earnings: EcV earnings of £13.6m have been reported in the first half of the year. Further detail can be found on page 30.

Dividends: Under EcV, dividends are recognised in the period in which they are paid. Dividends of £19.6m were paid during the period, being the final dividend from 2017.

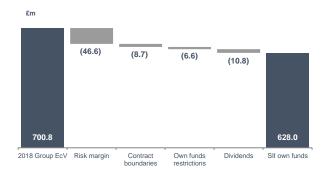
Foreign exchange: The EcV of the group suffered a foreign exchange loss in the period, largely driven by the strengthening of sterling against the Swedish krona.

EcV by segment at 30 Jun 2018



The above chart shows that the EcV of the group is diversified across its different markets, demonstrating that we are well-balanced and not over-exposed to one particular geographic market.

EcV to Solvency II



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 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% cost of capital to a 3.25% cost of capital.

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

Ring-fenced fund restrictions: Solvency II rules require a restriction to be placed on the value of certain ring-fenced funds. These restrictions are reversed for EcV valuation purposes as they are deemed to be temporary in nature.

Dividends: The proposed interim dividend of £10.8m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

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 at all times.

HOW WE MANAGE RISK

RISK MANAGEMENT SYSTEM The risk management system supports the identification, assessment, and reporting of risks along with coordinated and economical application of resources to monitor and control the probability and/ or impact of adverse outcomes within the board's risk appetite or to maximise realisation of opportunities

RISK MANAGEMENT SYSTEM REVIEW AND DEVELOPMENT
CLEAR ACCOUNTABILITIES AND DESDONSIBILITIES



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

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.

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

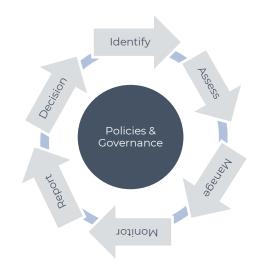
The risk management reports deliver information on the material risks faced by the business and evidence that principal risks are actively monitored and analysed and managed against risk appetite.

RISK PROCESSES Risk management processes are applied at a group, divisional and business unit level and are documented within a set of board approved risk policies, for each category of risk.

Chesnara adopts the "three lines of defence" model across the group taking into account size, nature and complexity, 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 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 on the group 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' (see pages 33 to 34). The outcome of this testing provides context against which the group can assess whether any changes to its risk appetite or to its management processes are required.



CHESNARA RISK PREFERENCES

The Chesnara Board has approved 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 that affect the risk profile.

PRINCIPAL RISKS AND UNCERTAINTIES

The following table outlines the principal risks and uncertainties of the group and the controls in place to mitigate or manage their impact. It has been drawn together following regular assessment performed by the Audit and 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 table. However, by virtue of the risks being defined as principal, the impacts are potentially significant. Although this is a matter of judgement, the risks described in the table have been ordered based on probabilities and impacts, putting the risk with the biggest potential impact first.

RISK IMPACT

Exposure to financial losses or value reduction arising from adverse movements in investment markets, counterparty defaults, or through inadequate asset liability matching

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.

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.

Other liquidity issues could arise from counterparty failures/credit defaults, a large spike in the level of claims or other significant unexpected expenses.

Adverse changes in industry practice/ regulation, or inconsistent application of regulation across territories

Chesnara currently operates in four regulatory domains and is therefore exposed to 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 would include 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.

The jurisdictions which Chesnara operates in are currently subject to significant change arising from political, regulatory and legal change. These may either be localised or may apply more widely, following from EU-based regulation and law, or the potential unwinding of this following the UK's decision to leave the EU.

The group is therefore exposed to the risk of:

- incurring one-off costs of addressing regulatory change as well as any permanent increases in the cost base in order to meet enhanced standards;
- erosion in value arising from pressure or enforcement to reduce future policy charges;
- erosion in value arising from pressure or enforcement to financially compensate for past practice;
 and
- 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.

RISK MANAGEMENT

RISK	IMPACT
Failure to source acquisitions that meet Chesnara's criteria or the execution of acquisitions with subsequent unexpected financial loses or value reduction	A key element of Chesnara's inorganic growth strategy is to grow the business through acquisitions. Clearly, this is dependent on the availability of attractive future acquisition opportunities. Hence, the business model 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.
	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.
Adverse demographic experience compared with assumptions	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.
	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.
	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).
Significant operational failure / business continuity event	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.
	Part of the group's operating model is to outsource support activities to specialist service providers. Consequently, a material element of the operational risk arises within its outsourced providers.
Expense overruns and unsustainable unit cost growth	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.
	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.
	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.
IT/data security failures or cyber crime	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 attacks etc. The extent of Chesnara's exposure to such threats also includes third party service providers.
	The potential impact of this risk includes financial losses, inability to perform critical functions, disruption

GOING CONCERN

The directors have considered the ability of the group to continue on a going concern basis. As such the board has performed an assessment as to whether the group can meet its liabilities as they fall due for a period of at least 12 months from which this half year report has been signed.

In performing this work, the board has considered the current cash position of the group and company, coupled with the group's and company's expected cash generation as highlighted in its most recent business plan, which covers a three year period. The business plan considers the financial projections of the group and its subsidiaries on both a base case and a range of stressed scenarios, covering projected IFRS, EcV and solvency positions. These projections also focus on the cash generation of the life insurance divisions and how these flow up into the Chesnara parent company balance sheet, with these cash flows being used to fund debt repayments, shareholder dividends and the head office function of the parent company.

The information set out on pages 23 to 24 indicates a strong Solvency II position as at 30 June 2018 as measured at both the individual regulated life company levels and at the group level. As well as being well-capitalised the group also has a healthy level of cash reserves to be able to meet its debt obligations as they fall due, and does not rely on the renewal or extension of bank facilities to continue trading. The group's subsidiaries do, however, rely on cash flows from the maturity or sale of fixed interest securities which match certain obligations to policyholders, which brings with it the risk of bond default. In order to manage this risk we ensure that our bond portfolio is actively monitored and well diversified. Other significant counterparty default risk relates to our principal reinsurers. We monitor their financial position and are satisfied that any associated credit default risk is low.

In light of this information, the board has concluded that the group and company has adequate resources to continue in operational existence for at least 12 months from the date of approval of this half year report, and as a result the IFRS Financial Statements have been prepared on a going concern basis.

SECTION C: IFRS FINANCIAL STATEMENTS



DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months
 and description of principal risks and uncertainties for the remaining six months of the year); and
- the management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Peter Mason John Deane

Chairman Chief Executive Officer

29 August 2018 29 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHESNARA PLC

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP Statutory Auditor Edinburgh United Kingdom

29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

		Unau Six mont 30 Ju 2018	hs ended	Year ended 3 I December 2017
	Note	£000	£000	£000
Insurance premium revenue		144,422	91,643	231,515
Insurance premium ceded to reinsurers		(28,372)	(25,274)	(54,191)
Net insurance premium revenue		116,050	66,369	177,324
Fee and commission income		62,353	51,833	113,848
Net investment return		139,185	245,734	531,817
Total revenue net of reinsurance payable		317,588	363,936	822,989
Other operating income		9,524	9,377	17,242
Total income net of investment return		327,112	373,313	840,231
Insurance contract claims and benefits incurred				
Claims and benefits paid to insurance contract holders		(246, 130)	(204,085)	(465,729)
Net increase in insurance contract provisions		91,276	47,368	51,033
Reinsurers' share of claims and benefits	_	26,137	22,640	49,449
Net insurance contract claims and benefits		(128,717)	(134,077)	(365,247)
Change in investment contract liabilities		(114,931)	(156,783)	(293,603)
Reinsurers' share of investment contract liabilities	_	1,016	1,762	3,681
Net change in investment contract liabilities		(113,915)	(155,021)	(289,922)
Fees, commission and other acquisition costs		(12,396)	(10,600)	(24,405)
Administrative expenses		(33,584)	(33,229)	(70,269)
Other operating expenses				
Charge for amortisation of acquired value of in-force business		(6,298)	(5,225)	(13,271)
Charge for amortisation of acquired value of customer relationships		(42)	(50)	(101)
Other		(3,366)	(2,894)	(4,239)
Total expenses net of change in insurance contract provisions and investment contract liabilities		(298,318)	(341,096)	(767,454)
Total income less expenses		28,794	32,217	72,777
Share of (loss)/profit of associate		(13)	682	949
Profit recognised on business combination		_	20,742	20,319
Financing costs		(2,269)	(2,011)	(4,443)
Profit before income taxes	4	26,512	51,630	89,602
Income tax expense		(4,718)	(4,878)	(11,168)
Profit for the period	3,4	21,794	46,752	78,434
Foreign exchange translation differences arising on the revaluation of foreign operations		(6,920)	7,084	8,274
Revaluation of pension obligations		47	(71)	124
Revaluation of investment property		_	_	90
Total comprehensive income for the period		14,921	53,765	86,922
Basic earnings per share (based on profit for the period)	2	14.55p	31.22p	52.38 _P
Diluted earnings per share (based on profit for the period)	2	14.46p	31.04p	52.13p

The notes and information on pages 44 to 53 form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	Note	Unau as a 30 Ju 2018 £000	t	Year ended 31 December 2017 £000
Assets				
Intangible assets				
Deferred acquisition costs		63,115	55,281	61,858
Acquired value of in-force business		110,493	126,659	119,039
Acquired value of customer relationships		561	698	641
Goodwill		756	_	806
Software assets		6,080	7,123	6,358
Property and equipment		4,102	4,684	4,327
Investment in associates		6,247	6,221	6,407
Investment properties		1,196	1,255	1,199
Reinsurers' share of insurance contract provisions		221,223	244,459	233,154
Amounts deposited with reinsurers		38,185	38,147	38,776
Financial assets				
Equity securities at fair value through income		506,221	497,569	512,724
Holdings in collective investment schemes at fair value through income		5,158,002	5,043,537	5,202,772
Debt securities at fair value through income		1,533,256	1,611,176	1,628,817
Policyholders' funds held by the group		271,461	245,687	265,729
Mortgage loan portfolio		43,754	52,624	48,106
Insurance and other receivables		74,185	86,383	59,448
Prepayments		5,891	21,143	7,325
Derivative financial instruments		897	2,414	1,682
Total financial assets		7,593,667	7,560,533	7,726,603
Defined benefit pension scheme funding prepayment	_	1,019	416	_
Reinsurers' share of accrued policyholder claims		29,937	18,026	25,888
Income taxes		9,931	3,497	7,681
Cash and cash equivalents		200,031	244,760	210,647
Total assets	4	8,286,543	8,311,759	8,443,384
Liabilities				
Insurance contract provisions		3,831,118	3,971,521	3,962,279
Other provisions		1,463	1,857	1,098
Financial liabilities				
Investment contracts at fair value through income		3,404,364	3,281,368	3,420,273
Liabilities relating to policyholders' funds held by the group		271,461	245,687	265,729
Borrowings	5	114,482	139,622	129,202
Derivative financial instruments	_	22,598	23,188	22,494
Total financial liabilities		3,812,905	3,689,865	3,837,698
Deferred tax liabilities		21,552	22,688	22,794
Reinsurance payables		13,845	5,461	11,406
Payables related to direct insurance and investment contracts		90,046	97,187	97,163
Deferred income		4,336	5,071	4,701
Income taxes		8,640	3,445	8,514
Other payables		53,076	84,511	44,984
Bank overdrafts		2,194	1,469	1,091
Total liabilities	4	7,839,175	7,883,075	7,991,728
Net assets		447,368	428,684	451,656
Shareholders' equity				
Share capital		43,766	43,766	43,766
Share premium		141,993	142,064	141,983
Treasury shares		(92)	(157)	(98)
Other reserves		20,744	26,384	27,664
Other reserves		- , .	-,	.,
Retained earnings	3	240,957	216,627	238,341

The notes and information on pages 44 to 53 form part of these financial statements.

Approved by the Board of Directors and authorised for issue on 29 August 2018 and signed on its behalf by:

Peter Mason John Deane

Chairman Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

	Unaud Six month	s ended	Year ended
	30 Ju	ne	December
	2018	2017	2017
	£000	£000	£000
Profit for the period	21,794	46,752	78,434
Adjustments for:			
Depreciation of property and equipment	366	203	698
Amortisation of deferred acquisition costs	7,806	5,228	14,506
Amortisation of acquired value of in-force business	6,298	5,225	13,271
Amortisation of acquired value of customer relationships	42	50	101
Amortisation of software assets	738	1,032	2,218
Share based payment	354	350	(159)
Tax paid	4,842	4,488	11,209
Interest receivable	(392)	(4,400)	(4,785)
Dividends receivable	(3,606)	(15,458)	(4,619)
Interest expense	2,269	2,011	4,443
Fair value gains on financial assets	(205,869)	(209,345)	(210,706)
Profit arising on business combination	· · · · · ·	(20,742)	(20,319)
Share of loss/(profit) of associate	13	(682)	(949)
Interest received	899	3,788	4,560
Dividends received	3,468	14,695	4,336
Increase in intangible assets related to insurance and investment contracts	(12,814)	(10,903)	(28,634)
Changes in operating assets and liabilities (excluding the effect of acquisitions)	47	_	124
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets	153,160	78,496	(145,613)
Decrease in reinsurers share of insurance contract provisions	4,405	14,111	17,074
Decrease/(increase) in amounts deposited with reinsurers	591	(710)	(1,339)
(Increase)/decrease in insurance and other receivables	(11,450)	(27,031)	11,317
Decrease/(increase) in prepayments	1,172	(2,851)	12,722
Decrease in defined benefit pension scheme surplus	- 1,172	765	12,722
(Decrease)/increase in insurance contract provisions	(119,257)	(61,584)	(91,110)
Increase in investment contract liabilities	173,664	220,932	414,014
Increase in provisions	442	1,020	272
Increase/(decrease) in reinsurance payables	2,778	(1,515)	4,424
(Decrease)/increase in payables related to direct insurance and investment contracts		2,738	2,432
	(6,590)		
Increase/(decrease) in other payables	8,573	46,069	(935) 86,987
Cash generated from operations	33,743	92,732	
Income tax paid	(7,602)	(22,287)	(27,480)
Net cash generated from operating activities	26,141	70,445	59,507
Cash flows from investing activities		(117.003)	(117.003)
Business combinations	-	(117,993)	(117,993)
Development of software	(807)	(462)	(928)
Purchases of property and equipment	(168)	(220)	(314)
Net cash utilised by investing activities	(975)	(118,675)	(119,235)
Cash flows from financing activities			
Proceeds from issue of share premium	10	6	(75)
Proceeds from borrowings	_	100,591	100,591
Repayment of borrowings	(12,240)	(48,633)	(58,569)
Sale of treasury shares	6	4	63
Dividends paid	(19,579)	(19,002)	(29,484)
Interest paid	(2,269)	(1,834)	(4,266)
Net cash (utilised by)/generated from financing activities	(34,072)	31,132	8,260
Net decrease in cash and cash equivalents	(8,906)	(17,098)	(51,468)
Cash and cash equivalents at beginning of period	209,556	258,731	258,731
Effect of exchange rate changes on cash and cash equivalents	(2,813)	1,658	2,293
Cash and cash equivalents at end of the period	197,837	243,291	209,556

The notes and information on pages 44 to 53 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(UNAUDITED)

Unaudited six months ended 30 June 2018						
	Share capital £000	Share premium £000	Other reserves £000	Treasury shares £000	Retained earnings £000	Total £000
Equity shareholders' funds at 1 January 2018	43,766	141,983	27,664	(98)	238,341	451,656
Profit for the period	_	_	-	_	21,794	21,794
Dividends paid	_	_	_	_	(19,579)	(19,579)
Foreign exchange translation differences	_	_	(6,920)	_	_	(6,920)
Revaluation of pension obligations	_	_	_	_	47	47
Sale of treasury shares	_	10	_	6	_	16
Share based payment	_	-	-	-	354	354
Equity shareholders' funds at 30 June 2018	43,766	141,993	20,744	(92)	240,957	447,368

Unaudited six months ended 30 June 2017						
	Share capital £000	Share premium £000	Other reserves £000	Treasury shares £000	Retained earnings £000	Total £000
Equity shareholders' funds at 1 January 2017	43,766	142,058	19,300	(161)	188,598	393,561
Profit for the period	_	_	-	_	46,752	46,752
Dividends paid	_	_	_	_	(19,002)	(19,002)
Foreign exchange translation differences	_	_	7,084	_	_	7,084
Revaluation of pension obligations	_	_	_	_	(71)	(71)
Sale of treasury shares	_	6	_	4	_	10
Share based payment	_	-	_	-	350	350
Equity shareholders' funds at 30 June 2017	43,766	142,064	26,384	(157)	216,627	428,684

Year ended 31 December 2017	Share capital	Share premium	Other reserves	Treasury shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Equity shareholders' funds at 1 January 2017	43,766	142,058	19,300	(161)	188,598	393,561
Profit for the year	_	_	_	_	78,434	78,434
Dividends paid	_	_	_	_	(29,484)	(29,484)
Foreign exchange translation differences	_	_	8,274	_	-	8,274
Revaluation of pension obligations	_	_	_	_	124	124
Revaluation of investment property	_	_	90	_	-	90
Share based payment	_	_	-	_	669	669
Sale of treasury shares	_	(75)	-	63	-	(12)
Equity shareholders' funds at 31 December 2017	43,766	141,983	27,664	(98)	238,341	451,656

The notes and information on page 44 to 53 form part of these financial statements.

(UNAUDITED)

1 Basis of preparation

This condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of consolidated financial statements has been prepared applying the accounting policies and presentation which were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2017, with the following exceptions.

Within the consolidated financial statements for the year ended 31 December 2017, financial instruments were valued in line with the mandatory requirements of IAS 39 – Financial Instruments. With effect from 1 January 2018, IAS 39 was superseded by IFRS 9 – Financial Instruments (2018 – Deferred to 2021). IFRS 9 introduces new classification and measurement requirements for financial assets and liabilities. It also requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model will require the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The standard also requires enhanced disclosures in the financial statements.

The group has taken advantage of the temporary exemption granted to insurers in IFRS 4 Insurance Contracts from applying IFRS 9 until 1 January 2021 as a result of meeting the exemption criteria as at 31 December 2017. As at this date, the group's activities were considered to be predominantly connected with insurance as the percentage of the total carrying amount of its liabilities in relation to insurance relative to the total carrying amount of all its liabilities was greater than 90%. There have been no changes to the activities of the group that require this assessment to be re-performed. IFRS 9 will instead be implemented at the same time as the new insurance contracts standard (IFRS 17 Insurance Contracts). The group expects to continue to value the majority of its financial assets as at fair value through profit or loss on initial recognition, so as to eliminate or reduce any potential accounting mismatch. When applying the exemption, IFRS 4 requires that a number of disclosures be made in 2018 to provide information to allow comparison with entities adopting the standard in 2018.

IFRS 15 Revenue from Contracts with Customers became effective with effect from 1 January 2018. The standard establishes a single comprehensive framework for determining how and when revenue is recognised. IFRS 15 does not apply to insurance contracts or financial instruments within the scope of IAS 39 Financial Instruments. As such, the introduction of the standard has not had a significant impact on the financial position or financial performance of the group.

The group's published consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with IFRS as adopted by the EU. Any judgements and estimates applied in the condensed set of financial statements are consistent with those applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2017.

The financial information shown in these interim financial statements is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2017 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statements under section 498(2) or (3) of the Companies Act 2006.

Scildon reports under IFRS and its accounting policies have been assessed as being in compliance with those of the group. As part of this assessment, it has been identified that the basis for measuring insurance contract liabilities differs to other parts of the group. In particular, Scildon measures the majority of its insurance contract liabilities using historical market rates of interest, as is customary in the Netherlands. This approach can lead to increased volatility in IFRS profits by virtue of the assets that back the insurance contract provisions being reported on a fair value basis (i.e. incorporating current market rates of interest) but with the liabilities using historical rates. In light of the introduction of the new insurance standard IFRS17, which will align the measurement of insurance contracts across the group from 1 January 2021, the group has taken the decision to accept the current measurement basis adopted by Scildon in the short term.

Critical accounting judgements and key sources of estimation and uncertainty remain unchanged from those described in Note 3 of the 2017 Annual Report and Accounts.

2 Earnings per share

Earnings per share are based on the following:

	Six mon	Unaudited Six months ended 30 June		
	2018	2017	2017	
Profit for the period attributable to shareholders (£000)	21,794	46,752	78,434	
Weighted average number of ordinary shares	149,820,942	149,741,550	149,749,517	
Basic earnings per share	14.55p	31.22p	52.38 _P	
Diluted earnings per share	14.46p	31.04p	52.13p	

The weighted average number of ordinary shares in respect of the six months ended 30 June 2018 is based upon 149,885,761 shares in issue, less 24,980 own shares held in treasury.

The six months ended 30 June 2017 is based upon 149,885,761 shares in issue, less 144,211 own shares held in treasury at the beginning of the period, and 149,885,761 shares in issue less 144,211 own shares held in treasury at the end of the period.

The weighted average number of ordinary shares in respect of the year ended 31 December 2017 is based upon 149,885,761 shares in issue less 86.040 own shares held in treasury.

There were 948,003 share options outstanding at 30 June 2018 (30 June 2017: 876,926). Accordingly, there is dilution of the average number of ordinary shares in issue in respect of 2018. There were 877,000 share options outstanding as at 31 December 2017.

(UNAUDITED)

3 Retained earnings

	Unaud Six month 30 Ju 2018 £000	Year ended 31 December 2017 £000	
Retained earnings attributable to equity holders of the parent company comprise:			
Balance at I January	238,341	188,598	188,598
Profit for the period	21,794	46,752	78,434
Revaluation of pension obligations	47	(71)	124
Share based payment	354	350	669
Dividends:			
Final approved and paid for 2016	-	(19,002)	(19,002)
Interim approved and paid for 2017	-	_	(10,482)
Final approved and paid for 2017	(19,579)	_	_
Balance at period end	240,957	216,627	238,341

The interim dividend in respect of 2017, approved and paid in 2017 was paid at the rate of 7.00 per share.

The final dividend in respect of 2017, approved and paid in 2018, was paid at the rate of 13.07p per share so that the total dividend paid to the equity shareholders of the company in respect of the year ended 31 December 2017 was made at the rate of 20.07p per share.

An interim dividend of 7.21p per share in respect of the year ending 31 December 2018 payable on 12 October 2018 to equity shareholders of the company registered at the close of business on 07 September 2018, the dividend record date, was approved by the Directors after the balance sheet date. The resulting dividend of £10.8m has not been provided for in these financial statements and there are no income tax consequences.

The following table summarises dividends per share in respect of the six month period ended 30 June 2018 and the year ended 31 December 2017:

		Year ended 31 December 2017 Pence
Interim – approved/paid	7.21	7.00
Final – proposed/paid	_	13.07
Total	7.21	20.07

(UNAUDITED)

4 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 30 June 2018 comprise:

CA: This segment represents the group's UK life insurance and pensions run-off portfolio and comprises the original business of Countrywide Assured plc, the group's principal UK operating subsidiary, and of City of Westminster Assurance Company Limited which was acquired in 2005 and the long-term business of which was transferred to Countrywide Assured plc during 2006. This segment also contains Save & Prosper Insurance Limited which was acquired on 20 December 2010 and its then subsidiary Save & Prosper Pensions Limited. The S&P business was transferred to CA during 2011. This segment also contains the business of Protection Life, which was purchased on 28 November 2013 and the business of which was transferred to CA effective from 1 January 2015. CA is responsible for conducting unit-linked and non-linked business, including a with-profits portfolio, which carries significant additional market risk, as described in note 6 'Management of financial risk' of the 2017 Annual Report and Accounts.

Movestic: This segment comprises the Group's Swedish life and pensions business, Movestic Livförsäkring AB ('Movestic') and its subsidiary and associated companies, which are open to new business and which are responsible for conducting both unit-linked and non-linked business.

Waard Group: This segment represents the Group's first Dutch life and general insurance business, which was acquired on 19 May 2015 and comprises the three insurance companies Waard Leven N.V., Hollands Welvaren Leven N.V. and Waard Schade N.V., and a servicing company, Waard Verzekeringen B.V.. The Waard Group's policy base is predominantly made up of term life policies, although also includes unit-linked policies and some non-life policies, covering risks such as occupational disability and unemployment. This segment is closed to new business.

Scildon: This segment represents the Group's latest Dutch life insurance business, which was acquired on 5 April 2017. 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 ultimate holding company within the group, 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 and on the total assets and liabilities of the reporting segments and the group. There were no changes to the measurement basis for segment profit during the six months ended 30 June 2018.

(UNAUDITED)

4 Operating segments (continued)

Segmental income statement for the six months ended 30 June 2018

			Waard		Other Group	
	CA	Movestic	Group	Scildon	Activities	Total
	£000	£000	£000	£000	£000	£000
Net insurance premium revenue	17,753	6,711	756	90,830	-	116,050
Fee and commission income	13,981	24,834	10	23,528	_	62,353
Net investment return	34,673	101,124	1,870	1,440	78	139,185
Total revenue (net of reinsurance payable)	66,407	132,669	2,636	115,798	78	317,588
Other operating income/(expense)	6,536	2,988	_	_	_	9,524
Segmental income	72,943	135,657	2,636	115,798	78	327,112
Net insurance contract claims and benefits incurred	(20,428)	(4,299)	964	(104,954)	_	(128,717)
Net change in investment contract liabilities	(12,538)	(101,377)	-	-	_	(113,915)
Fees, commission and other acquisition costs	(649)	(14,064)	(150)	(880)	_	(15,743)
Administrative expenses:						
Amortisation charge on software assets	_	(1,955)	_	(124)	_	(2,079)
Depreciation charge on property and equipment	_	(278)	(52)	(230)	_	(560)
Other	(11,313)	(5,228)	(1,426)	(12,382)	(596)	(30,945)
Operating (expenses)/income	(422)	(2,938)	-	1	(7)	(3,366)
Financing costs	(2)	(851)	_	_	(1,416)	(2,269)
Share of loss from associates	_	(13)	_	_	_	(13)
Profit/(loss) before tax and consolidation adjustments	27,591	4,654	1,972	(2,771)	(1,941)	29,505
Other operating expenses:						
Charge for amortisation of acquired value of in-force business	(2,507)	(1,560)	(332)	(1,899)	_	(6,298)
Charge for amortisation of acquired value of customer relationships	_	(42)	-	-	_	(42)
Fees, commission and other acquisition costs	_	1,609	_	1,738	_	3,347
Segmental income less expenses	25,084	4,661	1,640	(2,932)	(1,941)	26,512
Profit arising on business combination	_	_	_	_	_	_
Profit/(loss) before tax	25,084	4,661	1,640	(2,932)	(1,941)	26,512
Income tax (expense)/credit	(4,890)	(436)	(401)	707	302	(4,718)
Profit/(loss) after tax	20,194	4,225	1,239	(2,225)	(1,639)	21,794

(ii) Segmental balance sheet as at 30 June 2018

	CA	Movestic	Waard Group	Scildon	Other Group Activities	Total
	£000	£000	£000	£000	£000	£000
Total assets	2,907,606	3,138,624	143,041	2,016,417	80,855	8,286,543
Total liabilities	(2,748,480)	(3,052,314)	(97,609)	(1,862,051)	(78,721)	(7,839,175)
Net assets	159,126	86,310	45,432	154,366	2,134	447,368
Investment in associates	_	6,247	_	_	_	6,247
Additions to non-current assets	-	10,233	_	3,287	_	13,520

(UNAUDITED)

4 Operating segments (continued)

) Segmental income statement for the six months ended 30 June 2017

			Waard		Other Group	
	CA	Movestic	Group	Scildon	Activities	Total
	£000	£000	£000	£000	£000	£000
Net insurance premium revenue	20,359	7,681	1,303	37,026	_	66,369
Fee and commission income	14,733	24,032	10	13,058	_	51,833
Net investment return	115,520	125,026	3,309	1,831	48	245,734
Total revenue (net of reinsurance payable)	150,612	156,739	4,622	51,915	48	363,936
Other operating income/(expense)	7,114	2,393	36	(166)	_	9,377
Segmental income	157,726	159,132	4,658	51,749	48	373,313
Net insurance contract claims and benefits incurred	(92,203)	(3,154)	(674)	(38,046)	_	(134,077)
Net change in investment contract liabilities	(30,282)	(124,739)	-	-	_	(155,021)
Fees, commission and other acquisition costs	(721)	(13,634)	(168)	686	_	(13,837)
Administrative expenses:						
Amortisation charge on software assets	_	(1,032)	-	(54)	_	(1,086)
Depreciation charge on property and equipment	_	(84)	(21)	(118)	_	(223)
Other	(10,980)	(6,358)	(1,479)	(7,254)	(5,849)	(31,920)
Operating (expenses)/income	(472)	(2,434)	-	_	12	(2,894)
Financing costs	(2)	(1,238)	-	-	(771)	(2,011)
Share of profit from associates	_	682	_	_	_	682
Profit/(loss) before tax and consolidation adjustments	23,066	7,141	2,316	6,963	(6,560)	32,926
Other operating expenses:						
Charge for amortisation of acquired value of in-force business	(3,112)	(1,739)	(325)	(49)	_	(5,225)
Charge for amortisation of acquired value of customer relationships	_	(50)	-	-	_	(50)
Fees, commission and other acquisition costs	_	1,681	1,556	_	_	3,237
Segmental income less expenses	19,954	7,033	3,547	6,914	(6,560)	30,888
Profit arising on business combination	_	_	_	_	20,742	20,742
Profit/(loss) before tax	19,954	7,033	3,547	6,914	14,182	51,630
Income tax (expense)/credit	(3,235)	(311)	(838)	(1,757)	1,263	(4,878)
Profit/(loss) after tax	16,719	6,722	2,709	5,157	15,445	46,752

(iv) Segmental balance sheet as at 30 June 2017

	C A	Manage	Waard	C.T.L.	Other Group	Total
	£000	Movestic £000	Group £000	Scildon £000	Activities £000	Total £000
Total assets	3,000,392	2,991,394	170,234	2,077,154	72,585	8,311,759
Total liabilities	(2,849,925)	(2,906,248)	(115,367)	(1,907,710)	(103,825)	(7,883,075)
Net assets	150,467	85,146	54,867	169,444	(31,240)	428,684
Investment in associates	_	6,221	_	_	_	6,221
Additions to non-current assets	-	11,525	134	1,360	_	13,019

(UNAUDITED)

4 Operating segments (continued)

Segmental income statement for the year ended 31 December 2017

	CA	Movestic	Waard Group	Scildon	Other Group Activities	Total
	£000	£000	£000	£000	£000	£000
Net insurance premium revenue	39,036	15,438	2,227	120,623	_	177,324
Fee and commission income	29,009	49,155	20	35,664	_	113,848
Net investment return	251,041	223,310	7,349	50,016	101	531,817
Total revenue (net of reinsurance payable)	319,086	287,903	9,596	206,303	101	822,989
Other operating income/(expense)	13,985	3,215	42	_	_	17,242
Segmental income	333,071	291,118	9,638	206,303	101	840,231
Net insurance contract claims and benefits incurred	(191,524)	(5,447)	(1,051)	(167,225)	_	(365,247)
Net change in investment contract liabilities	(66,969)	(222,953)	_	_	_	(289,922)
Fees, commission and other acquisition costs	(1,368)	(31,959)	(331)	(1,494)	_	(35, 152)
Administrative expenses:						
Amortisation charge on software assets	_	(2,052)	-	(124)	_	(2,176)
Depreciation charge on property and equipment	_	(292)	(52)	(229)	_	(573)
Other	(21,678)	(13,485)	(3,015)	(18,813)	(10,528)	(67,520)
Operating (expenses)/income	(952)	(3,302)	-	I	14	(4,239)
Financing costs	(4)	(2,756)	-	_	(1,683)	(4,443)
Share of profit from associates	_	949	-	-	_	949
Profit/(loss) before tax and consolidation adjustments	50,576	9,821	5,189	18,419	(12,096)	71,908
Other operating expenses:						
Charge for amortisation of acquired value of in-force business	(6,224)	(3,527)	(662)	(2,858)	_	(13,271)
Charge for amortisation of acquired value of customer relationships	_	(101)	_	-	_	(101)
Fees, commission and other acquisition costs	_	6,601	-	4,146	_	10,747
Segmental income less expenses	44,352	12,794	4,527	19,707	(12,096)	69,283
Profit arising on business combination	_	_	-	-	20,319	20,319
Profit before tax	44,352	12,794	4,527	19,707	8,223	89,602
Income tax (expense)/credit	(7,085)	71	(1,068)	(4,946)	1,860	(11,168)
Profit after tax	37,267	12,865	3,459	14,761	10,083	78,434

(vi) Segmental balance sheet as at 31 December 2017

		Waard		Other Group	
CA	Movestic	Group	Scildon	Activities	Total
£000	£000	£000	£000	£000	£000
3,020,489	3,148,135	166,803	2,060,569	47,388	8,443,384
(2,849,557)	(3,057,934)	(109,421)	(1,881,301)	(93,515)	(7,991,728)
170,932	90,201	57,382	179,268	(46,127)	451,656
_	6,407	_	_	-	6,407
-	23,836	313	3,719	_	27,868
	£000 3,020,489 (2,849,557) 170,932	£000 £000 3,020,489 3,148,135 (2,849,557) (3,057,934) 170,932 90,201 - 6,407	CA £000 Movestic £000 Group £000 3,020,489 3,148,135 166,803 (2,849,557) (3,057,934) (109,421) 170,932 90,201 57,382 - 6,407 -	CA £000 Movestic £000 Group £000 Scildon £000 3,020,489 3,148,135 166,803 2,060,569 (2,849,557) (3,057,934) (109,421) (1,881,301) 170,932 90,201 57,382 179,268 - 6,407 - -	CA £000 Movestic £000 £000 £000 £000 £000 £000 £000 £000 £000 £000 £000 £000 </td

(UNAUDITED)

5 Borrowings

		Unaudited 30 June	
	2018	2017	2017
	£000	£000	£000
Bank loan	76,491	101,665	89,457
Amount due in relation to financial reinsurance	37,991	37,957	39,745
Total	114,482	139,622	129,202

The bank loan subsisting at 30 June 2018 comprises the following:

- on 3 April 2017 tranche one of a new facility was drawn down, amounting to £40.0m. This facility is unsecured and is repayable in ten six-monthly instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.00 percentage points above the London Inter-Bank Offer Rate and is repayable over a period which varies between one and six months at the option of the borrower. The proceeds of this loan facility were utilised, together with existing group cash, to repay in full, the pre-existing loan facilities totalling £52.8m. On 5 April 2018, £5.0m was repaid, taking total repayments made on this facility to £10.0m.
- on 3 April 2017 tranche two of the new loan facility was drawn down, amounting to €71.0m. As with tranche one, this facility is unsecured and is repayable in ten six-monthly instalments on the anniversary of the draw down date. The outstanding principal on the loan bears interest at a rate of 2.00 percentage points above the European Inter-Bank Offer Rate and is repayable over a period which varies between one and six months at the option of the borrower. On 5 April 2018, €9.0m was repaid, taking total repayments made on this facility to €18.0m.

The fair value of the sterling bank loan at 30 June 2018 was £30.0m (31 December 2017: £35.0m).

The fair value of the euro denominated bank loan at 30 June 2018 was £46.9m (31 December 2017: £55.0m).

The fair value of amounts due in relation to financial reinsurance was £40.2m (31 December 2017: £42.2m).

Bank loans are presented net of unamortised arrangement fees. Arrangement fees are recognised in profit or loss using the effective interest rate method.

(UNAUDITED)

6 Financial instruments fair value disclosures

The table below shows the determination of the fair value of financial assets and financial liabilities 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).

The group held the following financial instruments at fair value at 30 June 2018. There have not been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Fair value measurement at 30 June 2018 using				
	Level I	Level 2	Level 3	Total
Financial assets	£000	£000	£000	£000
Equities				
Listed	506,221	_	_	506,221
Holdings in collective investment schemes	5,158,002	_	_	5,158,002
Debt securities - fixed rate				
Government Bonds	908,126	_	_	908,126
Corporate Bonds	619,125	_	_	619,125
Debt securities - floating rate	4.005			
Listed	6,005			6,005
Total debt securities	1,533,256	_	_	1,533,256
Policyholders' funds held by the group	271,461	_	_	271,461
Derivative financial instruments	_	897	_	897
Total	7,468,940	897	-	7,469,837
Current				2,834,054
Non-current				4,635,783
Total				7,469,837
				_
Financial liabilities				
Investment contracts at fair value through income	_	3,404,364	-	3,404,364
Liabilities related to policyholders' funds held by the group	271,461	_	-	271,461
Derivative financial instruments	-	22,598	-	22,598
Total	271,461	3,426,962	-	3,698,423

Derivative financial instruments

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.

The derivative balance classified as a Level 2 liability, predominantly relates to interest rate swaps held within our Scildon operation, to hedge some of the risk of changes in the value of its obligations under insurance contract liabilities. The valuation of these derivatives is modelled using market observable variables and are hence classified as Level 2.

Investment contract liabilities

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

(UNAUDITED)

6 Financial instruments fair value disclosures (continued)

Except as detailed in the following table, 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:

	Car	rying amount			Fair value	
	30 June	30 June	31 December	30 June	30 June	31 December
	2018	2017	2017	2018	2017	2017
	£000	£000	£000	£000	£000	£000
Financial liabilities: Borrowings	114,482	139,622	129,202	117,072	140,233	132,204

Borrowings consist of bank loans and an amount due in relation to financial reinsurance.

The fair value of the bank loans are taken as the principal outstanding at the balance sheet date.

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 transfers between levels 1, 2 and 3 during the period.

The group holds no Level 3 liabilities as at the balance sheet date.

(UNAUDITED)

7 Defined benefit pension scheme obligations

Scildon has a defined benefit plan, the costs of which are calculated using the projected unit credit method. This means that the cost of providing pensions charged to the profit and loss account are placed over the service lives of employees, according to actuarial calculations. The obligations are calculated as the difference between the present value of pension obligations, net of the fair value of the existing plan assets. The present value of pension liabilities is determined by discounting the expected future retirement benefits at the rate of return on high quality corporate bonds in euros, which have a similar remaining period to when the pension payments are expected to be incurred. Any deficiency is recognised as a liability in the consolidated balance sheet, and any surplus is recognised as an asset. Actuarial gains and losses arising from deviations from expected outcomes are recognised as revaluations through other comprehensive income and are recognised directly in equity.

Scildon is required to contribute a cost covering premium. This cost covering premium contains the actuarial cost of newly arising unconditional benefits (using the pension fund's assumptions), the related administration cost and related buffer requirements. The pension fund does not guarantee the nominal benefits. In case of underfunding the nominal benefits can be reduced. Scildon is not obliged to pay for:

- Past service benefit increases due to wage increases;
- Past service benefit increases due to (full) indexation of past service benefits to active participants;
- Past service benefit increases due to (full) indexation of past service benefits to deferred participants and participants receiving benefits;
- Catch up contributions (e.g. for a transitory plan); and
- Fund deficits.

Vested benefits have been funded with the pension fund which manages the assets. Newly arising benefits are funded through contributions to the pension fund. The agreement between Scildon and the pension fund contains provisions that the pension fund may grant discounts and/or restitutions to Scildon, if the funding position of the pension fund exceeds a certain level and outlooks are positive.

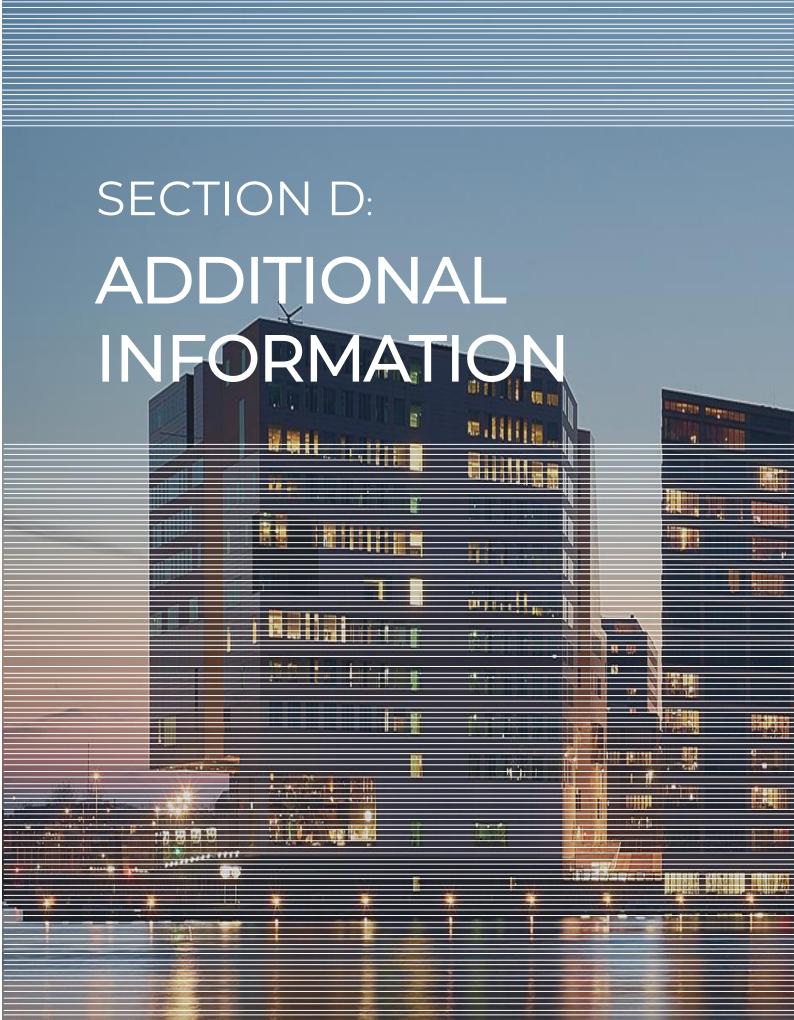
The assets and liabilities of the defined benefit scheme are shown below.

		Unaudited 30 June 31	
	2018	2017	2017
	£000	£000	£000
Total fair value of assets	50,096	46,217	48,354
Present value of scheme liabilities	(48,125)	(45,802)	(47,459)
Surplus of scheme assets over scheme liabilities	1,971	415	895
Effect of asset ceiling test	(952)	-	(895)
Net surplus in the scheme	1,019	415	-

The amount shown above as net surplus in the scheme represents the prepayment of scheme funding as at each respective balance sheet date.

8 Approval of consolidated report for the six months ended 30 June 2018

This condensed consolidated report was approved by the Board of Directors on 29 August 2018. 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





FINANCIAL CALENDAR

30 August 2018

Interim results for the six months ending 30 June 2018 announced

06 September 2018

Interim ex-dividend date.

07 September 2018

Interim dividend record date.

21 September 2018

Final date for Dividend ReInvestment Plan (DRIP) Elections

12 October 2018

Interim dividend payment date.

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GLOSSARY

AGM	Annual General Meeting.	LTI	Long-Term Incentive Scheme - A reward system designed to
ALM	Asset Liability Management - management of risks that	Movestic	incentivise executive directors' long-term performance. Movestic Livförsäkring AB.
APE	arise due to mismatches between assets and liabilities. Annual Premium Equivalent - an industry wide measure	Modernac	Modernac SA, an associated company which is 49% owned by Movestic.
CA	that is used for measuring the annual equivalent of regular and single premium policies. Countrywide Assured plc.	New business	The present value of the expected future cash inflows arising
CALH	Countrywide Assured Life Holdings Limited and its	Official List	from business written in the reporting period. The Official List of the Financial Conduct Authority.
BAU Cash Generation	subsidiary companies. This represents divisional cash generation plus the impact of non-exceptional group activity.	Ordinary Shares	Ordinary shares of five pence each in the capital of the company.
Cash Generation	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.	Own Funds	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.
Divisional Cash Generation	This represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.	ORSA	Own Risk and Solvency Assessment
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch	PRA	Prudential Regulation Authority.
DPF	subsidiaries. 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.	QRT	Quantitative Reporting Template.
Dutch Business	Scildon and the Waard Group, consisting of Waard Leven N.V., Hollands Welvaren Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.	ReAssure	ReAssure Limited.
EcV	Economic Value is a financial metric that is derived from Solvency II own funds that is broadly similar in concept to European Embedded Value. 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.	Resolution	The resolution set out in the notice of General Meeting set out in this document.
FCA FI	Financial Conduct Authority. Finansinspektionen, being the Swedish Financial Supervisory Authority.	RMF Scildon	Risk Management Framework. Scildon
Form of Proxy	The form of proxy relating to the General Meeting being sent to Shareholders with this document.	Shareholder(s)	Holder(s) of Ordinary Shares.
FSMA	The Financial Services and Markets Act 2000 of England and Wales, as amended.	Solvency II	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.
Group	The company and its existing subsidiary undertakings.	SICAV	A type of open-ended investment fund in which the amount of capital in the fund varies according to the number of investors. Shares in the fund are bought and sold based on the fund's current net asset value.
Group 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 group in those capital resources.	STI	Short-Term Incentive Scheme - A reward system designed to incentivise executive directors' short-term performance.
Group SCR	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.	SCR	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
Group Solvency	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.	Swedish Business	Movestic and its subsidiaries and associated companies.
HCL	HCL Insurance BPO Services Limited.	S&P	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
IFRS	International Financial Reporting Standards.	TCF	Treating Customers Fairly - a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
IFA	Independent Financial Adviser.	Total Cash Generation	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.
KPI	Key performance indicator.	TSR	Total Shareholder Return, measured with reference to both dividends and capital growth.
LGN	LGN or Legal & General Nederland refers to the legal entity Legal & General Nederland Levensverzekering Maatschappij N.V acquired by Chesnara in April 2017.	UK or United Kingdom	The United Kingdom of Great Britain and Northern Ireland.
London Stock Exchange	London Stock Exchange plc.	UK Business	CA and S&P

NOTE ON TERMINOLOGY

CA	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. The 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;
Movestic	which was purchased on 23 July 2009 and comprises the group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
The Waard Group	which was acquired on 19 May 2015 and comprises three insurance companies; Waard Leven N.V., Hollands Welvaren Leven N.V. and Waard Schade N.V.; and a service company, Tadas Verzekering; and
Scildon	which was acquired on 5 April 2017; and
Other group Activities	which represents the functions performed by the parent company, Chesnara plc. Also included in this segment are consolidation adjustments.



