



2018 FINAL RESULTS

29 MARCH 2019

Chesnara

WELCOME TO THE CHESNARA RESULTS PRESENTATION FOR THE YEAR ENDED 31 DECEMBER 2018

OVERVIEW • John Deane, Chief Executive

- Strategic delivery
- 2018 financial highlights
- 2018 operational & strategic highlights

BUSINESS REVIEW • John Deane, Chief Executive

- UK
- Sweden
- Netherlands
- Acquisition strategy

FINANCIAL REVIEW • David Rimmington, Group Finance Director

- Measuring our performance
- IFRS pre-tax profit & IFRS total comprehensive income
- Cash generation
- Solvency II
- Sensitivities
- Value movement in 2018
- Value growth

CONCLUSION & OUTLOOK • John Deane, Chief Executive

- Regulatory backdrop
- Future priorities

QUESTIONS

APPENDICES

- Historical data - headline results
- Historical data - dividend history



John Deane

Chief Executive Officer

OVERVIEW

Dividend increased by 3% supported by solid cash generation

Chesnara has continued to deliver significant cash generation, funding the dividend strategy as well as strengthening the group solvency ratio, despite the challenging economic backdrop in 2018. Economic Value was however impacted by the adverse economic conditions, though this was in line with sensitivities.

01 MAXIMISE VALUE FROM EXISTING BUSINESS

Divisional cash generation of £63.9m

02 ACQUIRE LIFE AND PENSION BUSINESSES

We continue to see activity in our preferred markets and are well positioned to take advantage of any future opportunities

03 ENHANCE VALUE THROUGH NEW BUSINESS

Increase in business volumes results in total new business profits of £10.6m

CHESNARA CULTURE AND VALUES

- Group solvency has improved from 146% to 158%
- We continue to focus on delivering good customer outcomes
- Continuing to apply the Chesnara governance and risk culture practices
- Ongoing constructive relationships with UK, Swedish, Dutch and Luxembourg regulators

Shareholder return: 3% dividend growth

Full year dividend increased by 3% to 20.67p per share (7.21p interim and 13.46p final). This compares with 20.07p in 2017 (7.00p interim and 13.07p final).



IFRS PRE-TAX PROFIT

2017 £89.6M

£27.0M

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

IFRS TOTAL COMPREHENSIVE INCOME

2017 £86.9M

£23.7M

The 2018 result includes a foreign exchange loss of £0.8m (2017: gain £8.3m). The 2017 result includes a £20.7m gain on acquisition of Legal & General Nederland.

ECONOMIC VALUE

ECONOMIC VALUE

2017 £723.1M

£626.1M

Movement in the year is stated after dividend distributions of £30.4m and includes a foreign exchange retranslation loss of £5.8m.

ECONOMIC VALUE EARNINGS

2017 £139.5M

£(60.9)M

The loss includes £49.7m relating directly to economic market conditions. The 2017 result includes a non-recurring £65.4m gain arising on the acquisition of Legal & General Nederland.



SOLVENCY

GROUP SOLVENCY

2017 146%

158%

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



CASH GENERATION

GROUP CASH GENERATION

2017 £28.6M

£47.8M

The 2018 result benefits from a £26.8m release of surplus from the UK's with-profits funds. The 2017 comparison includes a £55.3m adverse effect of completing the acquisition of Legal & General Nederland.

DIVISIONAL CASH GENERATION

2017 £86.7M

£63.9M

The 2018 result benefits from a £26.8m release of surplus from the UK's with-profits funds.



ECONOMIC BACKDROP

BREXIT UNCERTAINTY, FALLING EQUITY MARKETS AND WIDENING BOND SPREADS

The uncertainty over Brexit was an unwelcome background to the economic backdrop for the year. 2018 saw volatility in equity markets, with many leading equity indices closing more than 10% lower than at the start of the year. In addition to this, we have seen pricing pressures in corporate and some government bonds.



DIVIDEND

FULL YEAR DIVIDEND INCREASE 3%

2017 3%

Total dividends for the year increased by 3% to 20.67p per share (7.21p interim and 13.46p final). This compares with 20.07p in 2017 (7.00p interim and 13.07p final).

REGULATORY MATTERS

FCA INVESTIGATION CLOSURE

The FCA investigation into the fair treatment of longstanding customers in the UK was closed without further action.



NEW BUSINESS PROFIT

NEW BUSINESS PROFIT

2017 £12.4M

£10.6M

17 IFRS 17

GROUP-WIDE IFRS 17 PROGRAMME IS PROGRESSING TO PLAN

The group's IFRS 17 programme has progressed well during the year. The initial impact assessment phase has been completed and an implementation plan has been drawn up which is now being progressed.

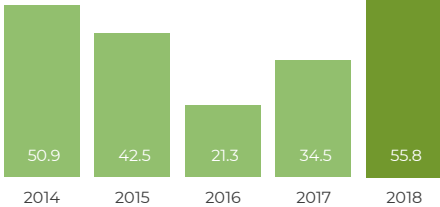
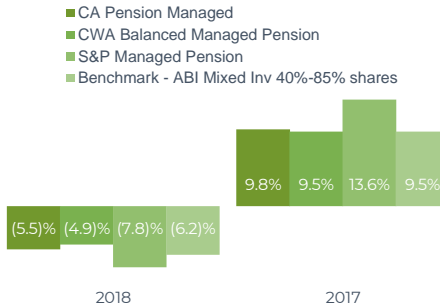
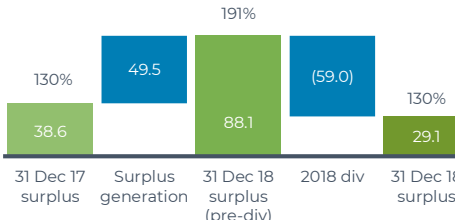
John Deane

Chief Executive Officer

BUSINESS REVIEW



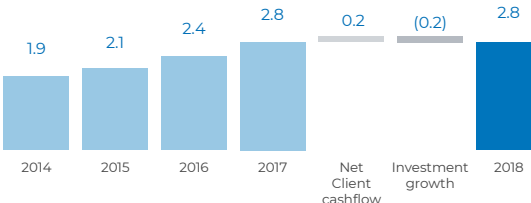
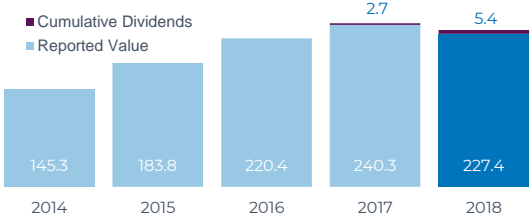
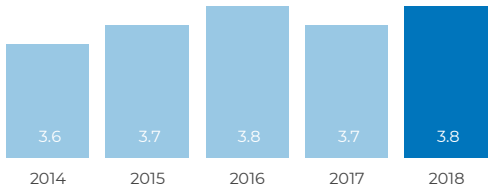
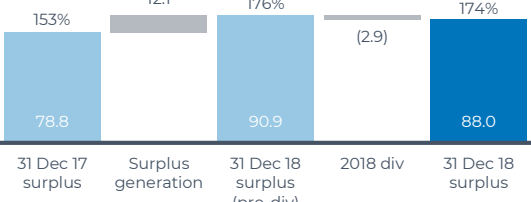
The division has continued to focus on delivering its core strategic objectives of managing the capital and value of the business effectively, focusing on customer outcomes and ensuring that the business is governed well.

	INITIATIVES & PROGRESS IN 2018	FUTURE PRIORITIES	KPIS																		
CAPITAL AND VALUE MANAGEMENT	<ul style="list-style-type: none">• Cash generation of £55.8m despite volatile equity markets, including £26.8m arising from a transfer of surplus capital from the with-profits funds following approval by the Financial Conduct Authority.• Proposed final dividend to Chesnara of £59.0m.• Excluding the impact of dividends, EcV reduced by £8m, largely as a result of the fall in equity markets.• IFRS pre-tax profits of £28.2m.	<ul style="list-style-type: none">• Continue to monitor expenses closely, especially in light of the ever-demanding regulatory environment.• Continue to consider investment strategy, including the mix of assets and the investment management operating model.• Continue to support the group in delivering its acquisition strategy in the UK.	<p>Cash generation</p>  <table><caption>Cash generation (£m)</caption><thead><tr><th>Year</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr></thead><tbody><tr><td>Cash generation</td><td>50.9</td><td>42.5</td><td>21.3</td><td>34.5</td><td>55.8</td></tr></tbody></table>	Year	2014	2015	2016	2017	2018	Cash generation	50.9	42.5	21.3	34.5	55.8						
Year	2014	2015	2016	2017	2018																
Cash generation	50.9	42.5	21.3	34.5	55.8																
CUSTOMER OUTCOMES	<ul style="list-style-type: none">• Customer strategy implementation plan has continued including reviewing key event communications to make sure they meet the expected standards and updating the CA website to improve accessibility of information.• Continued to stay in touch with customers through its “goneaways” programme.• Good customer services standards have been maintained throughout the year.	<ul style="list-style-type: none">• Customer strategy implementation programme to come to a close in early 2020. Key items planned in 2019 include:<ul style="list-style-type: none">○ Implementing the vast majority of the updated customer communications; and○ Continue to make contact with customers who have not provided their most recent contact information.	<p>Policyholder performance</p>  <table><caption>Policyholder performance (%)</caption><thead><tr><th>Year</th><th>CA Pension Managed</th><th>CWA Balanced Managed Pension</th><th>S&P Managed Pension</th><th>Benchmark - ABI Mixed Inv 40%-85% shares</th></tr></thead><tbody><tr><td>2018</td><td>(5.5)%</td><td>(4.9)%</td><td>(7.8)%</td><td>(6.2)%</td></tr><tr><td>2017</td><td>9.8%</td><td>9.5%</td><td>13.6%</td><td>9.5%</td></tr></tbody></table>	Year	CA Pension Managed	CWA Balanced Managed Pension	S&P Managed Pension	Benchmark - ABI Mixed Inv 40%-85% shares	2018	(5.5)%	(4.9)%	(7.8)%	(6.2)%	2017	9.8%	9.5%	13.6%	9.5%			
Year	CA Pension Managed	CWA Balanced Managed Pension	S&P Managed Pension	Benchmark - ABI Mixed Inv 40%-85% shares																	
2018	(5.5)%	(4.9)%	(7.8)%	(6.2)%																	
2017	9.8%	9.5%	13.6%	9.5%																	
GOVERNANCE	<ul style="list-style-type: none">• GDPR project was completed.• The initial impact assessment for IFRS 17 is concluded and the delivery phase commenced.• Programme started to enhance operational resilience following the BoE’s July 2018 paper “Building the UK financial sector’s operational resilience”.• Positive engagement with all regulators has continued.	<ul style="list-style-type: none">• Focus on delivering the operational resilience plans.• Continue with IFRS 17 implementation plan, noting that the standard is subject to further review by the IASB.	<p>Solvency surplus and ratio</p>  <table><caption>Solvency surplus and ratio</caption><thead><tr><th>Year</th><th>31 Dec 17 surplus</th><th>Surplus generation</th><th>31 Dec 18 surplus (pre-div)</th><th>2018 div</th><th>31 Dec 18 surplus</th></tr></thead><tbody><tr><td>2017</td><td>130%</td><td>49.5</td><td>88.1</td><td>(59.0)</td><td>130%</td></tr><tr><td>2018</td><td>38.6</td><td></td><td>29.1</td><td></td><td></td></tr></tbody></table>	Year	31 Dec 17 surplus	Surplus generation	31 Dec 18 surplus (pre-div)	2018 div	31 Dec 18 surplus	2017	130%	49.5	88.1	(59.0)	130%	2018	38.6		29.1		
Year	31 Dec 17 surplus	Surplus generation	31 Dec 18 surplus (pre-div)	2018 div	31 Dec 18 surplus																
2017	130%	49.5	88.1	(59.0)	130%																
2018	38.6		29.1																		

REGULATORY UPDATE: FURTHER INSIGHTS AND CHESNARA CONTEXT

ISSUE	POSITION 29 MARCH 2019
FCA INVESTIGATION	The FCA investigation into the fair treatment of longstanding customers in the UK was closed without further action.
BREXIT	<p>Other than the fact that Brexit could impact the investment markets to which our results are sensitive, we consider that our operating model is relatively unaffected by Brexit.</p> <p>We do not trade across borders nor do we share resource between our European businesses.</p> <p>Each division operates to autonomous local regulatory frameworks and we believe we have the flexibility to change our regulatory structure if Brexit results in an inefficient regulatory structure of the organisation.</p>

Movestic delivered a stable set of results across key financial metrics and shows resilience in a negative investment market environment. Its new business operation continues to add value and assets under management growth as a result of positive net client cash flow continues to support the division in achieving its ambitions on scale. The division will continue to focus on its IT streamlining plans, which are anticipated to bring cost efficiencies and improvements in broker and policyholder experience.

	INITIATIVES & PROGRESS IN 2018	FUTURE PRIORITIES	KPIS
CAPITAL AND VALUE MANAGEMENT	<ul style="list-style-type: none"> Cash generation of £19.4m, on constant exchange rates (£18.1m post foreign exchange retranslation). IFRS profit of £9.3m. AUM resilient despite investment market drop in the period. Movestic reflects the transfer market trend with transfers in at a similar level to outgoing transfers. Implemented an operational change programme, designed to improve efficiencies and reduce costs and hence combat the impact of price pressure. Krona weakened against sterling by 3.2%, resulting in retranslation losses in EcV and cash generation. Equity markets developed negatively during Q4 resulting in a negative investment return for 2018. 	<ul style="list-style-type: none"> Continue digitising and automating processes, with a view to improving both efficiency and control. Continue to develop more digitised and individualised customer proposition and experience. Provide a predictable and sustainable dividend to Chesnara. 	<p>Growth in assets under management £bn</p>  <p>Underlying value growth £m</p>  <p>Broker assessment rating (0-5)</p>  <p>Solvency surplus and ratio</p> 
CUSTOMER OUTCOMES	<ul style="list-style-type: none"> Policyholder average investment return of -6.0 %, ahead of the Swedish stock market return of -7.7%. Fees have been lowered to strengthen its customer proposition. As flagged last year, elected as one of the UL providers in the procurement of the collective agreement ITP, where 2m have their occupational pension. 	<ul style="list-style-type: none"> Continue to develop new solutions and tools to support the brokers' value-enhancing customer proposition. 	
GOVERNANCE	<ul style="list-style-type: none"> GDPR project was completed. Successfully implemented the first phase of the IDD, which applied from 1 October 2018. IFRS 17 project has progressed well, with the initial impact assessment study delivered during Q4. 	<ul style="list-style-type: none"> Continue to deliver compliance with the IDD. Deliver IFRS 17 implementation plans. 	

Movestic has had a positive 2018, with continued focus on writing new business within our target range creating value within the group.

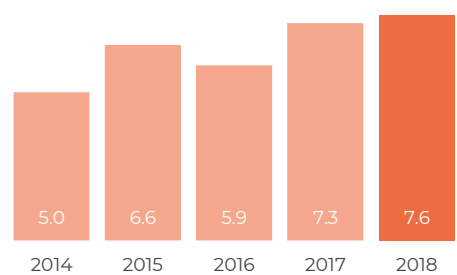
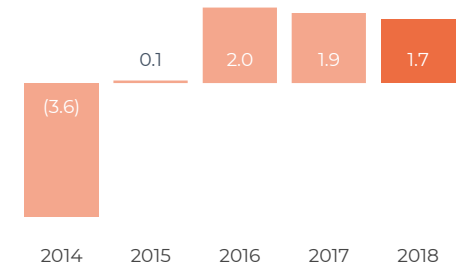
	INITIATIVES & PROGRESS IN 2018	FUTURE PRIORITIES	KPIS																				
PROFITABLE NEW BUSINESS	<ul style="list-style-type: none">• Movestic continues to operate within its target market range.• Annual premium equivalent of new contracts sold increased by 3% compared with 2017, although gross margin rates have deteriorated slightly, reflecting the pricing pressures that exist in the market.• Overall profits from new contracts have remained consistent with 2017 despite price pressure. A reassessment of the profitability of increments to existing policies has however driven a reduction in overall new business profit.• Redesigning the organisation for a digital world to increase business efficiency and reduce cost. As part of this process outsourcing of some IT operations capability was completed in the year.	<ul style="list-style-type: none">• Continue to focus on writing new business within the target range.• Ongoing digitalisation of processes to improve customer and broker experience, including through the use of our digital investment advisory tool MAIA.• Focus on increasing brand awareness.	<p>Occupational pension market share %</p>  <table><tr><th>Year</th><th>Market share %</th></tr><tr><td>2016</td><td>8.3%</td></tr><tr><td>2017</td><td>7.6%</td></tr><tr><td>2018</td><td>6.6%</td></tr></table> <p>Market shares have been restated to better reflect the market excluding increments. On the restated base our target range becomes 6.5% to 10.0%.</p> <p>New business profit £m</p>  <table><tr><th>Year</th><th>New business profit (£m)</th></tr><tr><td>2014</td><td>6.3</td></tr><tr><td>2015</td><td>8.7</td></tr><tr><td>2016</td><td>6.3</td></tr><tr><td>2017</td><td>11.7</td></tr><tr><td>2018</td><td>8.9</td></tr></table>	Year	Market share %	2016	8.3%	2017	7.6%	2018	6.6%	Year	New business profit (£m)	2014	6.3	2015	8.7	2016	6.3	2017	11.7	2018	8.9
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2018 saw dividends payments from both businesses with further dividends due in 2019. Waard continues to deliver in line with expectations and the integration of Scildon has continued. The benefits from the actions taken during 2018 have not been realised in the results and as previously highlighted, there remains further work to do in 2019. 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 Scildon.

	INITIATIVES & PROGRESS IN 2018	FUTURE PRIORITIES	KPIS																		
CAPITAL AND VALUE MANAGEMENT	<ul style="list-style-type: none">• Waard and Scildon paid dividends of £12.9m and £21.7m and have solvency ratios of 643% and 203%. Combined distributions of £8.4m are due in 2019.• Scildon reported an EcV loss of £30.0m due to widening bond spreads and one-off mortality assumption and modelling changes. Waard delivered a profit of £2.3m.• Cash utilisation of £10.0m; a £7.8m gain from Waard, offset by a cash loss of £17.8m from Scildon.• IFRS profit of £1.7m reflects a £2.8m profit in Waard offset by a £1.1m loss in Scildon.• Progressed a focused plan for Scildon to drive improvements in new business development, cost management and organisational structure.• Aligned some functions to provide efficiencies.	<ul style="list-style-type: none">• Continue dividends from both businesses.• Continuation of the Scildon improvement plan which will strengthen future cash generation and value growth. The plans include:<ul style="list-style-type: none">○ Process and value for money improvements;○ Assessment of IT infrastructure to ensure it is able to facilitate efficient processes through a simplified approach with reduced delivery risk; and○ Continual assessment of the business model to ensure an optimal balance between returns generated versus solvency capital requirements.	<p>Scildon underlying value growth</p> <p>■ Reported Value ■ Cumulative Dividends £m</p> <table><thead><tr><th>Year</th><th>Reported Value (£m)</th><th>Cumulative Dividends (£m)</th></tr></thead><tbody><tr><td>2014</td><td>272.2</td><td></td></tr><tr><td>2015</td><td>244.0</td><td>36.8</td></tr><tr><td>2016</td><td>226.6</td><td>74.4</td></tr><tr><td>2017</td><td>223.5</td><td>74.4</td></tr><tr><td>2018</td><td>171.1</td><td>96.6</td></tr></tbody></table>	Year	Reported Value (£m)	Cumulative Dividends (£m)	2014	272.2		2015	244.0	36.8	2016	226.6	74.4	2017	223.5	74.4	2018	171.1	96.6
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CUSTOMER OUTCOMES	<ul style="list-style-type: none">• Updated the Scildon service desk to enhance the 'customer journey' for IFAs and consumers.• Scildon has again received an award from Afdiz, the Dutch broker organisation. In 2018, the business was awarded "Best occupational pension insurer" and was rated second for term insurance.• The annual performance research for consumers shows high scores.	<ul style="list-style-type: none">• Continuing to enhance and develop Scildon's existing processes, customer experiences and the underlying infrastructure.• Engage with brokers to support the development of our processes.• Regular customer assessment, with the outcome used to improve service quality.	<p>Scildon client satisfaction rating</p> <table><thead><tr><th>Year</th><th>Rating</th></tr></thead><tbody><tr><td>2014</td><td>7.3</td></tr><tr><td>2015</td><td>7.5</td></tr><tr><td>2016</td><td>7.4</td></tr><tr><td>2017</td><td>7.6</td></tr><tr><td>2018</td><td>7.7</td></tr></tbody></table>	Year	Rating	2014	7.3	2015	7.5	2016	7.4	2017	7.6	2018	7.7						
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GOVERNANCE	<ul style="list-style-type: none">• Scildon has aligned its governance and risk management framework to Chesnara practices and strengthened its governance framework through changes in structure and personnel.• IFRS 17 project underway for both companies.• Implemented GDPR in both companies.	<ul style="list-style-type: none">• Further embed the governance and risk management framework.• Deliver IFRS 17 implementation plans.	<p>Scildon solvency surplus and ratio</p> <table><thead><tr><th>Category</th><th>Value</th></tr></thead><tbody><tr><td>31 Dec 17 surplus</td><td>106.0</td></tr><tr><td>Movement in surplus</td><td>(19.2)</td></tr><tr><td>31 Dec 18 surplus</td><td>86.8</td></tr><tr><td>2018 dividend</td><td>(5.2)</td></tr><tr><td>31 Dec 18 surplus</td><td>81.7</td></tr></tbody></table>	Category	Value	31 Dec 17 surplus	106.0	Movement in surplus	(19.2)	31 Dec 18 surplus	86.8	2018 dividend	(5.2)	31 Dec 18 surplus	81.7						
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Development of the Scildon new business offering is a focus of the improvement plan, which has included the launch of a new mortgage term product in 2018.

ENHANCE VALUE THROUGH NEW BUSINESS

	INITIATIVES & PROGRESS IN 2018	FUTURE PRIORITIES	KPIS												
PROFITABLE NEW BUSINESS	<ul style="list-style-type: none">Scildon generated new business profits of £1.7m. This is in line with expectations and shows marginal increases since acquisition but it is not currently generating sufficient new business profits and this is therefore a focus of our improvement plans.As part of those plans, Scildon successfully launched a new mortgage term product in 2018, which was well received by the market.A Scildon management team is in place which is strategically aligned with the group, including the appointment of a new Finance Director and interim Chief Operating Officer.Market share for the core protection business is within the 5-10% target range but we have further work to do to strengthen the proposition and reduce costs.The number of policies increased by 4% over the year.Scildon updated the group pension offering to maximise value transfers and premium levels.	<ul style="list-style-type: none">Management actions are planned as part of the 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.	<p>Term assurance market share %</p>  <table><tr><th>Year</th><th>Market share %</th></tr><tr><td>2014</td><td>5.0</td></tr><tr><td>2015</td><td>6.6</td></tr><tr><td>2016</td><td>5.9</td></tr><tr><td>2017</td><td>7.3</td></tr><tr><td>2018</td><td>7.6</td></tr></table>	Year	Market share %	2014	5.0	2015	6.6	2016	5.9	2017	7.3	2018	7.6
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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 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 outcomes

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



Risk appetite

- Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside our risk appetite the financial returns must be suitably compelling

ACQUISITION OUTLOOK

- In the UK, we have seen a continued gradual increase in closed book market activity.
- Regarding the Netherlands, we have also seen a gradual increase in market activity which we are well positioned to take advantage of.
- We continue to assess opportunities within Western Europe that are outside of Chesnara's current territories.
- The environment in which European life insurance companies operate continues to increase in complexity. We believe this will potentially drive further consolidation.
- Our financial foundations are strong and we have an established and stringent acquisition assessment model.
- In April 2018, we converted our existing debt arrangement with RBS into a syndicated facility.



David Rimmington

Group Finance Director

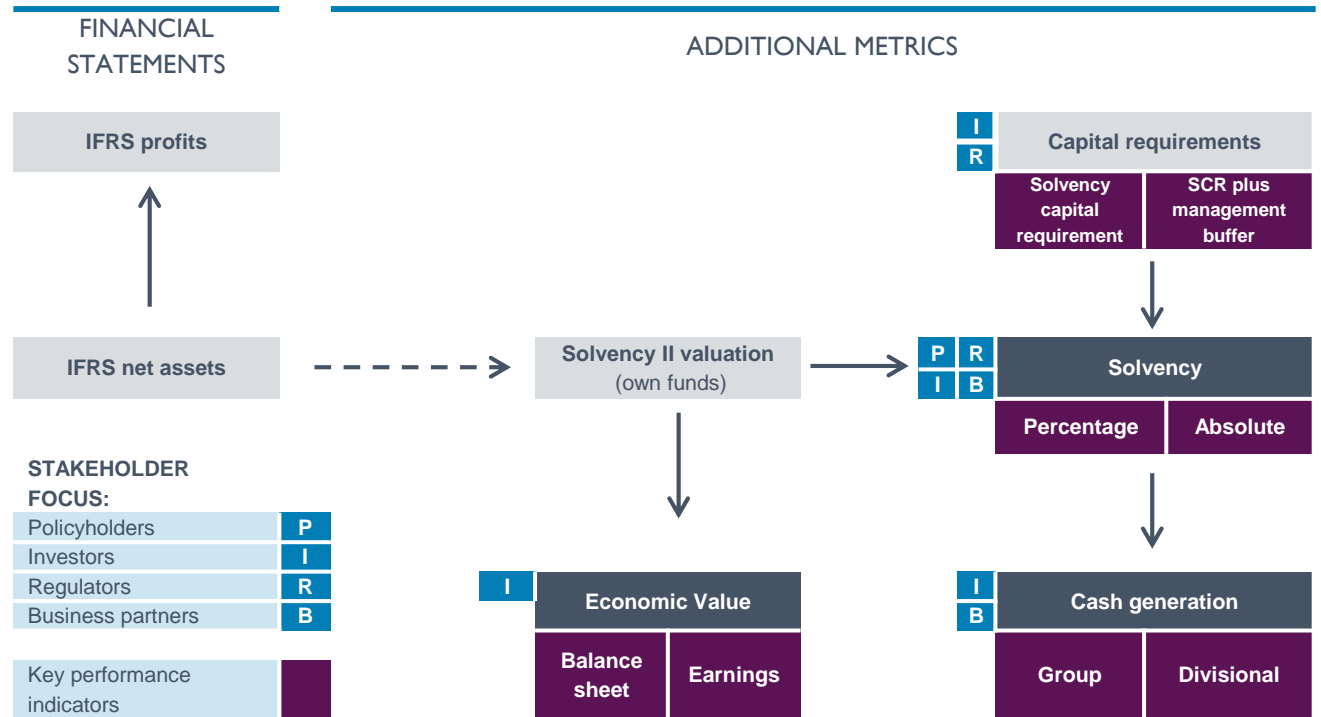
FINANCIAL REVIEW

Throughout the Report & Accounts, we use measures to assess and report how well we have performed.

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

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

In addition the measures aim to assess performance from the perspective of all stakeholders.



SOLVENCY

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

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

ECONOMIC VALUE

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.

CASH GENERATION

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

Group cash generation is calculated as the movement in the group's surplus own funds above the group's internally required capital, as determined by applying the group's capital management policy, which has Solvency II rules at its heart.

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



Good pre-tax results for the group. Operating profits are the foundation of these results, demonstrating the strength and stability of the underlying business, offsetting the economic loss which is driven by market conditions.

Headlines

- Group IFRS pre-tax profit of £27.0m (2017: £89.6m).
- Operating result of £42.5m (2017: £38.4m) demonstrates the strength and stability of the underlying business.
- Economic loss of £15.5m (2017: profit of £30.9m).
- TCI of £23.7m after forex loss of £0.8m (2017: profit of £8.3m).

Stable core (CA & Waard)

- Stable underlying core earnings from both CA and Waard.

Variable element (S&P & Scildon)

- S&P reduced year on year, due to economic market conditions being less favourable in 2018 compared to 2017.
- Scildon has delivered a strong operating profit driven mainly by positive mortality experience. Within the Netherlands new mortality tables suggest less positive future mortality improvements, this however, because of our reserving policy has no impact on the IFRS results. The operating profit is more than offset by economic losses, largely driven by the widening of credit spreads which have caused valuation losses in its bond portfolio.

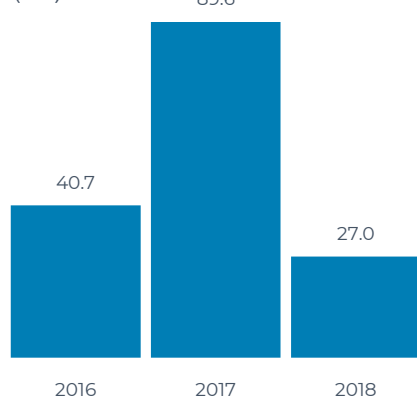
Growth business (Movestic)

- Movestic continues its positive contribution despite a small reduction in profits when compared to 2017. Lower investment returns due to adverse markets, together with a fall in the profits generated by its associate, Modernac, were the main drivers.

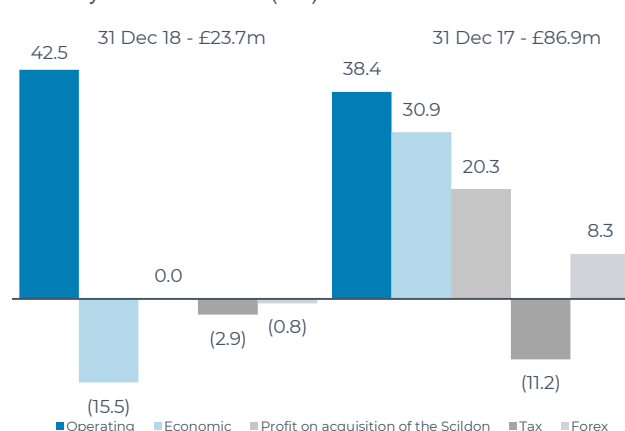
Group costs and consolidation adjustments

- This includes holding company expenses, foreign exchange movements on our euro denominated loan and consolidation adjustments. The current year loss is significantly lower than last year largely as 2017 included one off items such as foreign exchange loss of £2.6m coupled with the impact of providing for the group's IFRS 17 programme. Consolidation adjustments are higher due to the full year impact of Scildon and an adjustment to the impairment of Movestic acquisition costs.

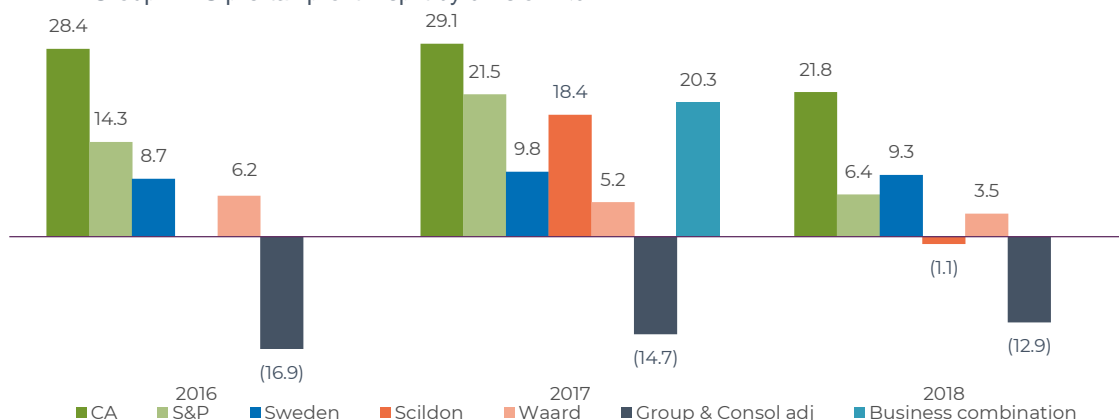
Group IFRS pre-tax profit (£m)



Analysis of IFRS TCI (£m)

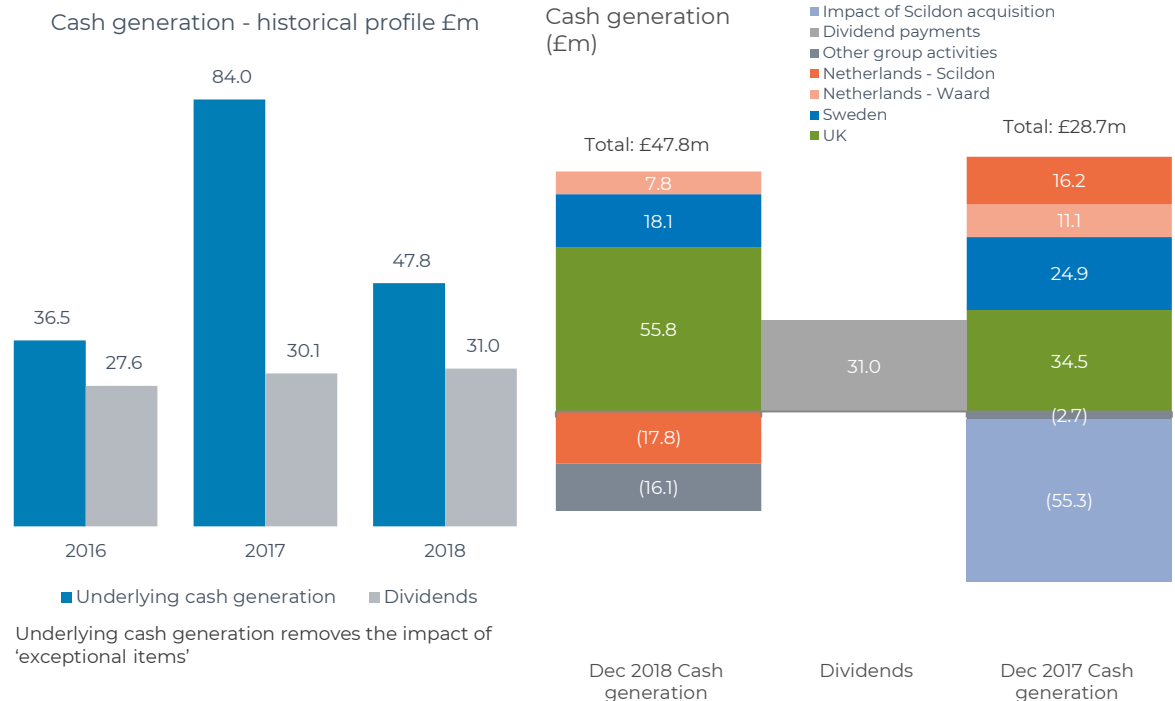
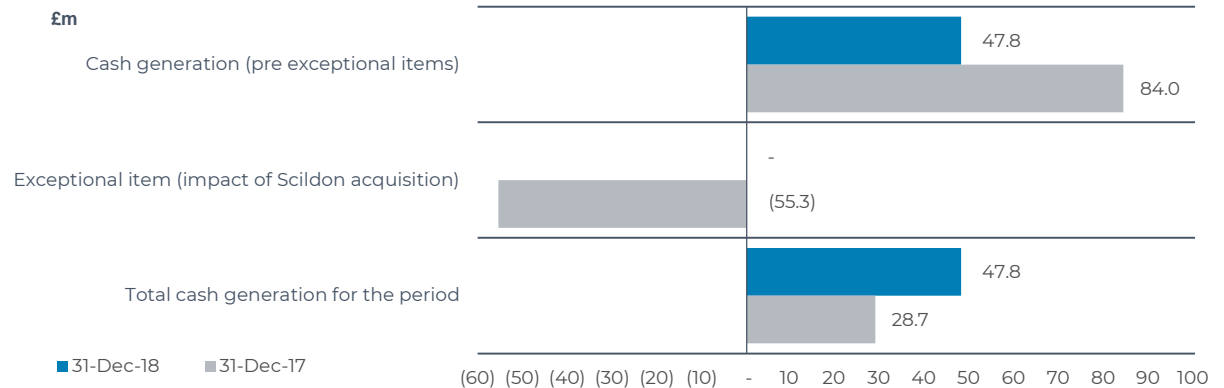


Group IFRS pre-tax profit – split by division - £m



Significant cash generation in the UK has driven a total divisional cash result of £63.9m for the year, with supporting contributions from Movestic and Waard.

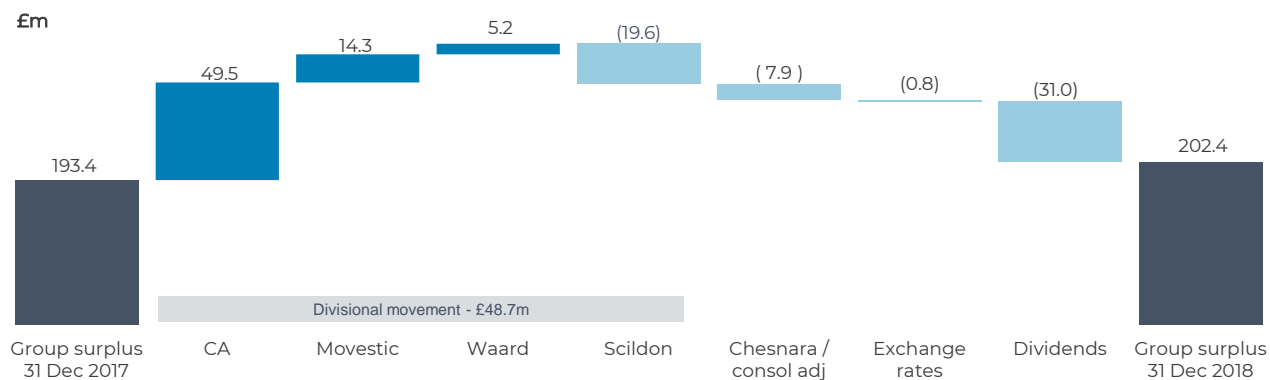
- Sufficient group cash has been generated in the year to cover the cost of last year's dividend.
- The overall increase in group cash year on year is a factor of several material items:
 - The 2017 result includes the impact of the completion of the LGN acquisition which resulted in a £55.3m negative impact on cash generation.
 - A £26.8m release from the with-profits funds has driven a sizeable increase in UK cash in 2018.
 - A £34m adverse year on year movement in Scildon's cash generation. Much of the movement is due to the fact that economic conditions had a positive impact on Own funds in 2017 whereas in 2018 falling bond values resulted in own fund losses of over £20m.
 - A strengthening of mortality assumptions also had an adverse impact in 2018.
- The UK has continued to deliver substantial cash generation in 2018, following significant reductions in capital requirements.
- Sweden generated £18.1m of cash for the year, due to a fall in the level of required capital.
- The Waard Group has continued to supply stable cash generation, with positive movements in both Own Funds and capital requirements.
- Scildon has reported a cash loss in 2018, owing to a reduction in Own Funds as a result of investment returns.
- Chesnara plc has cash and other highly liquid assets of £55.3m at 31 December 2018 and expects c£70m of divisional dividend receipts. Short term future outflows include payment of the final dividend of £20.2m and 2019 debt repayments of £15.0m.



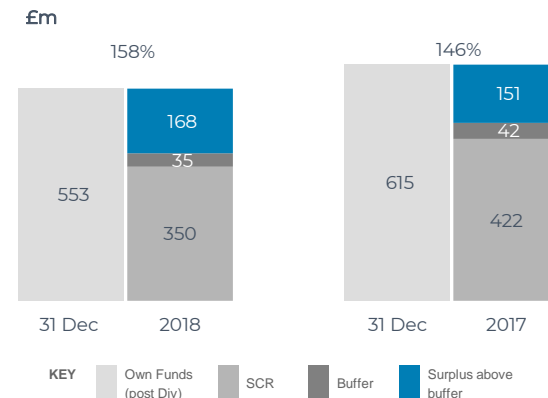


We are well capitalised at both a group and subsidiary level, and we have not used any elements of the long term guarantee package.

GROUP SOLVENCY SURPLUS GENERATION



GROUP SOLVENCY POSITION



INSIGHT

The below highlights key points in the year to date.

Surplus: The solvency position of the group has improved, from 146% to 158%. The group now has £168.0m of surplus over and above the internal capital management policy, compared to £151.2m at the end of 2017. The growth in surplus has arisen from a reduction in capital requirements, which have fallen more than the reduction in Own Funds.

Dividends: The closing solvency position is stated after deducting the £20.2m proposed dividend (31 December 2017: £19.6m), and also reflects the payment of an interim dividend of £10.8m.

Own funds: Own Funds have fallen by £62.6m. This is driven by falls in equity markets during the year, in particular during Q418, which had a significant impact on Movestic and CA. In addition, rising spreads have reduced the value of the bond holdings, which particularly affects Scildon. The depreciation of the Swedish krona has also caused a reduction in the sterling value of the Swedish business.

SCR: The SCR has fallen by £72.2m this year. The key movements underlying this are reductions in equity risk, spread risk, currency risk and lapse risk.

DIVISIONAL SOLVENCY

	Dec 2018	Dec 2017
Business	Post-Div	Post-Div
CA	130%	130%
Movestic	174%	153%
Waard	624%	483%
Scildon	203%	231%



The table 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

- 1 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.
- 2 In the short term whilst there is an impact on solvency the more prominent impact is on the EcV.
- 3 The short term solvency is relatively insensitive to equity movements because the SCR tends to move to hedge the movement in own funds. The EcV impacts are more intuitive given the link between fund values and cash flows.
- 4 Scildon is the most impacted due to its exposure to credit spreads and swap rates on assets backing non-linked liabilities.
- 5 There is only a small immediate impact on surplus as the reduction in own funds is negated by a reduction in SCR. However with fewer policies EcV is impacted as there is less potential for future profits.
- 6 The expense sensitivity hits the solvency position immediately as the increase in future expenses and inflation is capitalised into the balance sheet.
- 7 This sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.

Sensitivity scenario

20% sterling appreciation

25% equity fall

25% equity rise

10% equity fall

10% equity rise

1% interest rate rise

50bps credit spread rise

25bps swap rate fall

10 % mass lapse

10% expense rise + 1% inflation rise

10% mortality increase

1	Solvency surplus	Cash generation	ECV
	Immediate impact	5 year impact	Immediate impact
2	●	●	●
	●	●	●
	●	●	●
3	●	●	●
	●	●	●
	●	●	●
	●	●	●
4	●	●	●
	●	●	●
5	●	●	●
6	●	●	●
7	●	●	●

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 the starting position.

Impacts

£0m to £15m ●
£15m to £30m ●
£30m to £50m ●
£50m to £90m ●
£90m to £140m ●

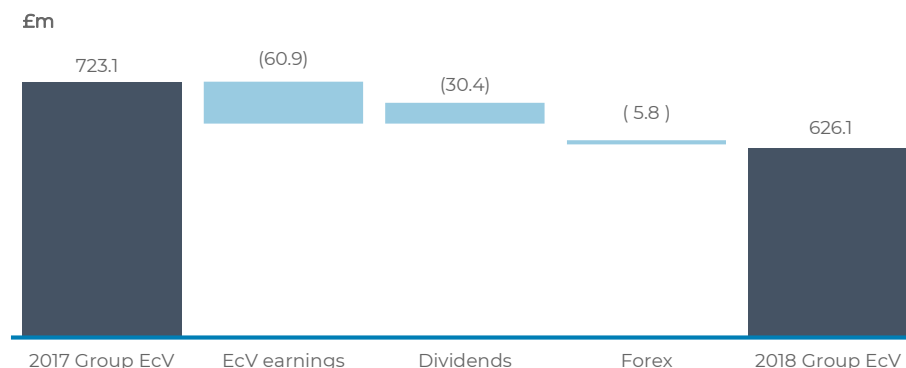
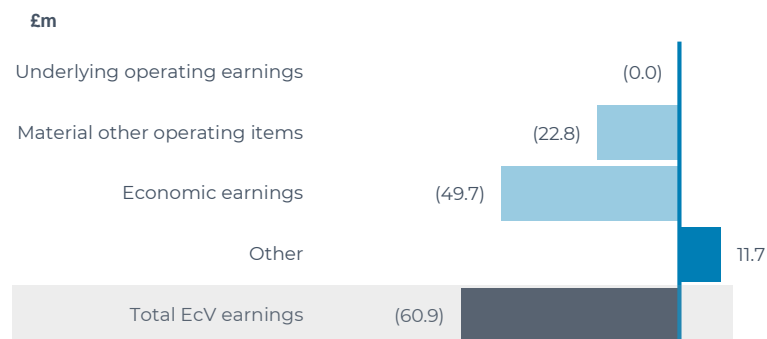
KEY

● + ve

● - ve



The group's EcV earnings reflect the challenging investment market conditions that have been witnessed, including the general fall in equity prices during Q4



An EcV loss of £60.9m was incurred during the year. The underlying operating performance was nil, with positive mortality experience, offset by adverse expense and lapse results. Material other operating items primarily relates to the strengthening of mortality assumptions in Scildon.

Economic losses represent the largest component of the EcV loss, driven by equity falls and rising spreads.

EcV earnings in the prior year benefitted from a one off gain of £65.4m arising as a result of the completion of the acquisition of Legal & General Nederland.

Because Economic Value is derived from Solvency II, we expect EcV profits to align relatively closely to movements to Solvency II "Own Funds".

What is Economic Value?

- Own funds are deemed to underestimate the commercial value of Chesnara due to:
 - Contract boundaries
 - Excessive risk margin
 - Ring-fenced funds restrictions
- We have therefore adjusted our SII valuations for these items to create "Economic Value"
- Economic Value does not include any value for the companies capability to write new business or complete acquisitions in the future.



COMPANY HISTORY

2004

Chesnara is born. EEV of £126m.

2005

First acquisition. CWA adds £30m of EEV.

2009

Chesnara moves into Europe acquiring Movestic in Sweden. Group EEV now £263m.

2010

S&P acquired. Group AuM over £4bn.

2013

Direct Line's life assurance acquired end of 2014. Group EEV now above £400m.

2015

Expansion into the Netherlands. Waard Group acquired.

2016

Building on our entry to the Dutch market, we announce the acquisition of LGN.

2017

Completion of Legal & General Nederland acquisition, renamed Scildon, at a 32% discount to its EcV of £202.5m.

WHAT WE HAVE DONE

6

SUCCESSFUL ACQUISITIONS,
INCLUDING LGN.

3

TERRITORIES

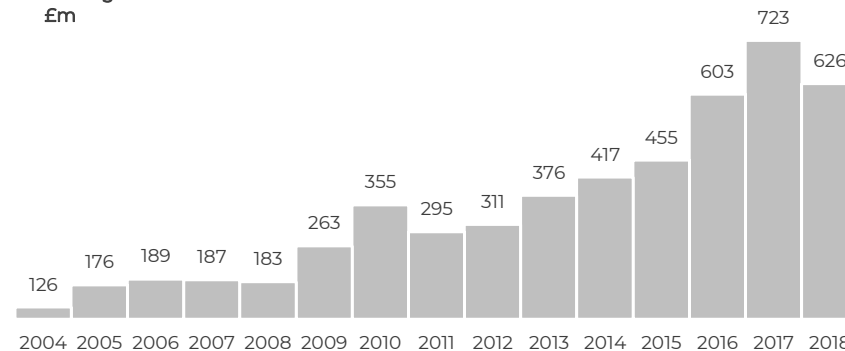
Our deals **demonstrate flexibility and creativity** where appropriate:

- Tactical “bolt-on” deals to more transformative deals
- Open minded regarding deal size
- Willingness to find value beyond the UK
- Flexible and efficient deal funding solutions
- Capability to find expedient solutions to de-risk where required

We are **not willing to compromise on quality, value or risk**. All deals have:

- been at a competitive discount to value
- satisfied our dual financial requirements of generating medium term cash and enhancing long term value
- been within Chesnara's risk appetite
- been subject to appropriate due diligence
- been either neutral or positive in terms of customer outcomes
- supported Chesnara's position as an income stock

Value growth
£m



Value growth is achieved through a combination of efficient management of the existing policies, acquisitions and writing profitable new business. The growth includes c£148m of new equity since 2004 but is net of £298m of cumulative dividend payments.

The value of the group is affected by investment market conditions at any given point in time, with the closing 2018 position reflecting falls in equity and bond values that were witnessed during the year.

John Deane

Chief Executive Officer

CONCLUSION & OUTLOOK



01

MAXIMISE VALUE FROM EXISTING BUSINESS

- FCA legacy review guidance implementation
- IFRS 17 implementation plans
- Engage with clients to retain business in the interests of customers and the company

02

ACQUIRE LIFE AND PENSION BUSINESSES

- IFRS17 impact assessments
- Increasing governance and regulatory requirements especially in the UK market
- Focus on acquisitions that can be integrated into the existing businesses

03

ENHANCE VALUE THROUGH NEW BUSINESS

- Maximising efficiency regarding broker interactions in a post-IDD world

01

MAXIMISE VALUE FROM EXISTING BUSINESS

- 2019 market conditions, particularly recovery of equity markets, is likely to have seen a partial recovery in economic value in line with sensitivities
- Solvency II in action – focus on capital management opportunities.
- Continue to seek efficiencies that benefit our customers and shareholders
- Continue the implementation of changes resulting from the final guidance from the Legacy Review.
- Focus on efficiency and expenses and the efficiency enhancements for Scildon
- Share resources across the group where appropriate

02

ACQUIRE LIFE AND PENSION BUSINESSES

- Continue to review market opportunities as they arise in our target territories
- Maintaining our price and process disciplines
- Solvency II – use of capital
- Impact of IFRS 17 on potential targets
- Further develop our capability to undertake portfolio as well as company transfers
- Ensure our abilities to undertake transfers of data from sellers systems is well understood in the market

03

ENHANCE VALUE THROUGH NEW BUSINESS

- Continue our work introducing improvements to the business processes and products in the Netherlands
- Further develop our digital marketing to reflect consumer and broker changing habits.
- Continuing digitalisation programme in Movestic to provide enhanced value to customers and brokers

CHESNARA CULTURE AND VALUES

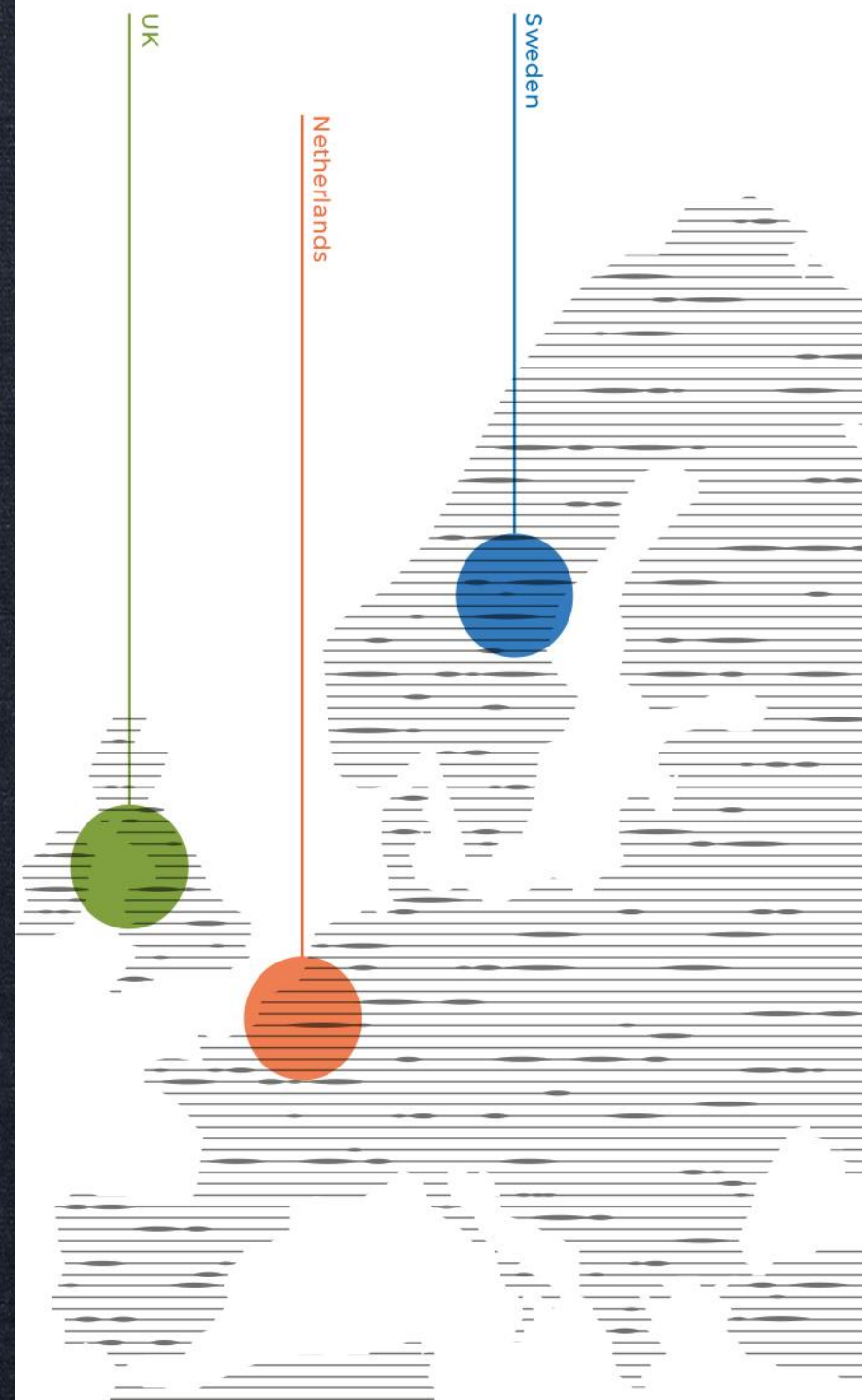
- Deliver value to our customers through our continued focus on:
 - Customer service levels
 - Investment performance
 - Maintaining financial stability

DELIVERY ON CORE STRATEGIC OBJECTIVES DRIVES SHAREHOLDER VALUE.

QUESTIONS

A wide-angle photograph of a harbor at sunset. In the foreground, several sailboats are moored, their masts and hulls reflected in the calm water. The sky is a mix of soft orange, yellow, and blue, with wispy clouds. In the background, a city skyline is visible across the water, featuring a prominent church spire and other buildings. The overall mood is peaceful and contemplative.

APPENDICES



Sweden

Netherlands

UK

APPENDICES: HISTORICAL DATA • HEADLINE RESULTS

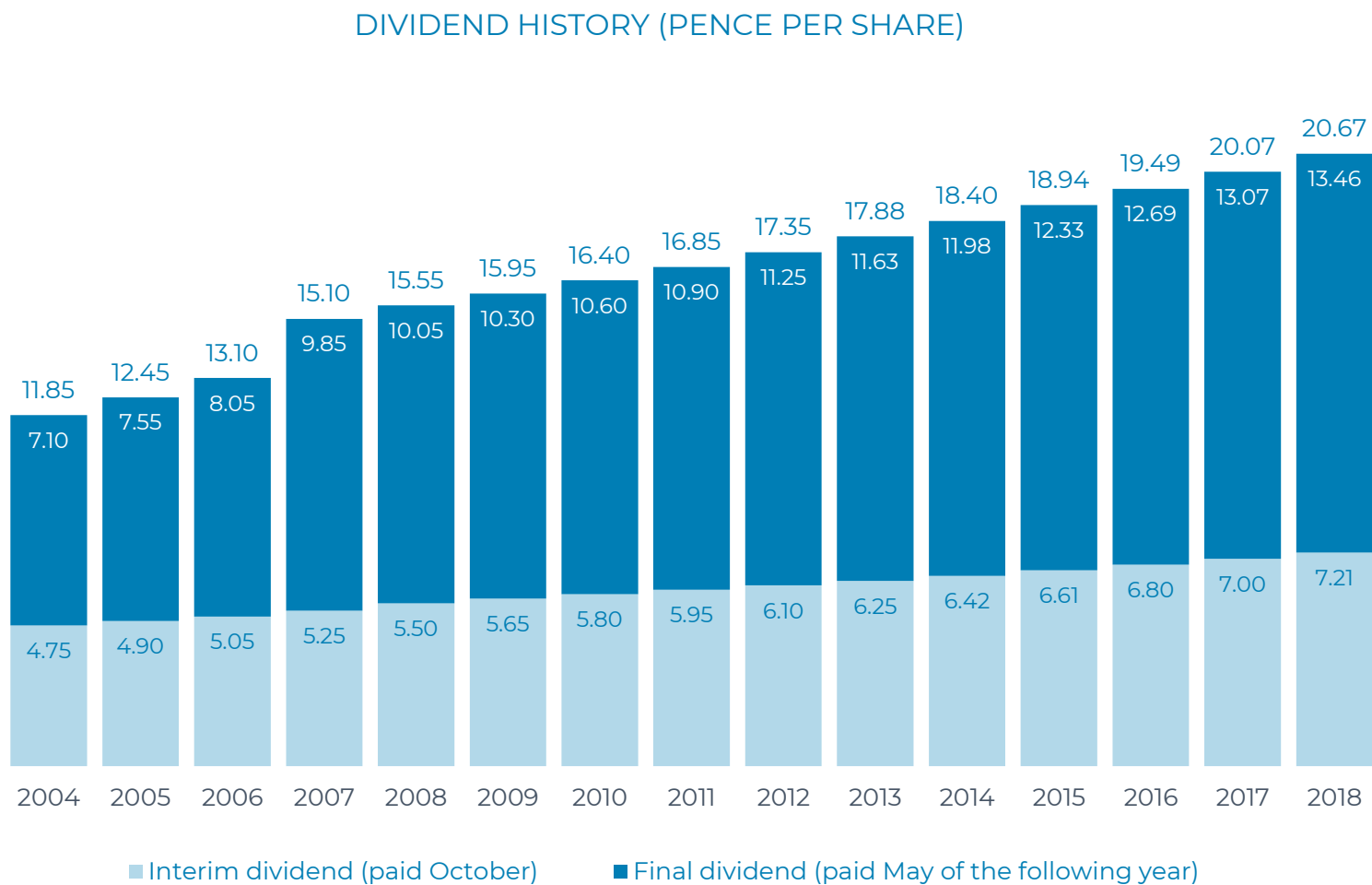
	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
IFRS profit £m (pre-tax)	27.0	89.6	40.7	42.8	28.8	57.8	24.5
EcV / EEV profit / (loss) £m (after tax) ¹	(60.9)	139.5	72.5	57.5	44.2	82.7	31.2
EcV / EEV Shareholder equity £m ¹	626.1	723.1	602.6	453.4	417.2	376.4	311.1
Solvency II ratio (UK) ³	130%	130%	128%	135%	n/a	n/a	n/a
Solvency II ratio (Sweden) ³	174%	153%	140%	154%	n/a	n/a	n/a
Solvency II ratio (Netherlands - Waard) ³	624%	483%	712%	597%	n/a	n/a	n/a
Solvency II ratio (Netherlands - Scildon) ³	203%	231%	n/a	n/a	n/a	n/a	n/a
Solvency II ratio (Group) ^{2,3}	158%	146%	158%	146%	n/a	n/a	n/a

¹ From the 1st January 2016 we have moved from reporting on an embedded value basis to an economic value basis.

² December 2016 Group solvency includes the impact of the capital raise and associated costs for the acquisition of LGN, removing this the ratio is 144%.

³ All solvency ratios above are stated post dividend

APPENDICES: [HISTORICAL DATA](#) • DIVIDEND HISTORY



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