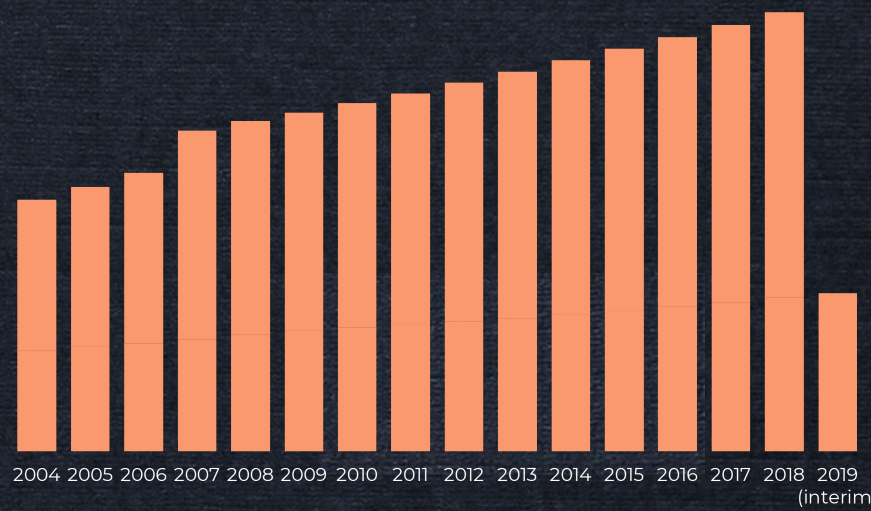
HALF YEAR RESULTS 2019

29 August 2019

Chesnara

Dividend track record continues



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- 2019 half year operational & strategic highlights

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John Deane

Chief Executive Officer

OVERVIEW

During the first half of 2019 we delivered good growth in Economic Value. The closing Economic Value of £645.1m is 3% higher than at the end of 2018, after payment of the 2018 final dividend of £20.2m, despite the negative impact of a weakening Swedish krona.

Falls in interest rates, a recovering equity market and the impact, in Sweden and the UK, of the symmetric adjustment (see slide 17 for further details), required under Solvency II rules, created generally adverse conditions for cash generation. However, our strong cash balance at group along with the half year performance supports the increase of our interim dividend.

01 MAXIMISE VALUE FROM EXISTING BUSINESS

Economic value earnings of £47.1m represent over 300% coverage of the historical annualised dividend.

02 ACQUIRE LIFE AND PENSION BUSINESSES

We have continued to see activity in our target markets.

03 ENHANCE VALUE THROUGH NEW BUSINESS

New business profits of £3.8m.

CHESNARA CULTURE AND VALUES

- We are well capitalised at both group and subsidiary level under SII, with group solvency of 155%
- 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% interim dividend growth
Interim dividend increased by 3% to 7.43p per share (2018: 7.21p interim and 13.46p final).

IFRS

IFRS PRE-TAX PROFIT £66.6M

SIX MONTHS ENDED 30 JUNE 2018 £26.5M

Movement in the period largely arises within the Scildon business which has large IFRS profits due to asset movements which are not offset by reserves movements.

IFRS TOTAL COMPREHENSIVE INCOME £51.0M

SIX MONTHS ENDED 30 JUNE 2018 £14.9M

The 2019 result includes a foreign exchange loss of £3.5m (2018: loss of £6.9m).

SOLVENCY

GROUP SOLVENCY 155%

31 DECEMBER 2018 158%

We are well capitalised at both group and subsidiary level under Solvency II.

ECONOMIC VALUE

ECONOMIC VALUE £645.1M

31 DECEMBER 2018 £626.1M

Movement in the period is stated after dividend distributions of £20.2m and includes a foreign exchange loss of £7.9m.

ECONOMIC VALUE EARNINGS £47.1M

SIX MONTHS ENDED 30 JUNE 2018 £13.6M

CASH GENERATION

GROUP CASH GENERATION £13.4M

SIX MONTHS ENDED 30 JUNE 2018 £48.6M

The 2019 result includes a cash strain of £13.1m from the “symmetric adjustment” impact. The prior year comparison benefitted from £20m of net releases from the with-profits fund.

DIVISIONAL CASH GENERATION £2.4M

SIX MONTHS ENDED 30 JUNE 2018 £53.1M

The impact of equity growth and interest rate reductions on Own Funds and SCR resulted in cash utilization in our European divisions while the UK business continued to deliver solid cash generation. In Sweden and the UK we saw a material negative symmetric adjustment impact broadly offsetting a corresponding gain in 2018.

DIVIDEND

INTERIM DIVIDEND INCREASE

2018 3%

3%

Interim dividend increased by 3% to 7.43p per share (2018: 7.21p interim and 13.46p final).

NEW BUSINESS PROFIT

NEW BUSINESS PROFIT

SIX MONTHS ENDED 30 JUNE 2018 £5.3M

£3.8M

ECONOMIC BACKDROP

EQUITY MARKET GROWTH, FALLING INTEREST RATES, WEAKENING SWEDISH KRONA

Rising equity markets and narrowing bond spreads since the turn of the year have supported significant investment returns and economic earnings. However, the economic conditions, including further downward pressure on interest rates, have been less beneficial for cash generation. A weakening of the krona against sterling has led to foreign exchange retranslation losses.

17 IFRS 17

GROUP-WIDE IFRS 17 PROGRAMME IS PROGRESSING TO PLAN

Following completion of the impact assessment and implementation plan in 2018, considerable progress has been made on the application of the technical aspects of the standard.

John Deane

Chief Executive Officer

BUSINESS REVIEW

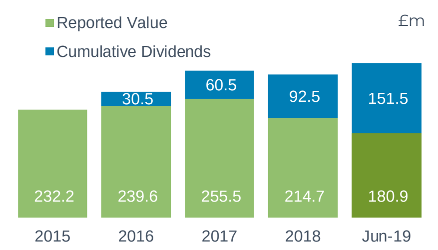
The UK has continued to progress its objectives in line with plans. The customer strategy implementation plan is nearly complete and the division remains focused on good governance of the business. Management will continue to focus on these areas, coupled with identifying and delivering capital management initiatives and supporting the group in relation to any UK-based acquisitions.

MAXIMISE VALUE FROM EXISTING BUSINESS

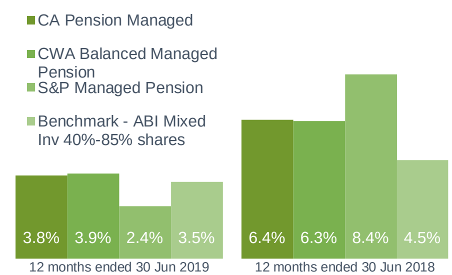
	INITIATIVES & PROGRESS IN 2019	FUTURE PRIORITIES
CAPITAL AND VALUE MANAGEMENT	• EcV earnings of £25.2m. • Cash generation of £16.2m, continuing to support the dividend strategy. • Progress has been made in reviewing the operating model used to deliver the investment management of our unit linked policyholder funds.	• Conclude the review of the operating model to deliver the investment management of our unit linked policyholder funds. • Continue to ensure that we are managing the cost base efficiently. • Focus on wider initiatives to optimise the balance between value growth and surplus capital availability.
CUSTOMER OUTCOMES	• Customer strategy implementation is nearing completion. • Our customer tracing process has continued successfully. • Following the completion of the programme we expect to have enhanced processes and procedures in place that continue to deliver fair customer outcomes. • We closely monitor regulatory developments to ensure we continue to treat our customers fairly.	• Complete the customer strategy implementation programme and embed into business as usual routines. • Continue the cycle of reuniting customers with their policies where we have lost contact.
GOVERNANCE	• Progressed the IFRS 17 “Insurance contracts” implementation. • The operational resilience review programme over critical business services has continued. • Ongoing positive engagement with all regulators.	• Continue with the delivery of the IFRS17 programme. • Progress the operational resilience programme.

KPIs

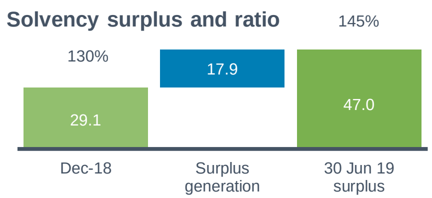
Underlying value growth



Policyholder performance



Solvency surplus and ratio



REGULATORY UPDATE: FURTHER INSIGHTS AND CHESNARA CONTEXT

ISSUE	POSITION 29 MARCH 2019	POSITION 29 AUGUST 2019
BREXIT	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. We do not trade across borders nor do we share resource between our European businesses. 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.	The position remains unchanged and we maintain our open dialogue with all our regulators.
CUSTOMER COMMUNICATIONS	We are on target with our project to developing our documentation and communications to meet the new forward looking standards set out in the final guidance issued by the FCA in November 2016.	The programme remains on track. New requirements which differ from those required under the legacy review from the Retirements Outcomes Review are on target to be delivered by the regulatory deadline of 1 November 2019. Our customer tracing process has continued in order to ensure that we have the most up-to-date contact information for our customers and reunite them with their policies. 80% of our ‘Reunite’ mailing campaign has been delivered and on target to complete by the end of the year. Further phased enhancements to the CA website are complete.

Movestic has continued to focus on delivering its strategic initiatives, including its front and back office IT streamlining plans. These are anticipated to bring cost efficiencies and improvements in broker and policyholder experience. From a financial perspective, Movestic has delivered growth in the period despite the headwinds arising from a very competitive market and the impact of updating processes to ensure compliance with changes in regulations.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL AND VALUE MANAGEMENT

INITIATIVES & PROGRESS IN 2019

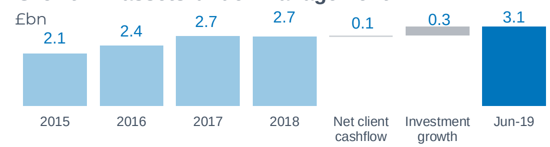
- EcV earnings of £13.9m.
- Cash utilisation of £5.8m.
- Assets under management have grown by 15%, supported by positive net client cash flows.
- Movestic continue to deliver meaningful process and product enhancements required to ensure their proposition focuses on changing customer and broker needs and to generate the efficiencies required to address the challenge of reducing fees and ongoing regulatory change.

FUTURE PRIORITIES

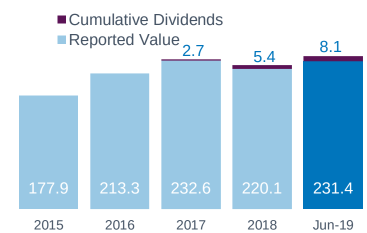
- Continue the journey of digitising and automating processes, with a view to improving both efficiency and control.
- Continue to develop more digitised and individualised customer proposition and experience.
- Provide a predictable and sustainable dividend to Chesnara.
- Continue to develop the operating and product proposition plans to reflect the fast changing market environment and consumer servicing preferences.

KPIs

Growth in assets under management



Economic Value



CUSTOMER OUTCOMES

INITIATIVES & PROGRESS IN 2019

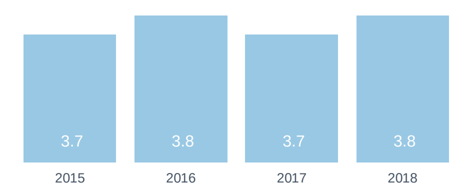
- Policyholder average investment return of 11.7% (H1 2018: 3.5%).
- Policy transfers process has been updated to ensure full compliance with new regulations.
- A new customer offering has been launched with our new funds, Avancera.
- Digital processes with improved functionality have been delivered.

FUTURE PRIORITIES

- Continue to develop new solutions and tools to support the brokers' value-enhancing customer proposition.

KPIs

Broker assessment rating (0-5)



GOVERNANCE

INITIATIVES & PROGRESS IN 2019

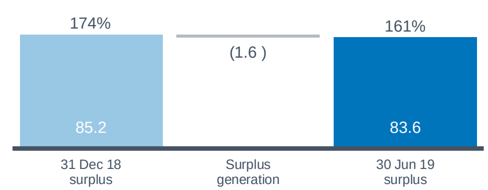
- New claims handling system and digital invoicing software implemented.
- Processes refined to comply with the insurance distribution directive.
- IFRS 17 work is in line with plan.
- Initiated project to simplify corporate structure.

FUTURE PRIORITIES

- Deliver IFRS 17 implementation plans.

KPIs

Solvency surplus and ratio



Movestic has had a positive 2019, with continued focus on writing new business within our target range creating value within the group.

ENHANCE VALUE THROUGH NEW BUSINESS

PROFITABLE NEW BUSINESS

INITIATIVES & PROGRESS IN 2019

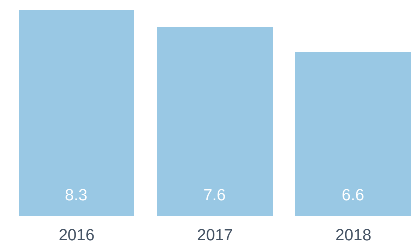
- Operating within target market share range of between 6% and 10%.
- Overall new business profits have reduced compared with the prior year, largely as a result of lower transfers in, coupled with pressure on investment fee rebates.
- Business transferred in increased in Q2 compared to Q1.

FUTURE PRIORITIES

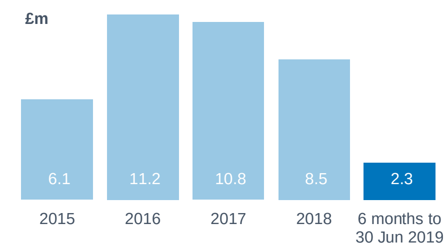
- Continue to focus on writing new business within our target range.
- Ongoing digitalisation of processes to improve broker and customer experience.
- Focus on increasing brand awareness

KPIs

Occupational pension market share %



New business profit



2019 has seen dividends payments from both Scildon and Waard and key actions are being taken to strengthen the position of the Scildon new business operation whilst maintaining its market share. A small portfolio of policies has been acquired and will be transferred into Waard during the second half of 2019. Financial results have been impacted by market movements through interest and spread movements with a significant IFRS profit and EcV earnings reported but reductions in Scildon solvency and cash generation.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL AND VALUE MANAGEMENT

INITIATIVES & PROGRESS IN 2019

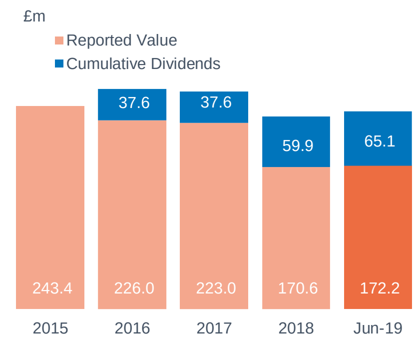
- Acquisition of a small book of policies to be transferred into Waard upon completion.
- Restructure of the Scildon business giving a lower cost base and supporting product alignment and strategic flexibility.
- Combined dividends of £8.4m.
- Waard and Scildon ended the period with healthy solvency ratios of 649% and 194%. Scildon remains well capitalised but has gone below its current internal management solvency target of 200%. Actions are being considered to increase this.
- Scildon EcV gain of £6.5m and a Waard £1.6m profit.
- Cash of £5.7m has been utilised.
- Continued work on aligning some functions between the two Dutch businesses.

FUTURE PRIORITIES

- Active management of capital to facilitate continued dividends from both divisions.
- Continuation of the Scildon improvement plan which will strengthen future cash generation and value growth.
- Review asset mix to optimise capital efficiency.
- Implementation of new management buffers of 85% from 1 January 2020 and 75% from 1 January 2021.
- Transfer the Scildon staff pension scheme from a defined benefit to a defined contribution scheme.

KPIs

Underlying value growth (Scildon)



CUSTOMER OUTCOMES

INITIATIVES & PROGRESS IN 2019

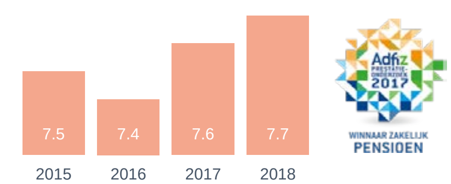
- Scildon launched a digitised new business app.
- Scildon continues to be rated highly by brokers.
- The annual performance research for consumers shows high scores.

FUTURE PRIORITIES

- 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.

KPIs

Client satisfaction rating (Scildon)



GOVERNANCE

INITIATIVES & PROGRESS IN 2019

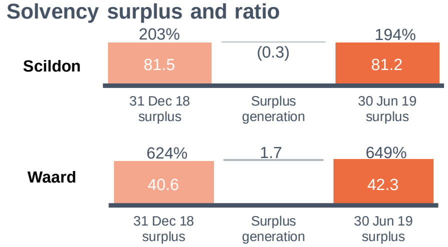
- The IFRS 17 project continues for both businesses.
- Further strengthening of the governance framework through appointments to the Supervisory Boards and changes in the Scildon management structure.

FUTURE PRIORITIES

- Continuous improvement of the control environment and the governance and risk management framework.
- Continue to deliver IFRS 17 implementation plans.

KPIs

Solvency surplus and ratio



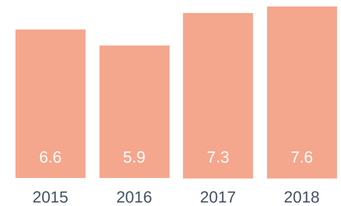
Development of the Scildon new business offering is a focus of the improvement plan, the aim is to deliver meaningful value growth from a realistic market share.

ENHANCE VALUE THROUGH NEW BUSINESS

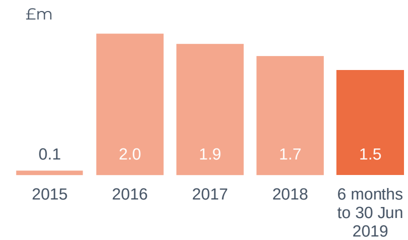
	INITIATIVES & PROGRESS IN 2019	FUTURE PRIORITIES
PROFITABLE NEW BUSINESS	• Scildon generated half year new business profits of £1.5m, compared to £0.6m in 2018. • The number of policies continues to increase and is up by 2.4% compared to the 2018 year end. • Market shared for the core protection business is within the 5-10% target range but we have further work to do to strengthen the proposition and reduce costs.	• Management actions, including a focus on costs and product mix, are ongoing in order to generate a more commercially meaningful level of new business profits.

KPIs

Term assurance market share %



New business profit



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

- We have witnessed an increase in activity in the territories in which Chesnara currently operates and those that Chesnara doesn't exist. This increase has coincided with, what we perceive to be, a rise in seller's valuations and prices paid for potential targets.
- 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 which is regularly reassessed.

David Rimmington

Group Finance Director

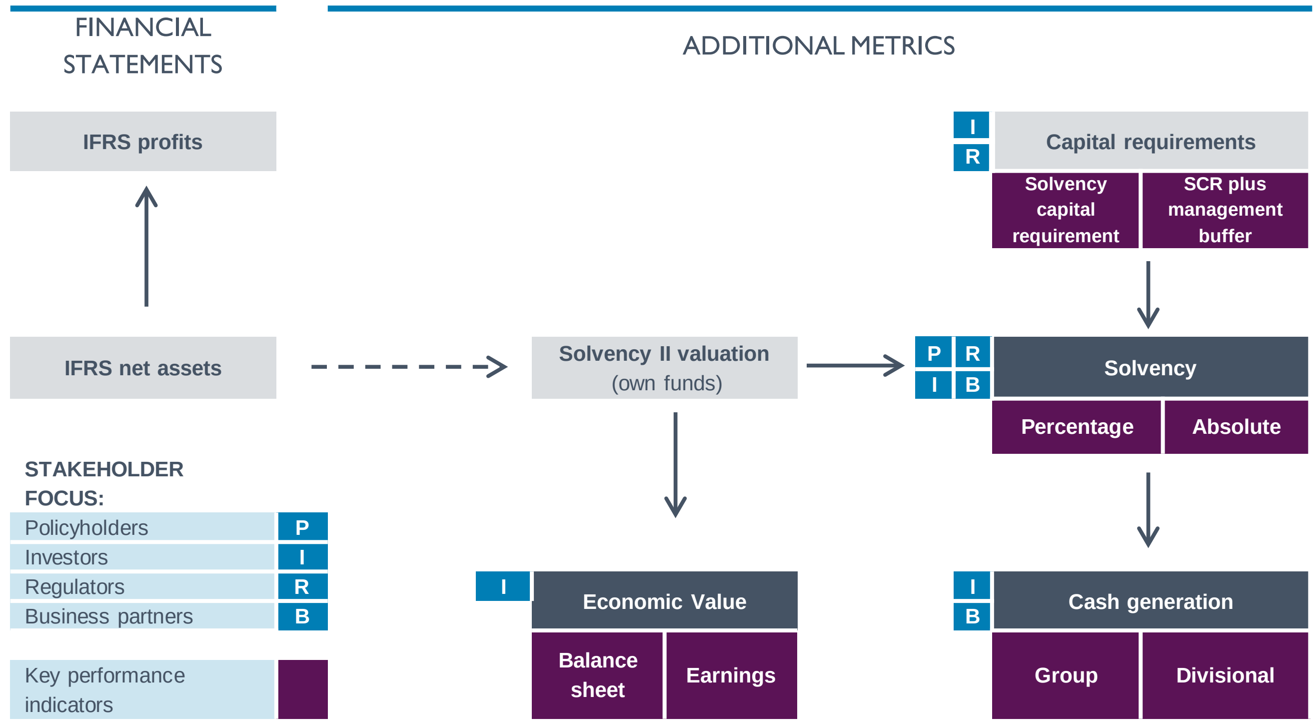
FINANCIAL REVIEW

Throughout the 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.



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 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 board-approved capital management policies.

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Strong results in Scildon and the UK drive substantial profits for the period as a result of improved investment market conditions. The other operating businesses have all generated positive contributions. Significant operating profits of £23.4m have also been delivered in the period.

Headlines

- Group IFRS pre-tax profit of £66.6m (HY 2018: £26.5m).
- Operating profit of £23.4m (HY 2018: £27.3m) demonstrates the strength and stability of the underlying business.
- Economic profit of £43.2m (HY 2018: loss of £0.8m).
- TCI of £51.0m allowing for the forex loss of £3.5m (HY 2018: profit of £14.9m).

Stable core (CA & Waard)

- Stable underlying core earnings from Waard in line with expectations of the run-off book profile.
- CA has reported strong results for the 2019 half year period, which are marginally behind the same period in 2018.

Variable element (Scildon)

- Scildon has delivered a strong result predominantly due to favourable market movements in the company's bond portfolio. 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 on a fair value basis.

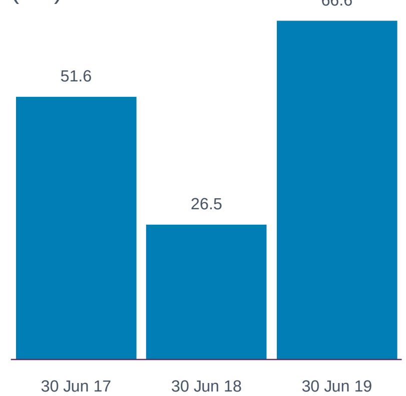
Growth business (Movestic)

- Movestic continues to contribute positively to the overall group IFRS result and has out performed against the same period in 2018. Higher transfer related fees, positive claims performance and reduced operating costs were the main drivers.

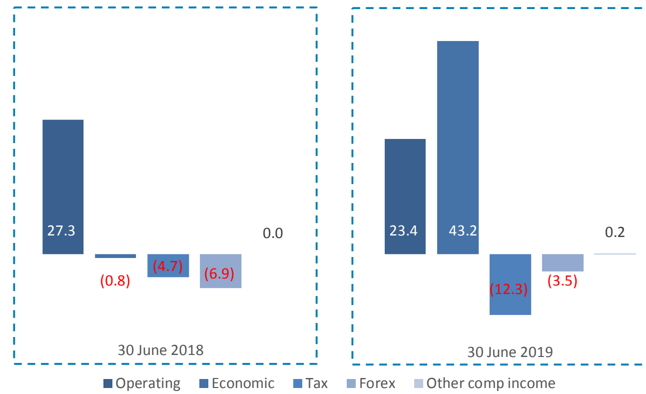
Group costs and consolidation adjustments

- This includes holding company expenses, foreign exchange movements on our euro denominated loan and consolidation adjustments.

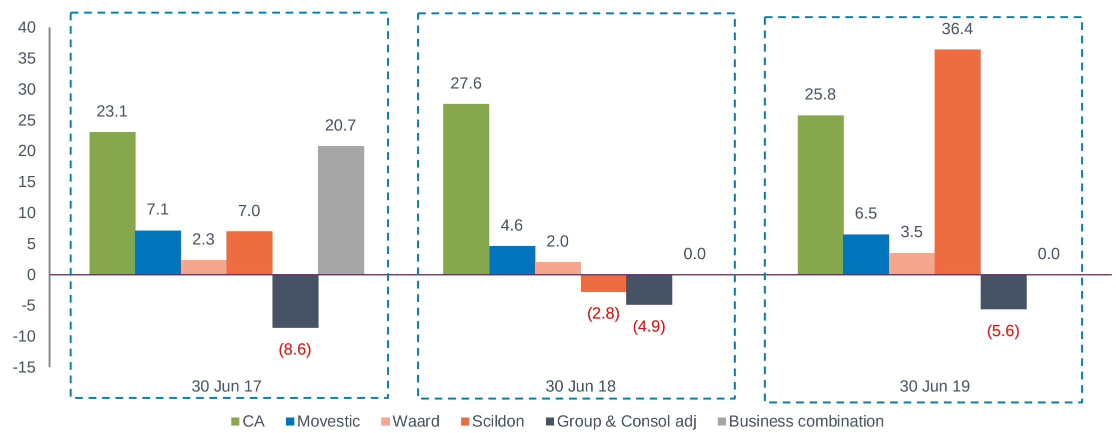
Group IFRS pre-tax profit (£m)



Analysis of IFRS TCI (£m)



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



The group cash generation result of £13.4m includes a cash strain of £13.1m as a result of the symmetric adjustment impact.

What is the symmetric adjustment?

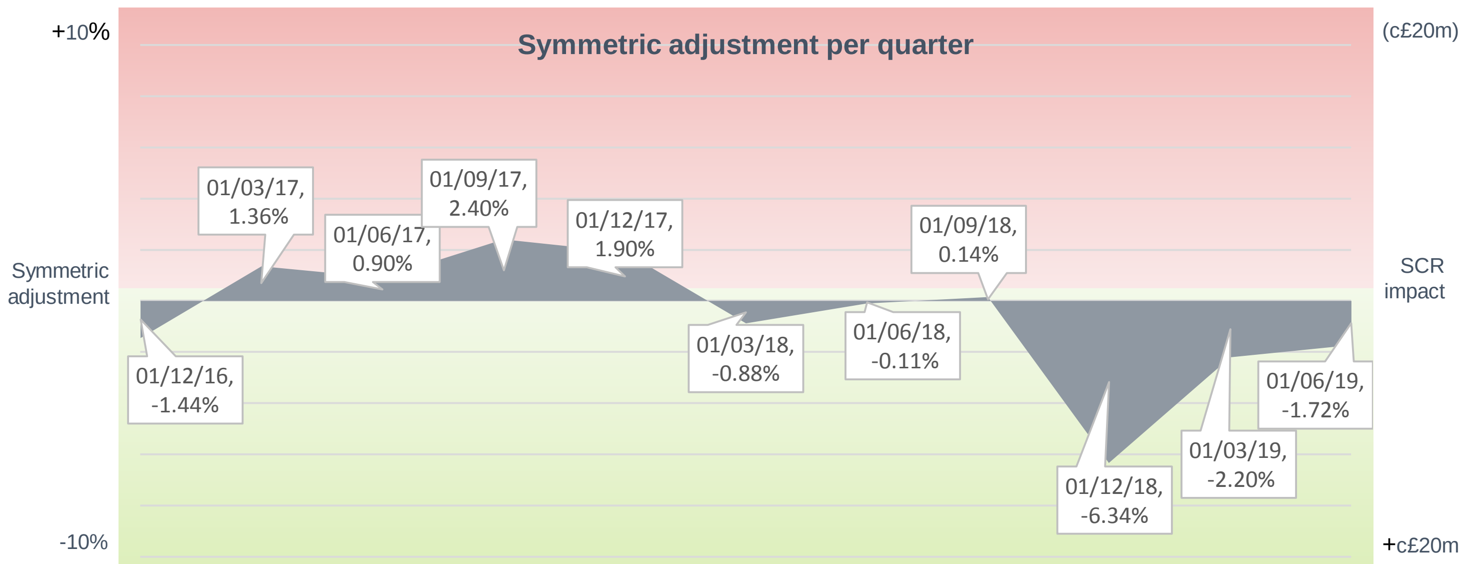
The Solvency II capital requirement calculation includes an adjusting factor that reduces or increases the level of the equity capital required depending on historical market conditions. Following periods of market growth, the factor tends to increase the level of capital required and conversely, in falling markets the capital requirement becomes less onerous. The adjustment is applied to the equity stress base percentage each reporting period. The rationale for the adjustment is to reduce the impact in a downwards market and reflect that if equities have already suffered a material fall, then a further 1-in-200 year fall would be less than in the typical position.

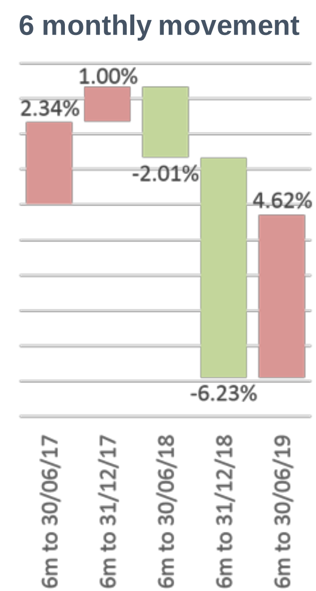
How might the SA impact results in the future

The symmetric adjustment can create a swing in the SCR value each period up to an adjustment of +/- 10%. If you are one of the extremities of that range, then subsequent movement is more likely in one direction. For example if the adjustment is at +9%, the maximum swing in the adjustment is +1% or -19%.

Who sets the symmetric adjustment?

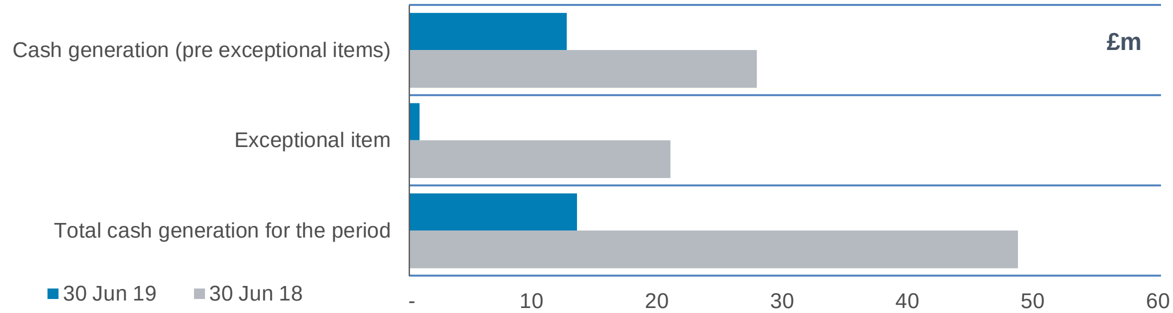
The adjustment is set by the European Insurance and Occupational Pensions Authority (EIOPA). The adjustment is provided each month and is calculated on a rolling three year basis. The adjustment tends towards zero in a period of normal equity market movements but as it is calculated using a rolling average, a period of minimal movement can still see a shift in the adjustment. This information is publicly available on the EIOPA website (https://eiopa.europa.eu/regulation-supervision/insurance/solvency-ii-technical-information/symmetric-adjustment-of-the-equity-capital-charge)

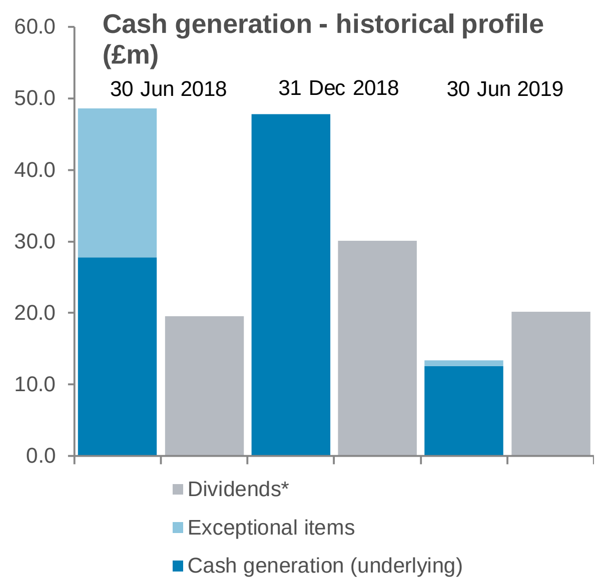


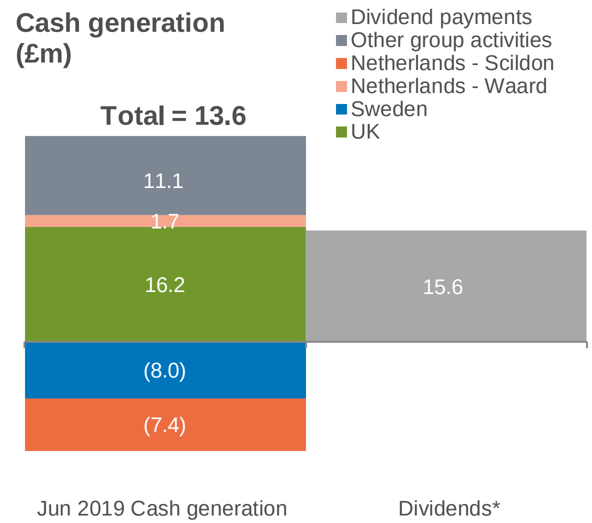


Cash generation has been slightly muted compared to the same period in 2018. The main contributing factor is the capital requirement impact of the growth in equity markets*.

- The cash value includes the net non-recurring benefit of a £0.8m (2018 HY: £20.9m) capital extraction from the UK restricted with profit funds. Excluding this, underlying group cash generation for HY 2018 was £21.8m compared to £5.5m for HY 2019.
- UK remains the primary source of divisional cash.
- Waard continues to supply stable but modest cash.
- Scildon has reported a loss of £7.4m as a result of an increased capital requirement. This is primarily due to economic factors, in particular spread risk capital, driven by rising bond values. This also includes an adverse impact of £8.3m due to increases in lapse risk capital.
- Movestic reported cash utilisation of £8.0m with growth in own funds being more than offset by increasing capital requirements. Own Funds have benefitted from growth in assets under management, and hence growth in future fee income, driven by rising equity markets. This growth was partially offset by a strengthening of assumptions relating to transfers and fund rebates. However, the asset growth has demanded a high level of capital to be held within the business. Alongside this, SEK depreciation against sterling resulted in an exchange loss of £2.2m.
- Chesnara plc has £95.7m of cash and other highly liquid balances at 30 June 2019. Post dividend, Chesnara PLC will have c£84.6m of cash balances which is more than sufficient to fund the remaining 2019 debt repayments of £7.7m and to support potential acquisition activity.





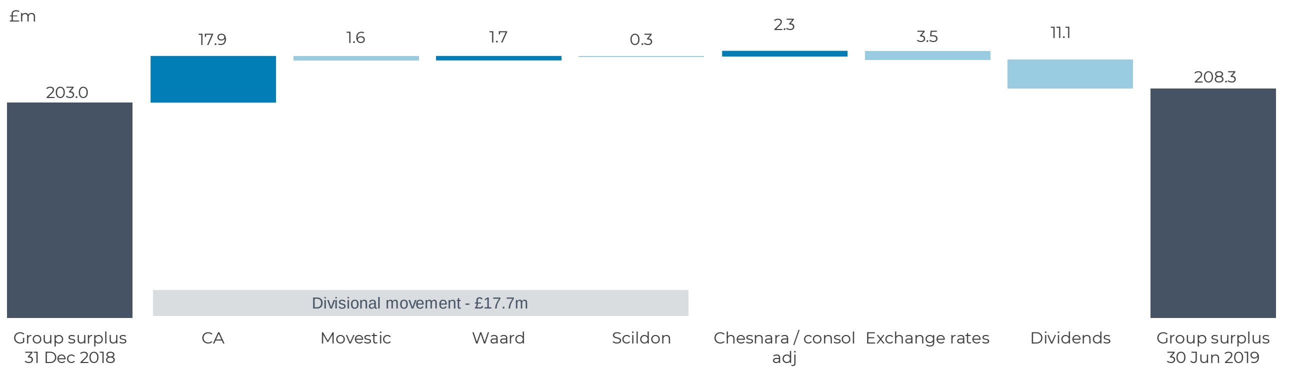


**** Estimate of 50% of the full year dividend based on 2018 levels.***

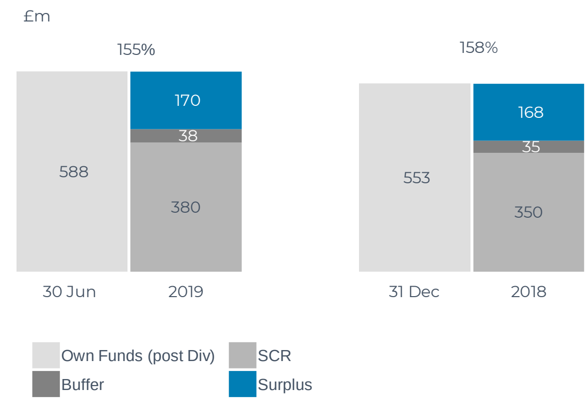
Cash generation HY 2019*: Solvency II equity risk capital requirement rules include a concept called the symmetric adjustment, which requires proportionately more equity risk capital to be held in rising markets, which subsequently unwinds over time. It is estimated that the symmetric adjustment movement in the period has supressed cash generation by some £13.1m, and mainly impacted the UK and Swedish divisions.

We are well capitalised at both a group and subsidiary level. We have applied the volatility adjustment in Scildon for the first time in this period, but have not used any other 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 reduced slightly from 158% to 155%. The group now has £170m of distributable surplus over and above the internal capital management policy, compared to £168m at the end of 2018.

Dividends: The closing solvency position is stated after deducting the £11.1m proposed interim dividend (31 December 2018: £20.2m).

Own funds: Own funds have increased by £35.6m, before the impact of the interim dividend (£11.1m). This growth is driven by positive investment returns so far this year for Movestic and CA, particularly following significant gains in equity markets. In addition, £7.9m capital was transferred from the with-profits funds within the UK division. A decrease in spreads has also increased the value of Scildon's bond holdings.

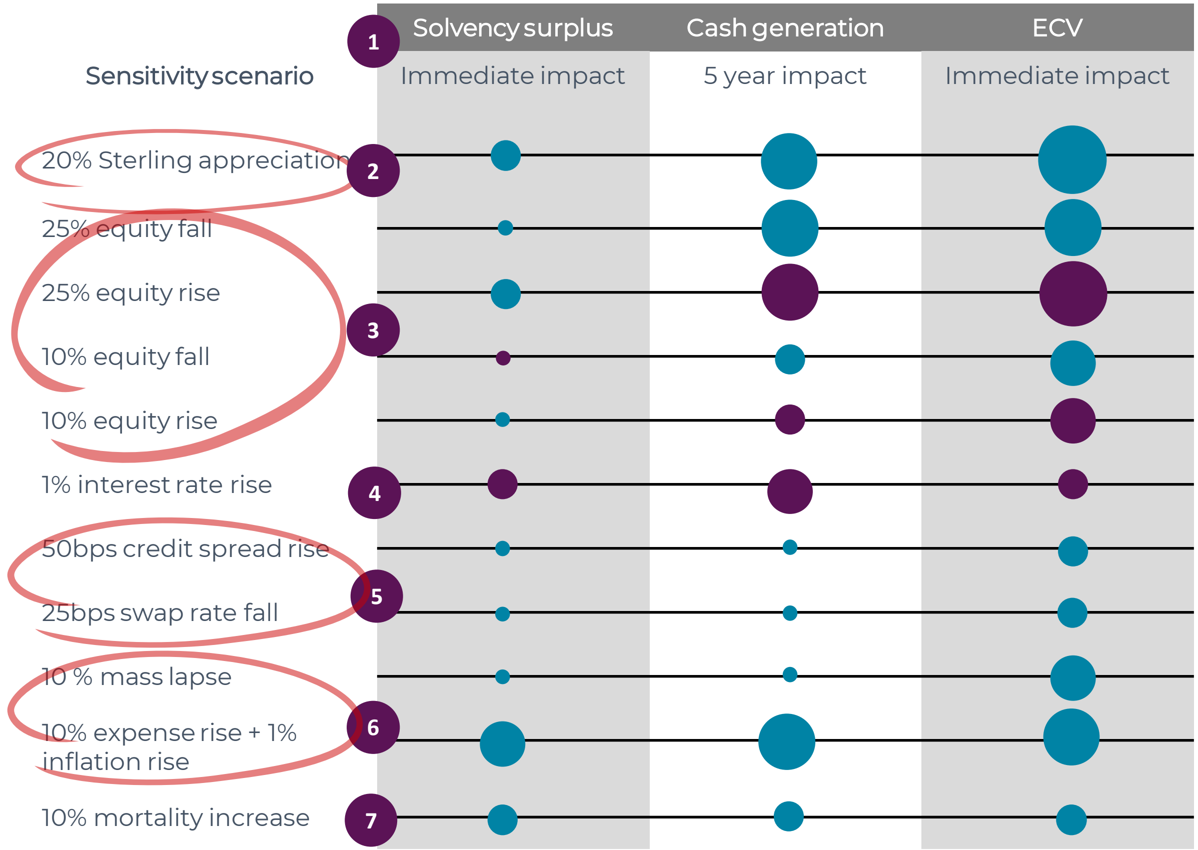
SCR: The SCR has risen by £30.2m so far this year. The key movements underlying this are increases in equity risk capital due to the impact of positive equity returns, and unwinding of the symmetric adjustment, in the group's unit linked funds.

DIVISIONAL SOLVENCY

	Jun 2019	Dec 2018
Business	**Post-Div**	**Post-Div**
CA	145%	130%
Movestic	161%	174%
Waard	649%	624%
Scildon	194%	203%

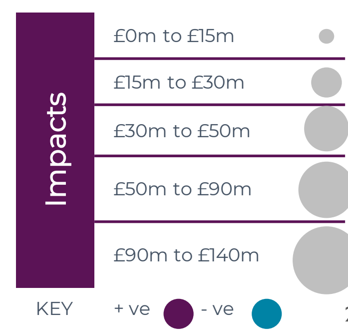
The table provides some insight into the immediate and longer term impact of certain sensitivities that the group is exposed to, covering solvency, cash generation and economic value

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. A material Sterling appreciation reduces the value of surplus in our overseas divisions, and hence has an immediate 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.
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. An interest rate rise is generally positive across the group. CA, Movestic and Scildon all contribute significantly towards the total group cash generation project.
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. The sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.



BASIS OF PREPARATION ON REPORTING:

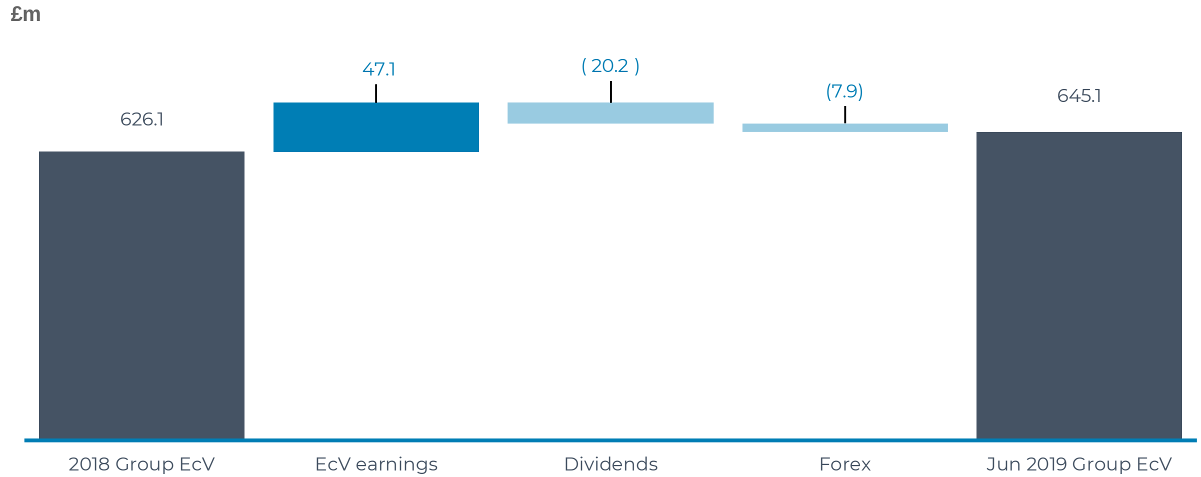
Although it is not a precise exercise, the general aim is that the sensitivities modelled are deemed to be broadly similar (with the exception that the 10% equity movements are naturally more likely to arise) in terms of likelihood. Whilst the sensitivities provide a useful guide, in practice, how our 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.



The group's EcV earnings of £47.1m in the period are largely driven by operating profits. Economic earnings have contributed more than in the prior period as a consequence of an upturn in market conditions since the start of the year, primarily equity market returns and the narrowing of bond spreads.

The EcV earnings in the period of £47.1m comprises the following elements:

	Jun 2019 £m	Jun 2018 £m
Operating (loss)/earnings	(17.8)	9.6
Material other operating items	(9.5)	-
Economic earnings	85.3	6.6
Other non operating variances	(0.1)	(0.3)
Risk margin movement	(3.0)	(0.5)
Tax	(7.8)	(1.8)
EcV earnings	**47.1**	**13.6**



EcV has increased from £626.1m at Dec 2018 to £645.1m at June 2019. The growth in EcV during the period includes the impact of the 2018 year end dividend payment of £20.2m and foreign exchange losses arising on re-translating Dutch and Swedish divisions of £7.9m.

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.

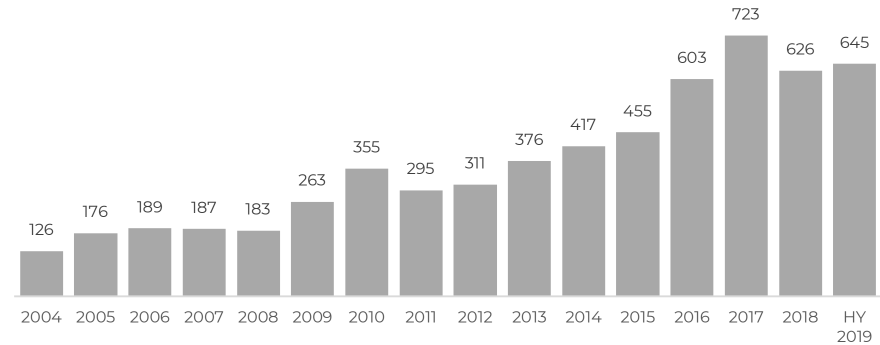
3

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



OUTCOME

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 £318m of cumulative dividend payments.

John Deane

Chief Executive Officer

CONCLUSION & OUTLOOK

01 MAXIMISE VALUE FROM EXISTING BUSINESS

- 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.
- Continue the digitisation of our Swedish business.
- 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 by reassurance or Part VII transfers.
- Ensure our abilities to undertake transfers of data from sellers systems is well understood in the market.

03 ENHANCE VALUE THROUGH NEW BUSINESS

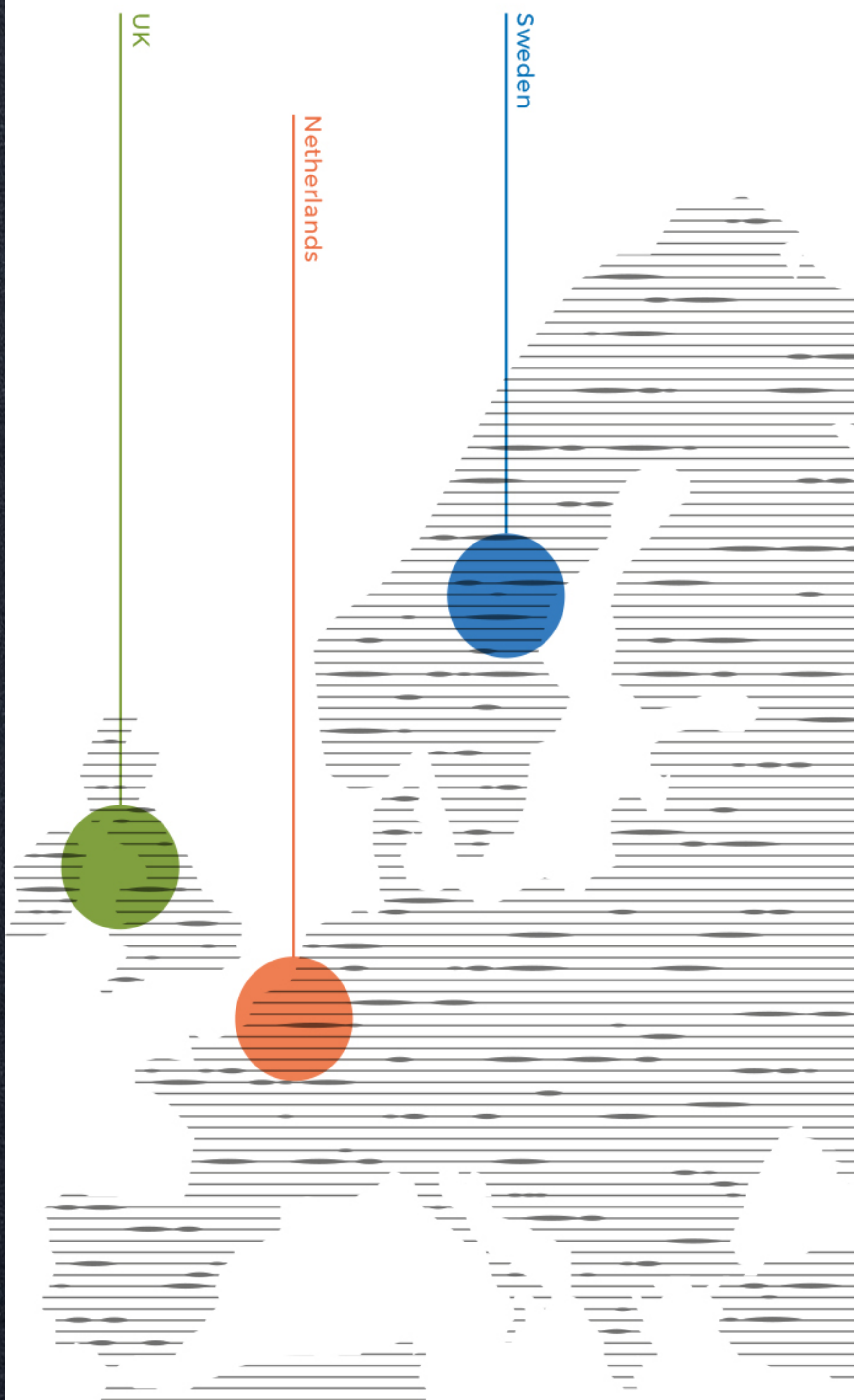
- Continue our work introducing improvements to the business processes and products in the Netherlands.
- Further develop our digital marketing to reflect consumer and broker changing habits.
- Greater use of digitalisation to provide enhanced value to customers and brokers, in particular on transfer business in Sweden.

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



APPENDICES

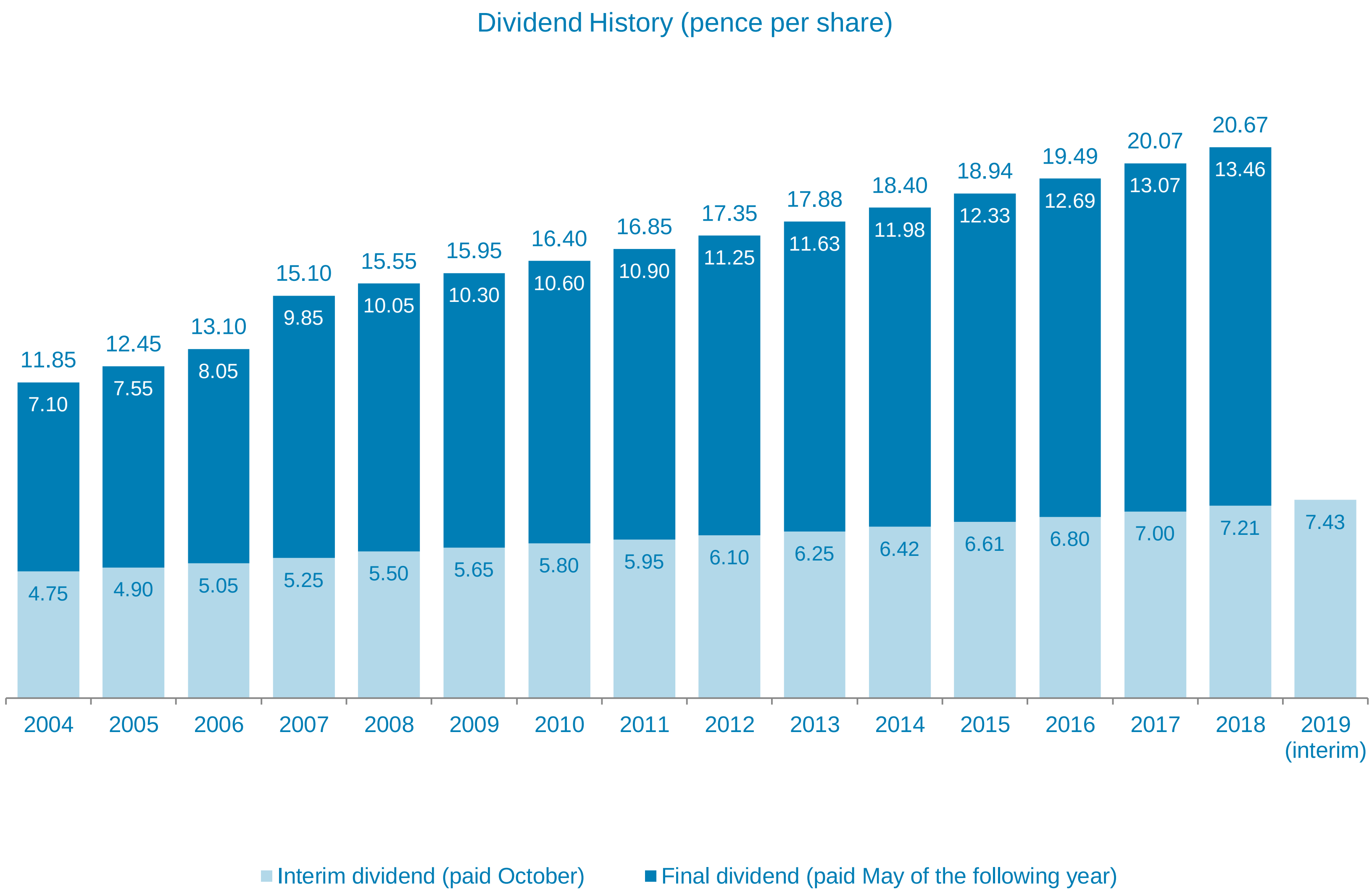
APPENDICES: HISTORICAL DATA - HEADLINE RESULTS

	Jun-19	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
IFRS profit £m (pre-tax and exceptionals)	66.6	27.0	89.6	40.7	42.8	28.8	57.8	24.5
EcV / EEV profit / (loss) £m (after tax and exceptionals) [1]	47.1	(60.9)	139.5	72.5	57.5	44.2	82.7	31.2
EcV / EEV Shareholder equity £m [1]	645.1	626.1	723.1	602.6	453.4	417.2	376.4	311.1
Solvency II ratio (UK)	145%	130%	130%	128%	135%	n/a	n/a	n/a
Solvency II ratio (Sweden)	161%	174%	153%	140%	154%	n/a	n/a	n/a
Solvency II ratio (Netherlands - Waard)	649%	624%	483%	712%	597%	n/a	n/a	n/a
Solvency II ratio (Netherlands - Scildon)	194%	203%	231%	n/a	n/a	n/a	n/a	n/a
Solvency II ratio (Group) [2]	155%	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%.*

APPENDICES: HISTORICAL DATA - DIVIDEND HISTORY



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