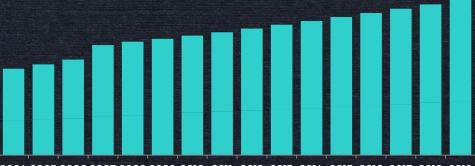
2020 Interim Results Investor Presentation

September 2020

Dividend growth track record continues



2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Chesnara

AGENDA

OVERVIEW • John Deane, Chief Executive Officer

2020 interim headlines

Strategic delivery

2020 interim financial highlights

BUSINESS REVIEW • John Deane, Chief Executive Officer

UK

Sweden

Netherlands

Acquisition strategy

FINANCIAL REVIEW • David Rimmington, Group Finance Director

Measuring our performance

IFRS pre-tax profit & total comprehensive income

Cash generation

Symmetric adjustment

Solvency II

Value growth and EcV

Sensitivities

Covid-19 impact

Asset analysis

CONCLUSION & OUTLOOK • John Deane, Chief Executive Officer Future priorities

APPENDICES

John Deane Chief Executive Officer

OVERVIEW

Group is **OPERATIONALLY RESILIENT** in the Covid-19 environment, with most staff working remotely

CONTINUED ROBUST SOLVENCY

Solvency margin at 162% (2019 y/e: 155%)

CLOSING ECV OF £604M down from £670m at 2019 year end impacted by Covid market conditions

GROUP CASH GENERATION OF £12.9M

Contributing to a Chesnara PLC closing cash balance of £77.1m (2019 y/e: £75.5m)

£35M OF DIVISIONAL DIVIDENDS PAID during H1 2020

INTERIM DIVIDEND GROWTH OF 3%

Interim dividend per share 7.65p (2019: 7.43p)

IFRS PRE-TAX LOSS

£(9.1)m (2019 HY: £66.6m) impacted by Covid market conditions

Dividend increased by 3% supported by solid cash generation

During the first half of 2020, despite difficult investment market conditions, Chesnara delivered positive cash generation; however, there was a reduction in own funds. The headline cash result has benefitted from a foreign exchange gain due to the weakening of sterling against the euro and Swedish krona, alongside the positive impact of the symmetric adjustment. Prudent financial and operational management has resulted in Chesnara's operations, solvency and dividends all being resilient to the impacts of Covid-19.

OI MAXIMISE VALUE FROM EXISTING BUSINESS

Cash generation from all divisions except Scildon has created a total group cash of £12.9m.

Economic Value has reduced by 6.7% pre-dividend predominantly due to external market conditions.

O2 ACQUIRE LIFE AND PENSION BUSINESSES

The acquisition of a portfolio from Argenta Insurance in the Netherlands (announced in 2019) was completed on 31 August 2020 at a 22% discount to EcV and implemented onto Waard systems. It is expected to add c£6.9m of Economic Value and future cash potential.

O3 ENHANCE VALUE THROUGH NEW BUSINESS

Total commercial new business profits of £6.7m at half year.

CHESNARA CULTURE AND VALUES

- Group solvency ratio of 162% at the end of H1 2020 which is a 7% increase on the 2019 y/e position of 155%
- Continuing to focus on delivering good customer outcomes and delivering the same levels of customer service in a Covid-19 operating environment.
- Continuing to apply the Chesnara governance and risk culture practices.
- Ongoing constructive relationships with UK, Swedish and Dutch regulators.

Shareholder return: 3% dividend growth Interim dividend increased by 3% to 7.65p per share (2019: 7.43p interim and 13.87p final).

162%



IFRS



SOLVENCY

GROUP SOLVENCY

the first six months of 2020.

IFRS PRE-TAX LOSS

£(9.1)m

2019 y/e: 155%

We are well capitalised at both group and subsidiary level under Solvency II, with the group solvency ratio improving in

conditions created by the Covid-19 pandemic, including an impairment of £11.6m to the Scildon AVIF. By contrast, economic conditions created a £43.2m gain during the first half of 2019.

The result includes £25.0m of losses relating to economic market

IFRS TOTAL COMPREHENSIVE INCOME

£15.1m

2019 HY: £51.0m

2019 HY: £66.6m

The 2020 result includes a foreign exchange gain of £21.9m (2019: loss of £3.5m).



ECONOMIC VALUE



CASH GENERATION

ECONOMIC VALUE

£604.2m

GROUP CASH GENERATION

£12.9m

2019 v/e: £670.0m

Movement in the year is after dividend distributions of £20.8m and

2019 HY: £13.4m

The result for the period includes a positive impact from the symmetric adjustment of c£26m.

ECONOMIC VALUE EARNINGS

includes a foreign exchange gain of £29.1m.

£(74.1)m

DIVISIONAL CASH GENERATION

£9.6m

2019 HY: £47.1m

The result includes £53.6m of economic losses resulting from investment market movements (2019 HY: gain of £85.3m).

2019 HY: £2.4m

In the period divisional dividends of £35m have been paid and a further £5m has been paid in September.



ECONOMIC BACKDROP



NEW BUSINESS PROFIT

THE COVID-19 PANDEMIC HAS LED TO FALLING INTEREST RATES, REDUCED EQUITY PRICES AND STERLING DEPRECIATION IN 2020

COMMERCIAL NEW BUSINESS £6.7m

2019 HY: £7.6m

The financial results for the first half of 2020 are reflective of the deterioration in investment markets witnessed since the turn of the year. Falling interest rates, widening bond spreads and falls in equity markets have driven economic losses. The impact of these factors has been felt, to varying degrees, across all financial metrics. A weakening of sterling against the euro and Swedish krona has led to foreign exchange translation gains.

Scildon has reported a 37% improvement over the corresponding period in 2019, increasing market share in both term and individual life markets. Pricing pressures and changes to fee income and rebates continue to suppress Movestic's new business value, with more modest returns of £1.7m.



DIVIDEND



DUTCH ACQUISITIONS

INTERIM DIVIDEND INCREASE

3%

2019: 3%

Interim dividend increased by 3% to 7.65p per share (2019: 7.43p interim and 13.87p final).

EXPANSION IN THE NETHERLANDS CONTINUES

Operations in the Netherlands continued to grow following regulatory approval of a portfolio acquisition from Argenta Bank (announced in 2019), at a discount to EcV of c22% which completed on 31 August 2020 and adds c£6.9m of EcV.

John Deane Chief Executive Officer

BUSINESS REVIEW

The division manages c247,000 policies and is in run-off. Countrywide Assured follows an outsourcer based operating model, with a central governance team responsible for managing all outsourced operations.

MAXIMISE VALUE FROM EXISTING BUSINESS **BACKGROUND INFORMATION INITIATIVES & PROGRESS IN 2020** KPI's **FUTURE PRIORITIES CAPITAL & VALUE MANAGEMENT** £m Economic Value As a closed book, the division Fund manager rationalisation has · Complete the fund manager creates value through progressed well. rationalisation programme. Jun-20 managing: costs, policy Positive lapse experience has Maintain a cost effective model. attrition, investment return, supported value growth. 276.7 Continue to support Chesnara and reinsurance strategy. Performance over the first six Group with acquisitions. 30.0 months has worsened compared to At the heart of maintaining · Continue to ensure our value is ensuring that the 2019, principally as a result of the ■ Reported Value ■ Cumulative Dividends investment strategy and asset division is well governed. Covid-19 driven fall in equity mix is appropriate. £m Cash generation markets.

CUSTOMER OUTCOMES

- Treating customers fairly is one of our primary responsibilities.
 We achieve this by effective customer service and competitive fund performance whilst giving full regard to all regulatory matters.
- Key focus has been to meet our customers' needs in the Covid-19 operating environment.
 - We have implemented changes that enable customers to contact us in new ways.
 - Customer strategy project has been completed and signed off.



- Continue to operate under Covid-19 new environment.
- Key BAU activity, including product reviews and new ways to 'stay in touch'.
- Continue to manage policyholders in low risk manner.

GOVERNANCE

- Maintaining effective governance and a constructive relationship with regulators is key to our strategy.
- Having robust governance processes provides management with a platform to deliver the other aspects of the business strategy.
- Strong delivery of BAU governance despite Covid-19 situation, primarily overseeing the remote working model.
- Operational resilience programme has progressed well.
- IFRS 17 continues to progress and we have selected WTW as the group provider of the contractual service margin (CSM) tool.



 A focus on the application decisions and operational impact of the IFRS 17 programme, including implementing the CSM tool. Movestic is a life and pensions business based in Sweden and is open to new business. From its Stockholm base, Movestic operates as an innovative brand in the Swedish life insurance market. It offers personalised unit-linked pension and savings solutions through brokers and is well-rated within the broker community.

MAXIMISE VALUE FROM EXISTING BUSINESS

Jun-20

2019

2017

2016

Reported Value

BACKGROUND INFORMATION INITIATIVES & PROGRESS IN 2020 KF

KPI's FUTURE PRIORITIES

 Movestic creates value by generating growth in the unit-linked assets under management (AuM), whilst assuring a high quality customer proposition and maintaining an efficient

operating model.

CAPITAL & VALUE MANAGEMENT

- Completed the liquidation of Modernac releasing £1m of surplus.
- Due to Covid-19, Swedish equities are 6% down when compared to the start of 2020.
- Policyholder transfers continue due to the competitive market. Despite the adverse transfer ratio, the division continues to report positive net client cash flows.
- New transfer regulations have reduced the EcV at half year by £3.2m.
- Exceptional operating variances have resulted in £16.6m reduction to EcV driven by assumption changes, along with an economic loss of £21.9m in the period.

Economic Value

• Continue the journey of digitalisation and automation.

231.0

241.1

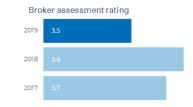
- Continue to develop more digitalised customer proposition.
- Provide a predictable and sustainable dividend to Chesnara.

CUSTOMER OUTCOMES

- Movestic provides personalised long-term savings, insurance policies and occupational pensions for individuals and business owners which we offer through advisors and licenced brokers.
- Policyholder average investment return of (7.4)% in the year (2019 HY: 11.7%) driven by equity market falls.
- Broker and customer servicing has been a key focus in light of Covid-19 with processes adjusted to ensure customer service continues at an acceptable level.

POLICYHOLDER AVERAGE INVESTMENT RETURN: (7.4)%

■ Cumulative Dividends



- Continue to develop new solutions and tools to support the brokers' value enhancing customer proposition.
- Further work on the direct distribution channels.
- Broaden product and service offering.
- Launch new broker web with improved functionality.

MAXIMISE VALUE FROM EXISTING BUSINESS

BACKGROUND INFORMATION INITIATIVES & PROGRESS IN 2020

KPI's

FUTURE PRIORITIES

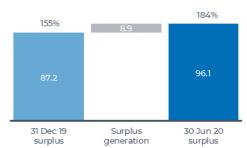
GOVERNANCE

Movestic operates to exacting regulatory standards and adopts a robust approach to risk management.

Maintaining strong governance is a critical to the division.

- Dealing with Covid-19 impact has been a key focus, including ensuring operating in line with government guidelines.
- Focus on remote working functionality, revised working practices and well-being of staff
- Aside from Covid-19, the digitalisation programme has progressed well and is expected to be completed in H2 2020.
- IFRS 17 continues to progress and we have selected WTW as the group provider of the CSM tool.





- Covid-19 situation will be monitored with options for office returns being reviewed regularly.
- A focus on the application decisions and operational impact of the IFRS 17 programme, including implementing the CSM tool.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

BACKGROUND INFORMATION

As an "open" business, Movestic not only adds value from sales but as it gains scale, it will become increasingly cash generative.

Movestic has a clear sales focus and targets a market share of 6% - 10% of the advised occupational pension market.

INITIATIVES & PROGRESS IN 2020

New business profits of £1.7m over the period (2019 HY: £3.9m). The reduction compared with the same period in 2019 is largely as a result of reduced sales volumes, largely driven by Covid-19 dynamics..

KPI's



*New business figures from 2018 onwards have been calculated using the commercially realistic metric. Values prior to this are retained at that which they were previously reported.

FUTURE PRIORITIES

- Continue the delivery of a new decumulation service for annuity planning.
- Launch digital life insurance for broker channel.
- Launch new risk products in a common broker hub.
- Launch of a new offering to the smaller brokers.
- Continue to write new business within the target range.
- Ongoing digitalization of processes.

Our Dutch businesses aim to deliver growth and earnings through their dual closed and open book approach and through the group acquisition strategy will integrate portfolios and businesses into their operations.

MAXIMISE VALUE FROM EXISTING BUSINESS

Jun-20

2019

2018

2017

2016

Economic Value

BACKGROUND INFORMATION INITIATIVES & PROGRESS IN 2020

KPI's

FUTURE PRIORITIES

CAPITAL & VALUE MANAGEMENT

Both Waard and Scildon have a common aim to make capital available.

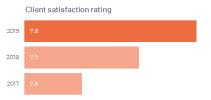
- Waard is in run-off and has the benefit that the capital requirements reduce in-line with the attrition of the book.
- As an "open business", Scildon adds value and creates surplus capital through writing new business and by efficient operational management and capital optimisation.

- In August, Waard completed the acquisition of a portfolio from Argenta Bank.
- Despite the Covid-19 impact on markets, solvency remains strong (inclusive of the volatility adjustment and foreseeable dividends of £12.7m) but Scildon is currently below the internal capital management policy (185%).
- Scildon has continued to optimise its riskbased return through de-risking its asset portfolio and investing into mortgage funds with £170m held as at 30 June 2020.
- Waard continued to maintain significant solvency levels, the ratio rising to 557% in the period.

- Continue to provide dividends to group.
- Integrate the Argenta acquisition into Waard.
- Complete the Scildon improvement plan.
- Progress capital management and cash generation initiatives.

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.
- Actively engaged with customers through the Covid-19 pandemic and continue to support them in any way we can.
- Scildon continues work on the migration and digitalisation of its policy administration system, which is expected to complete in 2021.
- The annual performance research for consumers shows high scores.



■ Reported Value ■ Cumulative Dividends

- Regular engagement with its customers.
- Continue with the migration and digitalisation of the Scildon IT platform.
- Continue to engage with its broker network.

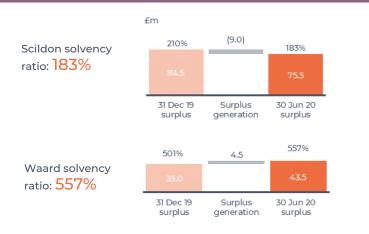
MAXIMISE VALUE FROM EXISTING BUSINESS

BACKGROUND INFORMATION INITIATIVES & PROGRESS IN 2020 KPI'S FUTURE PRIORITIES

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.

IFRS 17 continues to progress and we have selected WTW as the group provider of the CSM tool.



 A focus on the application decisions and operational impact of the IFRS 17 programme, including implementing the CSM tool.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

BACKGROUND INFORMATION

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.

INITIATIVES & PROGRESS IN 2020

- Despite challenging market conditions, continued progress in new business profits, earning £5.0m in the period on a commercial basis. It is expected that the full impact of Covid will be felt in H2 2020.
- Established a white labelling relationship with Dazure.
- Term market share for June 2020 has risen to 16.9% although the market size has decreased, partly as a result of Covid-19.
- Scildon policy count continues to increase.

KPI's



*New business figures from 2018 onwards have been calculated using the commercially realistic metric. Values prior to this are retained at that which they were previously reported.

FUTURE PRIORITIES

- Continue to deliver product innovation and cost management actions.
- Consider alternative routes to market that do not compromise our existing broker relationships.



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.

ACQUISITIONS UPDATE DURING THE YEAR

During 2020 the group has continued pursuing its acquisition strategy. In particular:

- 1. Argenta transaction the group announced on 22 November 2019 that it had entered into an agreement to acquire a portfolio of life insurance business in run-off from the Dutch branch of Belgian-owned Argenta Bank-en Versekeringsgroep N.V. The transaction completed on 31 August 2020 and is expected to be both earnings and EcV accretive. The portfolio was converted on to our systems in Waard in early September demonstrating our strong operational capability in a COVID environment.
- 2. Other opportunities management has continued to pursue wider acquisition opportunities for the group. This involves a combination of making sure we are in regular contact with investment banks and advisers and making direct contact with potential sellers when deemed appropriate. This work continues to support our views that the acquisition market is buoyant and supports the group's ongoing acquisition strategy.

ACQUISITION OUTLOOK

- We have continued to witness acquisition activity in the year to date, particularly in Europe.
- The environment in which European life insurance companies operate continues to increase in complexity, such as the forthcoming application of IFRS 17. We believe this 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. Our proven ability to integrate portfolios quickly in the Netherlands and the UK and our ability to offer white label products in the Netherlands for those who wish to retain product offerings will be increasingly attractive in this market.

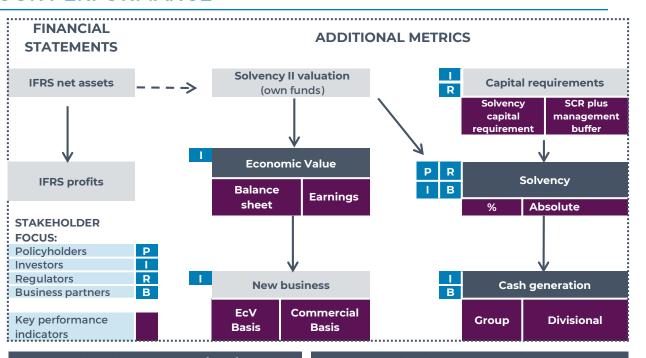
David Rimmington Group Finance Director

FINANCIAL REVIEW

We use a number of measures to assess and report how well we have performed.

The range 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.



SOLVENCY

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

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

ECONOMIC VALUE (EcV)

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

New business

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

CASH GENERATION

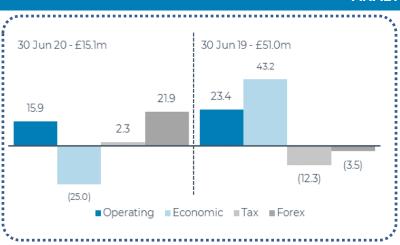
Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.

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

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

The group IFRS results reflect the natural dynamics of the segments of the group, which can be characterised in three major components: stable core; variable element; and growth operation.





- The operating result demonstrates the stability of the underlying business.
- Economic result represents the components of the earnings that are directly driven by movements in economic variables. During 2020, all divisions suffered from adverse market conditions, as a consequence of the Covid-19 pandemic.
- Tax has reduced in line with the reduction in the underlying operating and economic performance.
- Sterling weakened against both the euro and Swedish krona in the period, resulting in a sizeable exchange gain year to date.
- The current year includes a write down of the Scildon AVIF asset, following a reassessment performed at 30 June 2020.

DIVISIONAL PERFORMANCE

IFRS pre-tax profits are significantly lower than 2019 with the primary change being driven by the movement in Scildon's and CA's results.

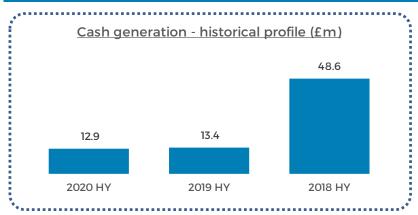
- Scildon delivered a relatively strong IFRS result in the first six months. A positive insurance result was generated by favourable term policy experience driven by a recovery in credit and country spreads in Q2.
- CA adversely impacted by the investment market impact of Covid-19. Equity markets are significantly down on the start of the year and this, coupled with reducing bond yields, has led to an overall negative economic return.
- Movestic continues to contribute positively to the overall group IFRS result but posting a slightly lower return when compared to the prior half year period due to lower investment results.
- Waard result reflects weaker investment performance alongside slightly higher than expected acquisition related expenditure.

y		6 months	ended
		30 Jun 20	30 Jun 19
		£m	£m
	CA	0.4	25.8
	Movestic	4.0	6.5
	Waard Group	(0.2)	3.5
	Scildon	7.2	36.4
	Chesnara	(5.8)	(2.9)
9	Consolidation adjustments	(14.7)	(2.7)
	(Loss)/profit before tax	(9.1)	66.6
	Tax	2.3	(12.3)
	(Loss)/profit after tax	(6.8)	54.3
	Foreign exchange	21.9	(3.5)
	Other comprehensive income	-	0.2
	Total comprehensive income	15.1	51.0



The Swedish division has delivered a significant cash contribution despite difficult economic conditions, supporting a total cash generation of £12.9m for the first half of 2020.

GROUP CASH GENERATION



The headline cash results of £12.9m is relatively modest but as expected following the Covid-19 market turmoil. Divisional cash of £9.6m was generated with Movestic being the lead contributor.

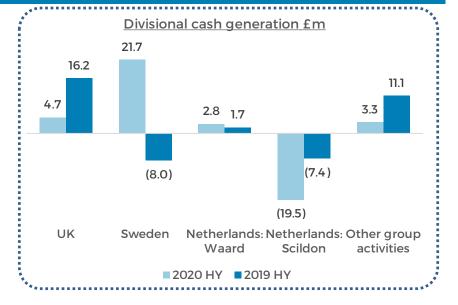
The headline cash result is heavily impacted by technical matters such as: the symmetric adjustment; with-profit restrictions; and model enhancements.

The half year figures include £35m of divisional dividends received, with a further £5m received in September 2020.

Chesnara Plc has cash and other highly liquid assets of £77.1m at 30 June 2020 (£75.5m at 31 December 2019) and expects future short term outflows of £11.5m for payment of the interim dividend and 2020 debt and interest repayments of £8.2m. As noted above, the Waard divisional dividend of £5.2m was received in September.

DIVISIONAL PERFORMANCE

- CA reasonably modest cash generation in H1 2020 which stems primarily from economic losses. Prior year comparison benefitted from a £7.9m release from the with-profits fund.
- Movestic reported a significant cash contribution of £21.7m. The division was heavily impacted by equity falls in the period owing to the nature of the business, but this was offset by significantly larger reductions in capital requirements owing in part to the symmetrical adjustment, alongside strong FX gains.
- Waard cash generation was modest but in line with expectations, with a reduction in Own Funds due to a fall in equity and bond values, being offset by a similar decrease in capital requirements.
- Scildon suffered adverse movements in both Own Funds and capital requirements, resulting in cash utilisation of £19.5m driven by downward pressure on yields and widening of spreads but softened somewhat by the application of the VA. A large element of Scildon's lapse risk SCR is reversed out on consolidation at the Chesnara level due to a different group biting constraint



The group cash generation result of £12.9m includes an estimated cash benefit of c£26m as a result of the symmetric adjustment impact during H1 2020, primarily driven by CA and Movestic's results.

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.

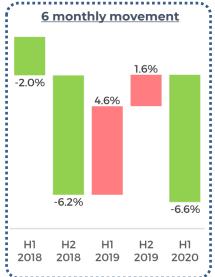
HOW MIGHT THE SYMMETRIC ADJUSTMENT IMPACT RESULTS IN THE FUTURE?

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

WHO SETS THE SYMMETRIC ADJUSTMENT?

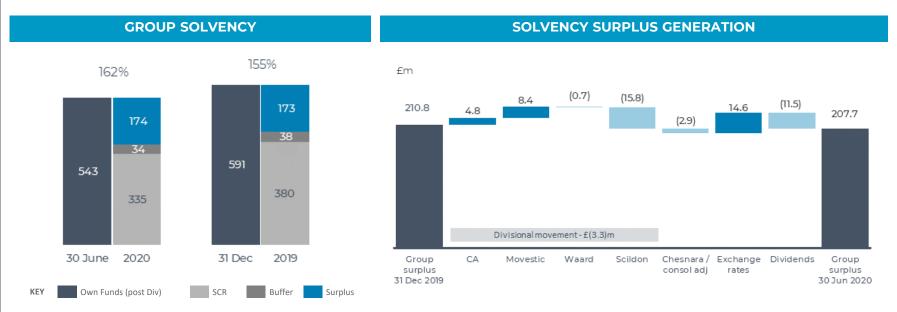
The adjustment is set by the European Insurance and Occupational Pensions Authority (EIOPA). The adjustment is provided each month and is calculated on a rolling three year basis. The adjustment tends towards zero in a period of normal equity market movements but as it is calculated using a rolling average, 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).







We are well capitalised at both a group and subsidiary level.



CONTEXT

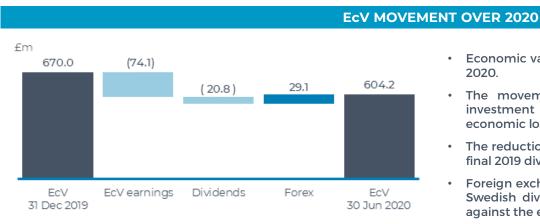
- OWN FUNDS: Own Funds have fallen by £36.6m (pre-dividends). This is driven heavily by the fall in equity market values and yields due to the Covid-19 pandemic, partially offset by positive exchange rate variance.
- SCR: The SCR has fallen by £45.0m, mainly due to a material reduction in equity risk alongside smaller reductions in currency and lapse risk.
- SURPLUS: The group has £174.2m of surplus over and above the internal capital management policy, compared to £172.8m at the end of 2019. The group solvency ratio has increased from 155% (at 31/12/19) to 162% whilst solvency surplus has fallen by £3.1m.
- DIVIDENDS: The closing solvency position is stated after deducting the £11.5m proposed interim dividend (31 December 2019: £20.8m).



The reduction in the group EcV is reflective of a challenging start to the year and the impact of Covid-19 on investment market conditions, with falling interest rates, widening spreads and diminished equity returns.

What is economic value?

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.



- Economic value fell by nearly 10% to £604.2m during the first half of 2020.
- The movement includes an EcV loss of £74.1m, impacted by investment market conditions and subsequent substantial economic losses across the divisions.
- · The reduction in EcV also includes the impact of the payment of the final 2019 dividend.
- Foreign exchange gains arose from the translation of the Dutch and Swedish divisional results, representing the weakening of sterling against the euro and Swedish krona.

EcV EARNINGS

- The UK reported an EcV loss of £14.5m in the period as operational earnings were offset by larger economic losses.
- Movestic recorded a significant loss (£41.6m) in the first half of the year, predominantly due to economic losses as well as adverse non-recurring operating items.
- Economic conditions were a key factor in the results posted by the Dutch businesses, with the division reporting a loss of £12.7m for the period. Scildon incurred a loss of £10.8m, largely reflecting economic losses owing to falling yields and a widening of spreads. The impact of this was softened by the application of the volatility adjustment.

£m	CA	Movestic	Scildon	Waard	Other group activities	Total
2020 half year	(14.5)	(41.6)	(10.8)	(1.9)	(5.4)	(74.1)
2019 half year	25.2	13.9	6.5	1.6	(0.1)	47.1



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.

2019

Completion of the acquisition of a portfolio from Monuta, under Waard group.

2020

Completion of the acquisition of 44,000 policies from the Dutch branch of Argenta Bank, also under Waard Group.

WHAT WE HAVE DONE

8

SUCCESSFUL ACQUISITIONS

3

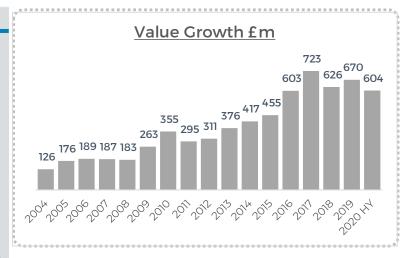
TERRITORIES

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
- 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
- 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

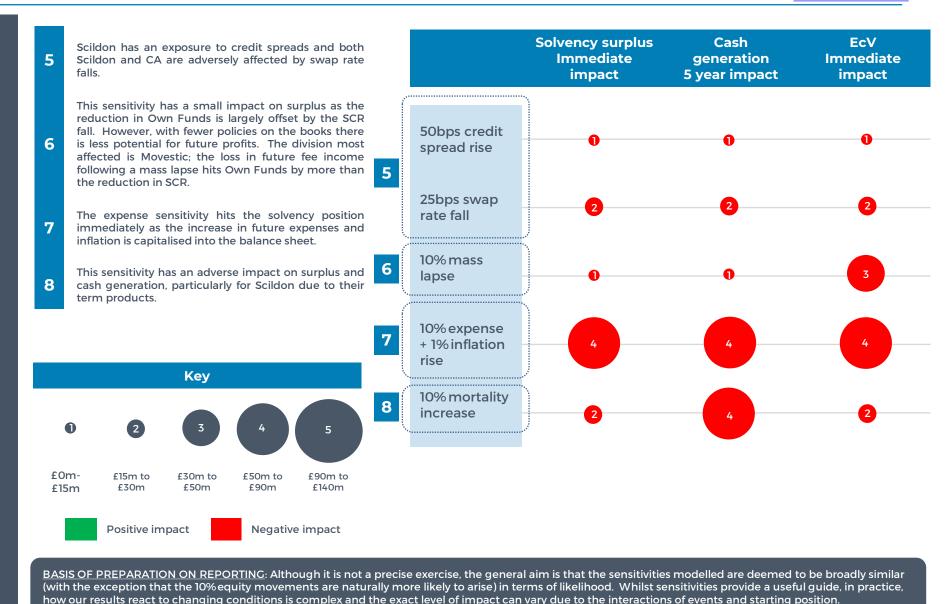


Value growth is achieved through a combination of efficient management of the existing policies, acquisitions and writing profitable new business.

The value of the group is affected by investment market conditions at any given point in time.

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.

co pre	nditions whereas cas	"full force" of adverse sh generation is often rm due to compensating apital.	1		Solvency surplus Immediate impact	Cash generation 5 year impact	EcV Immediate impact
su im red ou	rplus in our overseas d nmediate impact on gro duces the value of proje	iation reduces the value of ivisions and hence has an up cash generation. It also cted Own Funds growth in also reduces the value of A.	2	20% sterling appreciation	2	2	5
an ris Fu	nd SCR to rise, as the val isk is higher. The increase unds, resulting in an imr	es cause both Own Funds ue of the funds exposed to e in SCR is larger than Own nediate impact on surplus. uity stresses have become		25% equity fall	2	4	4
ро		a change in the starting ric adjustment (2019 y/e: HY:-6.72%).		25% equity rise	•	4	4
groon cu an	oup. An interest rate fa n Own Funds than an ir irrent low interest rate (Inerally positive across the Il results in a larger impact Interest rate rise, given the environment. CA, Movestic towards the total group	3	10% equity fall	0	3	3
	Кеу			10% equity rise	0	3	3
0	2 3	4 5		1% interest rate rise	2	3	0
£0m- £15m	£15m to £30m to £30m	£50m to £90m to £90m	4	1%interest			
	Positive impact	Negative impact		rate fall	3	3	2



23

Across the group, we responded rapidly to the Covid-19 situation and implemented necessary changes to the operating model of the business. We are not experiencing notable increases in claims levels or customer contact during 2020 but as we have noted throughout the report, Covid-19 has had a significant impact on many of the key economic metrics. Whilst it is not possible to isolate the impact of Covid alone, the table below considers the key metrics and the movements in the period.

FINANCIAL IMPACT

	2019 year end	31 March 2020 estimate	2020 half year
Own funds (£m)	591.0		543.0
SCR (£m)	380.0		335.0
Surplus (£m)	210.8	196.6	207.7
Solvency ratio (%)	155%	163%	162%
EcV (£m)	670.0	579.0	604.2
	2019 half year		2020 half year
Cash generation (£m)	13.4		12.9
VNB (commercial)	7.6		6.7

In the 2019 year end investor presentation, we included an estimate for the solvency and EcV positions for the 31 March 2020. As can be seen from the figures in the table, solvency surplus and EcV have improved during the second quarter of 2020 as markets have recovered slightly. As noted above, it is not possible to isolate the impact of Covid but the movements in the key indices and their impact on the key metrics are as follows:

- Equities equity reductions since the year end have driven notable reductions in OF, somewhat offset by a reduction in the SCR including the benefits of the symmetric adjustment.
- Interest rates movements in interest rates have driven a reduction in both own funds and SCR.
- Credit spreads spreads widening has resulted in a deterioration of surplus.
- Exchange rates both the Euro and the SEK have weakened since the year end, which has had a positive impact on results.
- Volatility adjustment much of the reduction in interest rates has been offset by the VA particularly in Scildon.
- New business lower volumes have led to lower profits.

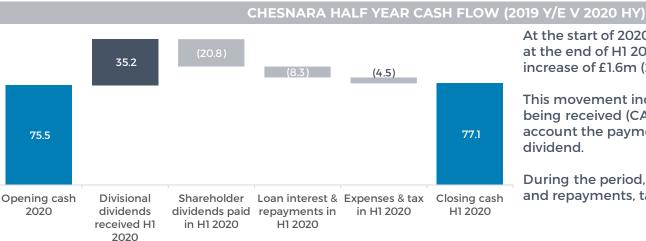
OPERATIONAL IMPACT

At the start of the lock down, we established a remote working model across the group and continue to operate under this framework. The group has maintained continuity of all business functions throughout this period.

The situation in each of our territories is fluid, as restrictions are lifted or tightened, and we anticipate that this will continue to be the case; however, we are well positioned to adapt to these restrictions.

LIQUIDITY ANALYSIS

Chesnara has cash and other highly liquid assets of £77.1m at 30 June 2020 which is a small increase on the closing position of 2019. Our projections for the second half of 2020 estimate closing cash at 31 December 2020 of £59.8m.



At the start of 2020, Chesnara had cash of £75.5m and at the end of H1 2020, closed with cash of £77.1m, an increase of £1.6m (2%).

This movement includes £35.2m of divisional dividends being received (CA and Movestic) and also takes into account the payment of the final 2019 shareholder dividend.

During the period, there have also been loan interest and repayments, tax and general expenses of £12.8m.

PROJECTED CHESNARA CASH FLOW AT 31 DECEMBER 2020

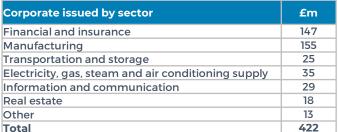


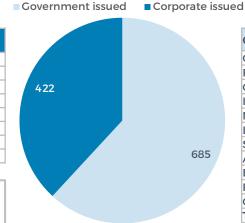
We have already received the Waard divisional dividend of €5.75m and are projecting to pay the interim shareholder dividend of £11.5m.

Compared to the projection we made at 2019 year end, the total divisional dividend has reduced, but despite this and after paying the shareholder dividends and all other expenses, there is a strong closing cash balance at the end of 2020, supporting the robustness of the dividend strategy.

Of the group's non-linked £1.1bn debt securities, 62% (£685m) is invested in government issued bonds and 38% (£422m) in corporate stock. The government-issued bonds are spread over a number of countries and the corporate issued stock is spread across 12 different sectors.

Group non-linked debt securities





Government issued by country	£m
Germany	148
France	148
Great Britain	127
Italy	38
Netherlands	40
Luxemburg	32
Spain	30
Austria	33
Belgium	26
Finland	22
Other	41
Total	685



INSIGHT

The group has £1.1bn of non-linked debt securities.

79% of the corporate investments are in assets graded A or above and these investments are split across a diverse range of sectors, with over 70% invested in financial services and manufacturing. Of the £685m government issued debt securities held, the top 3 being Germany, France and Great Britain respectively. In aggregate, these three countries cover 62% of the total portfolio (£423m).

Not included within the figures above are non-linked mortgage asset investments held within the Dutch divisions. Since the 2019 year end, Scildon has continued to optimise its risk-based return through de-risking its asset portfolio and investing into these mortgage funds and so at 30 June 2020, the mortgage assets for the group had increased to £202m from £65m at the end of 2019.

John Deane Chief Executive Officer

CONCLUSION & OUTLOOK

The world is in an unprecedented position and the financial markets are experiencing significant volatility and uncertainty; however, Chesnara has delivered and continues to be in a position to deliver on its core strategic objectives.

Despite the market turmoil, we look to continue to deliver solid operational performance within our product and wider risk appetite in a secure and stable Chesnara.

OI MAXIMISE VALUE FROM EXISTING BUSINESS

Temporary market volatility is a natural feature of investment markets and our financial model is well positioned to withstand difficult conditions without creating any permanent harm to the longer term profitability prospects.

O2 ACQUIRE LIFE AND PENSION BUSINESSES

We believe that vendors' desire to sell businesses or portfolios remains, especially where the vendor's driver for selling a life business or portfolio is the need to release capital to sustain and fund core elements of the vendor's business.

03 ENHANCE VALUE THROUGH NEW BUSINESS

In the medium to long term we have no reason to believe the market for term assurance and pension savings contracts will not recover to pre-Covid-19 levels.

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

APPENDICES

	Jun-20	Dec-19	Dec-18	Dec-17	Dec-16	Dec-15	Dec-14	Dec-13
IFRS profit £m (pre-tax)	(9.1)	96.1	27.0	89.6	40.7	42.8	28.8	57 .8
EcV / EEV profit / (loss) £m (after tax) 1	(74.1)	104.0	(60.9)	139.5	72.5	57.5	44.2	82.7
EcV / EEV Shareholder equity £m ¹	604.2	670.0	626.1	723.1	602.6	453.4	417.2	376.4
Solvency II ratio (UK) ³	141%	131%	130%	130%	128%	135%	n/a	n/a
Solvency II ratio (Sweden) ³	184%	155%	174%	153%	140%	154%	n/a	n/a
Solvency II ratio (Netherlands - Waard) ³	557%	501%	624%	483%	712%	597%	n/a	n/a
Solvency II ratio (Netherlands - Scildon) ³	183%	210%	203%	231%	n/a	n/a	n/a	n/a
Solvency II ratio (Group) ^{2, 3}	162%	155%	158%	146%	158%	146%	n/a	n/a
Gearing ratio	10.0%	11.0%	15.6%	19.8%	13.4%	17.8%	23.1%	29.6%

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

QUESTIONS

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