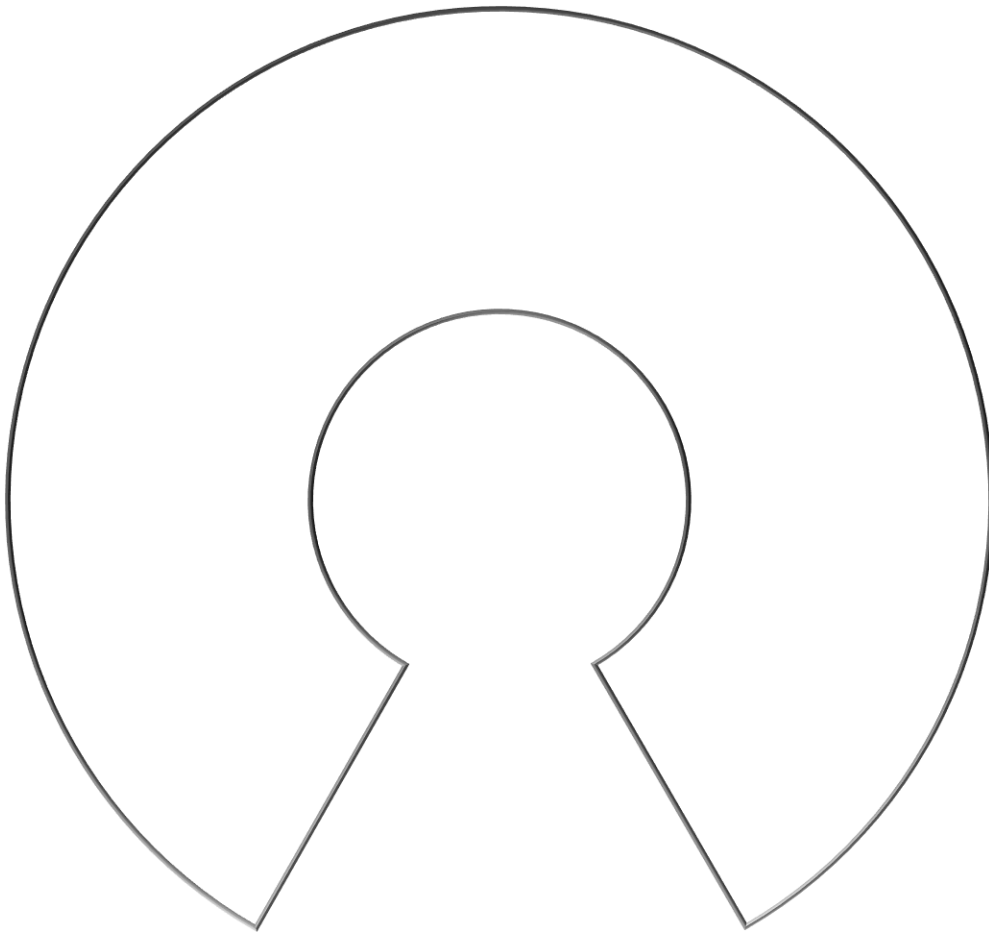


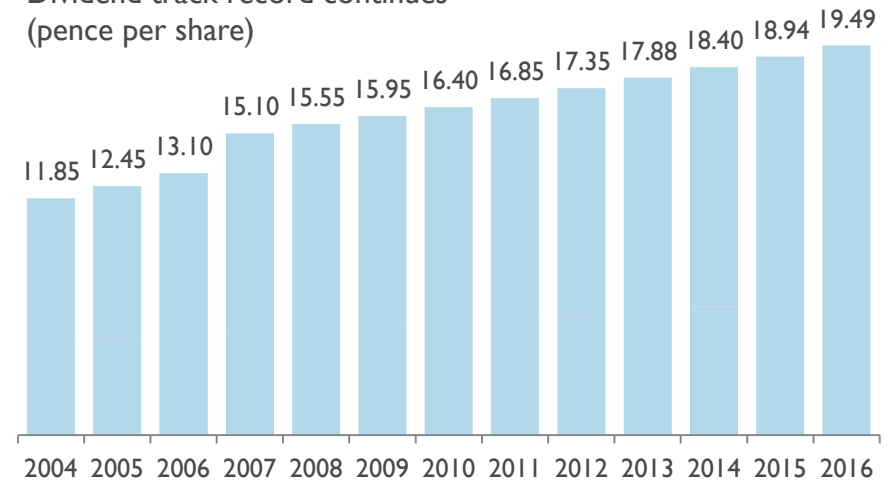
# Chesnara plc

## 2016 Final Results

31 March 2017



Dividend track record continues  
(pence per share)



# Agenda

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## John Deane, Chief Executive - OVERVIEW

- Strategic delivery
  - 2016 financial highlights
  - 2016 operational highlights
- 

## John Deane, Chief Executive – BUSINESS REVIEW

- Strategic objectives (including UK regulatory review insight)
- 

## David Rimmington, Group Finance Director – FINANCIAL REVIEW

- IFRS pre-tax profit & IFRS total comprehensive income
  - Cash generation
  - Solvency II based on the standard model without transitionals
  - Solvency II
  - Sensitivities
  - Value movement
  - Value growth
  - Pro forma group impact of acquisition
- 

## John Deane, Chief Executive – CONCLUSION & OUTLOOK

- Regulatory backdrop
  - Management's focus for 2017
- 

## QUESTIONS

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## APPENDICES

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

# John Deane

## Chief Executive Officer

### OVERVIEW

Business as usual cash generation £m



## OVERVIEW: STRATEGIC DELIVERY

2016 has been one of the busiest and most successful years in Chesnara's history.

We have delivered against each of our core strategic objectives

MAXIMISE VALUE FROM EXISTING BUSINESS	ACQUIRE LIFE AND PENSION BUSINESSES	ENHANCE VALUE THROUGH NEW BUSINESS
<p>18.2% growth in group Economic Value <sup>(1)</sup> despite a fall in the yield curve over the year.</p> <p>Fully implemented Solvency II using the 'standard formula' and no transitionals.</p> <p>First dividend from Movestic</p> <p><sup>(1)</sup> – Excludes the impact of equity raised and costs incurred for the acquisition of L&amp;G Nederland.</p>	<p>Acquisition of Legal and General Nederland at an expected 33% discount to Economic Value, creating an expected positive Economic Value impact of c£56m on completion in 2017.</p> <p>Declaration of No-Objection has been received from the De Nederlandsche Bank N.V.</p>	<p>Record new business profits from Movestic of £11.7m.</p>

## CHESNARA CULTURE AND VALUES

- Continued focus on governance, risk management, operational performance and financial stability:
    - Delivered good service standards
    - Competitive investment returns
    - Excluding the impact of equity raised Group solvency surplus has increased although the ratio has reduced marginally.
- All contributes to delivering a fair outcome to customers.

### Shareholder return: 2.9% full year dividend growth

Total dividends for the year increased by 2.9% to 19.49p per share (6.80p interim and 12.69p proposed final).

## OVERVIEW: 2016 FINANCIAL HIGHLIGHTS

IFRS		SOLVENCY	
IFRS PRE-TAX PROFIT 2015 £42.8M*	<b>£40.7M</b>	GROUP SOLVENCY 2015 146%	<b>158%</b>
*includes gain on acquisition of Waard Group of £16.6m			
IFRS TOTAL COMPREHENSIVE INCOME 2015 £39.6M	<b>£55.4M</b>	GROUP SOLVENCY EXCLUDING THE IMPACT OF EQUITY RAISED DURING THE YEAR <sup>(1)</sup>	<b>144%</b>
		2015 146%	
ECONOMIC VALUE		CASH GENERATION	
ECONOMIC VALUE <sup>(1)</sup> 2015 £453.4M	<b>£602.6M</b>	TOTAL GROUP CASH GENERATION 2015 £82.4M**	<b>£85.4M*</b>
		* includes impact of LGN equity raise ** includes cash on acquisition of Waard Group	
ECONOMIC VALUE EARNINGS 2015 £57.5M	<b>£72.5M</b>	GROUP CASH GENERATION EXCLUDING THE IMPACT OF EQUITY RAISED DURING THE YEAR <sup>(1)</sup>	<b>£36.5M</b>

<sup>(1)</sup> **ACQUISITION OF LEGAL AND GENERAL NEDERLAND** - During 2016 we announced the acquisition of Legal and General Nederland which will complete in 2017. We raised £70m of equity in the year. In the interest of balance, we have included additional Solvency and Cash Generation metrics which show the results excluding the impact of equity raised. The full positive impact of the acquisition will be recognised on completion in the 2017 results.

## OVERVIEW: 2016 OPERATIONAL HIGHLIGHTS



### ACQUISITIONS

ANNOUNCEMENT OF LEGAL AND GENERAL NEDERLAND ACQUISITION



### NEW BUSINESS PROFIT

MOVESTIC NEW BUSINESS PROFIT **£11.7M**  
2015 £5.7M



### MOVESTIC DIVIDEND

FIRST DIVIDEND PAID TO CHESNARA **£2.7M**  
**(30MSEK)**



### SOLVENCY II IMPLEMENTATION

FULL COMPLIANCE BASED ON STANDARD MODEL WITH NO TRANSITIONALS



### DIVIDEND

FULL YEAR DIVIDEND INCREASE **2.9%**  
2015 2.9%



### DIVIDEND YIELD

CHESNARA PLC DIVIDEND YIELD **6.1%**  
2015 5.7%

Based on 2016 average share price.

# John Deane

## Chief Executive Officer

### BUSINESS REVIEW

# BUSINESS REVIEW: STRATEGIC OBJECTIVES

## MAXIMISE VALUE FROM EXISTING BUSINESS - UK

During the year the UK division has focused on refining its customer strategy to reflect recent regulatory requirements, something that will continue into 2017. Cash has been generated broadly in line with plans and value continues to emerge, despite falling bond yields in the year.

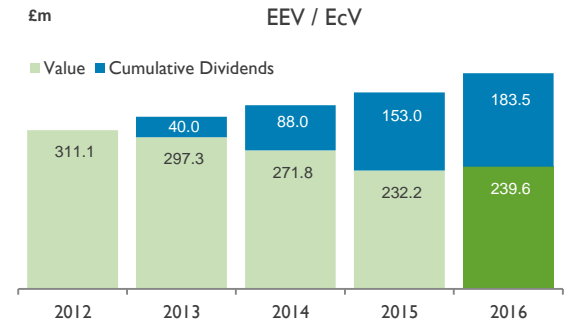
### INITIATIVES & PROGRESS IN 2016

### PRIORITIES IN 2017

#### CAPITAL & VALUE MANAGEMENT

- Positive performance in equity markets contributes to growth in value of the UK division.
- Cash of £21.3m has been generated.
- Economic value, before dividends, has increased by £36m.

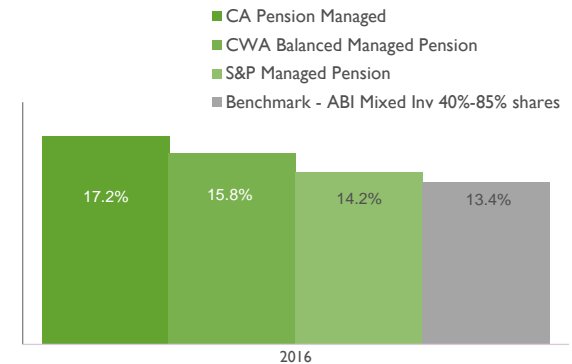
- An increased understanding of the dynamics of solvency II is expected to create an opportunity to benefit from capital optimisation in the future.



#### CUSTOMER OUTCOMES

- Action plan developed to deliver changes required to comply with Legacy review final guidance.
- Enhanced product review framework and established a Customer Committee

- Deliver the division's new customer strategy framework.
- Implement 1% exit fee cap for over 55's.
- Ensure full compliance with SII including SFCR & RSR.
- Good investment returns & customer service levels.
- Continue to support the FCA's investigation work.



#### GOVERNANCE

- A number of new appointments have been made to the CA board during the year, to fully implement the Chesnara target operating model. Ken Hogg has been appointed CEO, Andrew Richards CFO and Eithne McManus as a non-executive director.

- Continue to embed and develop the risk management framework.
- Embed the target operating model and continue the development of governance structures to meet increasing industry regulation.

#### Divisional Solvency ratio:

**2016: 151%\***

**2015: 135%**

\*before impact of proposed year end 2016 dividend of £30.0m, which remains subject to the completion of a 'no objection' process with the PRA.



Subject	Background
FCA investigation	<ul style="list-style-type: none"><li>– In March 2016 the FCA announced the commencement of investigations into 6 firms, including Countrywide Assured, focusing on whether disclosure of paid up, surrender and early transfer charges to closed book customers was adequate to enable those customers to make informed decisions.</li><li>– Based on the work undertaken to date c.274,000 policies are in-scope of the investigation. Of these:<ul style="list-style-type: none"><li>– c.68,000 were surrendered, transferred or paid up</li><li>– Fees were recovered on c.13,300 of these (5% of in-scope policies)</li><li>– An exit, surrender or paid up fee was recovered in relation to c.2,600 policies (1%).</li><li>– The fee recovered for the remaining c.10,700 policies (4%) was in relation to already accrued but not yet paid capital or initial unit charges.</li></ul></li></ul> <p>We are continuing to work with the FCA on the investigation. The FCA have confirmed that they:</p> <ul style="list-style-type: none"><li>i) are not looking to change terms and conditions of policies</li><li>ii) will not apply an inappropriate interpretation of the TCF principles to the disclosure during the period the investigation covers</li><li>iii) will not retrospectively apply standards that did not previously exist during the period the investigation covers</li></ul> <p>Discussions are continuing with the FCA to progress matters following recent requests for further information.</p>

## BUSINESS REVIEW: STRATEGIC OBJECTIVES

### UK REGULATORY UPDATE - FURTHER INSIGHTS AND CHESNARA CONTEXT

Issue	Insight	Factors	Chesnara context
Exit fees	<p>The FCA imposed cap of 1% has been implemented with effect from 1 April 2017.</p>		<p>The impact of a 1% cap is not material c£1m. However the IFRS impact which was shown at the half year is c£3.5m because it assumes that reserves are increased to the minimum surrender value for all policies.</p>
Communications and disclosure	<p>The legacy review has focused on customer communications and disclosure amongst other things.</p> <p>The FCA investigation is focusing on disclosures as opposed to the appropriateness of charges per se.</p>	<p>Disclosure assessment hierarchy:</p> <ol style="list-style-type: none"> <li>1. Fit for statutory purpose</li> <li>2. Pre legacy review best practice</li> <li>3. Post legacy review best practice</li> </ol>	<p>There is very little by way of published standards in relation to historic disclosure requirements. There are variations in the communications we issue because of the number of systems we operate, but we believe that our communications are generally consistent with prevailing industry standards.</p> <p>We expect, and are committed to developing our documentation and communications to meet the new forward looking standards set out in the final guidance issued in November 2016.</p>

# BUSINESS REVIEW: STRATEGIC OBJECTIVES

## MAXIMISE VALUE FROM EXISTING BUSINESS - SWEDEN

2016 has been a positive year for Movestic with improved fund ranges, quality servicing and an updated pricing strategy. Record new business profit together with a marked reduction in lapse rates and a positive investment return has created a 20% increase in Economic Value.

MAXIMISE VALUE FROM EXISTING BUSINESS

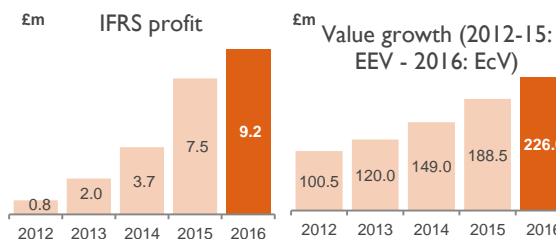
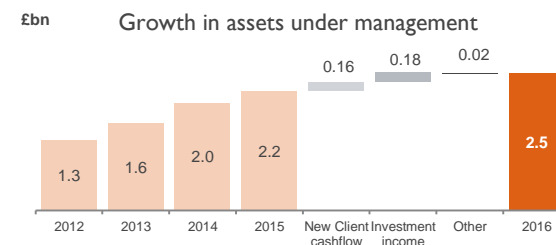
### INITIATIVES & PROGRESS IN 2016

### PRIORITIES IN 2017

#### CAPITAL & VALUE MANAGEMENT

- Favourable equity market performance drives AuM growth (14.5%).
- EcV growth (20%).
- Significant improvements in client cash flows.
- Inaugural dividend declared of SEK30m.
- Increase in Solvency Capital Requirement.

- Continue to generate positive client cash flows.
- Maintain sustainable and predictable dividend to Chesnara plc.
- Identify management actions to optimise the capital requirement.

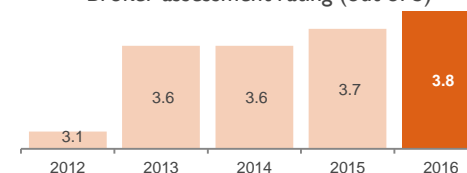


#### CUSTOMER OUTCOMES

- Competitive unit linked fund returns.
- Operational and fund range improvements.
- Improved IFA assessment ratings.

- Fund range development in line with customer and market requirements.
- Deliver competitive fund returns.

#### Broker assessment rating (out of 5)



#### GOVERNANCE

- Full compliance with Solvency II reporting requirements
- CEO announced his intention to retire during 2017 and replacement appointed.

- Improved capital efficiency.
- Manage a smooth transition to the new CEO Linnea Ecorcheville.

#### Divisional Solvency ratio:

**2016: 142%\***

**2015: 155%**

\*before impact of proposed year end 2016 dividend of £2.7m.

**BUSINESS REVIEW: STRATEGIC OBJECTIVES**  
**ENHANCE VALUE THROUGH NEW BUSINESS - SWEDEN**

We have continued to focus on a realistic market share, the product offering, service and expense management. The introduction of an updated pricing strategy for higher margin transfer business have resulted in record levels of new business profit.

**ENHANCE VALUE THROUGH  
NEW BUSINESS**

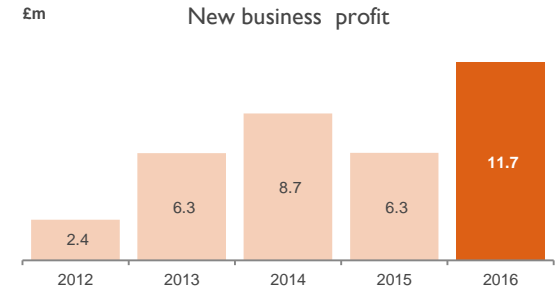
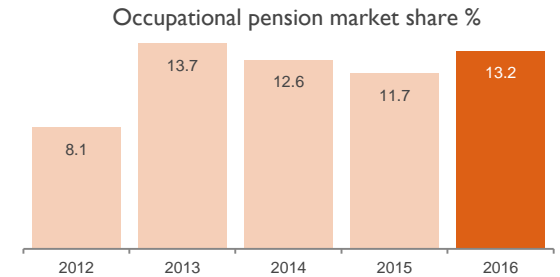
**PROFITABLE  
NEW BUSINESS**

INITIATIVES & PROGRESS IN 2016

- Record new business profits of £11.7m.
- Successful pricing strategy attracts increased levels of high value and higher margin transfer business.
- Market shares within target range.
- Increases in average gross margins.

PRIORITIES IN 2017

- Continue to write new business with a market share around the 10%-15% range without any reductions in gross margins thereby delivering total profits at a similar level to 2016.
- Continue to target higher margin transfer business.



**BUSINESS REVIEW: STRATEGIC OBJECTIVES**  
**MAXIMISE VALUE FROM EXISTING BUSINESS - NETHERLANDS**

2016 was a year in which the businesses developed rapidly on many fronts, both externally, through targeting the acquisition market, and internally through the embedding in to the Chesnara group, and implementing Solvency II.

	GENERAL	2016 UPDATE	2017 PRIORITIES	
<b>MAXIMISE VALUE FROM EXISTING BUSINESS</b>	<b>CAPITAL &amp; VALUE MANAGEMENT</b>	<ul style="list-style-type: none"> <li>- Waard Group's capital and value management aims at making capital available for the group, for it to successfully pursue its acquisition strategy in The Netherlands.</li> </ul>	<ul style="list-style-type: none"> <li>- Obtained further reductions in capital requirements, by implementing revised reinsurances and restructuring of the asset portfolio.</li> <li>- Accelerated growth of surplus by acquisition of a portfolio of mortgage loans to better match the liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to generate cash flows and release capital.</li> <li>- Continue to seek opportunities to acquire portfolios or entities in the life insurance arena.</li> </ul>
	<b>CUSTOMER OUTCOMES</b>	<ul style="list-style-type: none"> <li>- Waard Group places great importance on providing high quality service to its existing customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Completed the AFM's ( Dutch conduct regulator) program to pro-actively communicate with all unit linked policyholders on the appropriateness of the insurance product that they originally purchased.</li> </ul>	<ul style="list-style-type: none"> <li>- Review potential additions to the existing platform infrastructure in respect of supplementary products for life insurance portfolios.</li> <li>- Investigate what opportunities can be realised by working with the LGN business.</li> </ul>
	<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>- Waard Group operates in a regulated environment and aims to comply with rules and regulations both from a prudential and from a financial conduct point of view.</li> </ul>	<ul style="list-style-type: none"> <li>- During 2016 Solvency II reporting has been embedded and successfully delivered, both for quantitative and qualitative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>- Successfully complete first full cycle of Solvency II related reporting.</li> </ul>

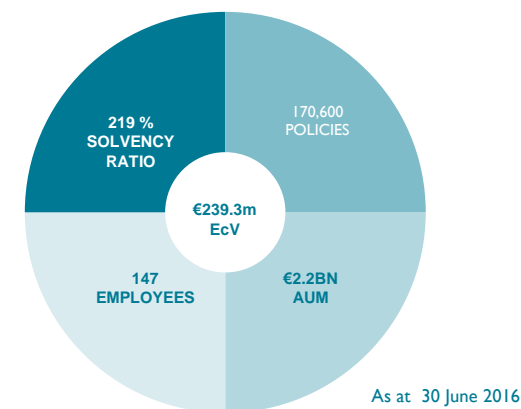
## BUSINESS REVIEW: STRATEGIC OBJECTIVES

### ACQUIRE LIFE AND PENSION BUSINESSES

We announced the acquisition of Legal and General Nederland for cash consideration of €160m in November which is expected to be completed by 6 April 2017. The acquisition is very much in line with our strategy and confirms our belief that the acquisition of the Waard Group in the Netherlands in 2015 would bring further market consolidation opportunities.

### OVERVIEW OF LEGAL AND GENERAL NEDERLAND

LGN is a long established, award winning specialist insurer in the Netherlands, with predominantly individual protection and savings contracts and operates on a stand alone basis. It is open to new business and sells protection, individual savings and group pensions contract via an IFA led distribution model.



<b>CASH GENERATION</b>	<ul style="list-style-type: none"> <li>- Significant cash generation is expected from the business.</li> <li>- Material excess capital above the SCR despite conservative capital requirement model based on the standard formula and with no transitional measures.</li> </ul>
<b>VALUE ENHANCEMENT</b>	<ul style="list-style-type: none"> <li>- 33% discount to Economic Value.</li> <li>- c£56m increase in Economic Value (excluding equity raise) expected on completion.</li> <li>- Potential for future value from writing new business.</li> </ul>
<b>CUSTOMER OUTCOMES</b>	<ul style="list-style-type: none"> <li>- Chesnara's focus on good business governance means we represent a "safe hands to safe hands" transfer.</li> <li>- Continuity of the investment and operating model will ensure existing high quality customer outcomes are not compromised.</li> </ul>
<b>RISK APPETITE</b>	<ul style="list-style-type: none"> <li>- A thorough due diligence process identified that the risks associated with the Legal and General Nederland business align with the appetite of the Chesnara group.</li> </ul>

### DEAL STRUCTURE AND FUNDING

The deal is financed through an efficient funding model which includes £70m of equity, c£52m of incremental debt raised in Euros and c£23m of Chesnara's own cash.

# David Rimmington

## Group Finance Director

### FINANCIAL REVIEW



## FINANCIAL REVIEW: IFRS PRE-TAX PROFIT & IFRS TOTAL COMPREHENSIVE INCOME

Strong operating profits are complemented by a modest but slightly reduced economic profit, such that the total pre tax profit has improved on the 2015 result (excluding the exceptional gain on acquisition of Waard in 2015). A more complete picture of IFRS is seen by reference to the IFRS Total Comprehensive Income (TCI) which includes a FOREX gain of £20.1m.

- Economic gain of £5.8m in the 2016 IFRS pre tax result.
- Underlying non economic result includes impact of improvements in fee income, Movestic growth, gains on asset disposals in Waard and a general improvement of operating assumptions.
- TCI benefits from a £20.1m forex gain.

### Stable core (CA & Waard)

- Stable core earnings of £34.6m exceed prior year.

### Variable element (S&P)

- Despite further reduction in yields the S&P result is slightly improved compared to the prior year.

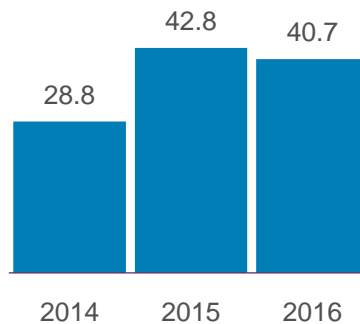
### Growth business (Movestic)

- Excellent progress drives a 30% improvement in Movestic profit

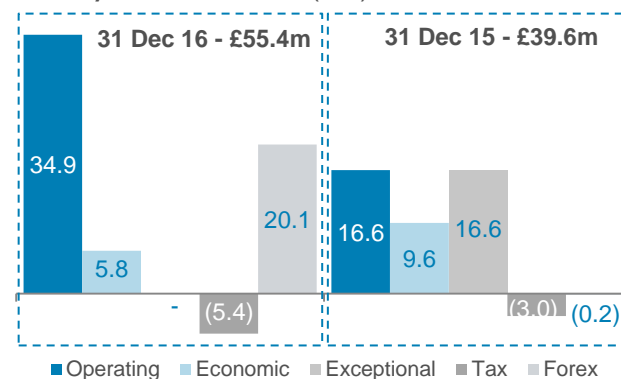
### Group costs

- Include one-off costs associated with the acquisition of LGN

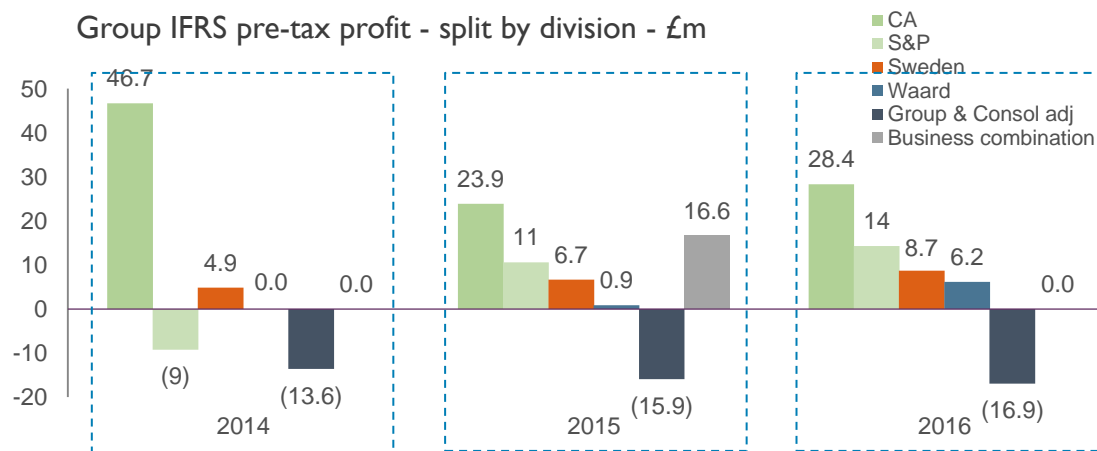
Group IFRS pre-tax profit (£m)



Analysis of IFRS TCI (£m)



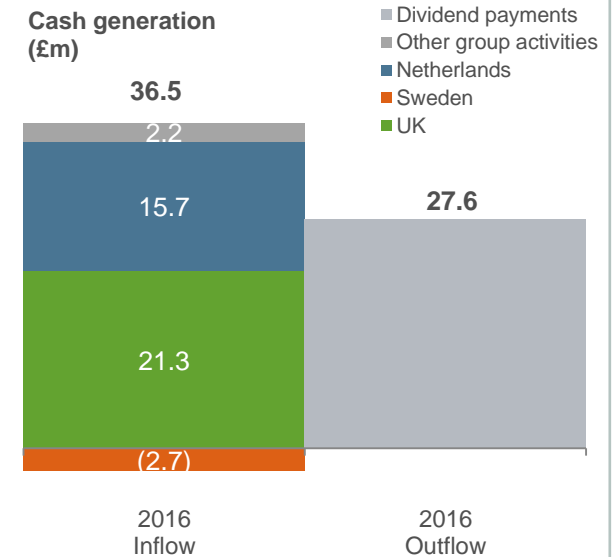
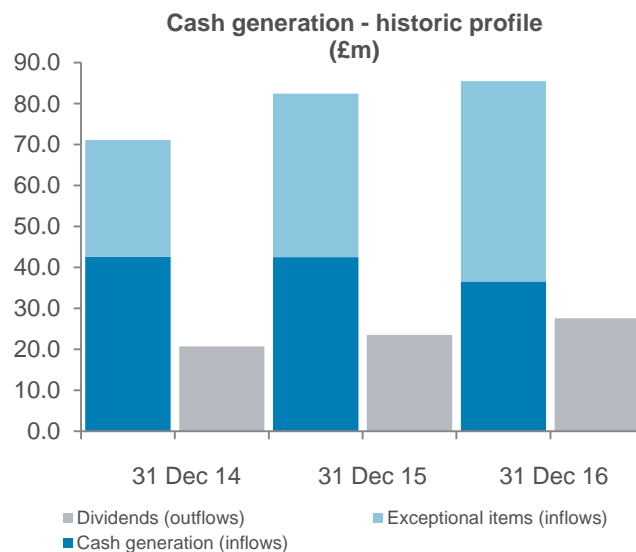
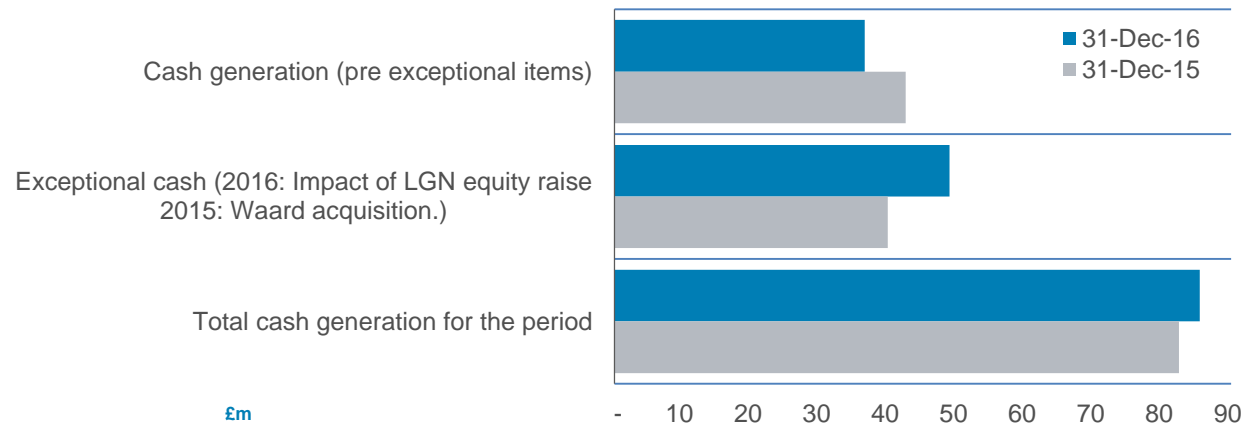
Group IFRS pre-tax profit - split by division - £m





Cash reserves and resilient cash generation of closed books gives comfort regarding funding future acquisitions and dividends.

- Cash, excluding exceptional items, continues to more than cover the dividend payment.
- Following a short term “dip” in the first half of 2016, the UK has recovered and remains the primary source of divisional cash.
- Waard has made a notable contribution, although the majority is due to FOREX gains.
- Movestic has seen its capital requirement increase as a result of positive fund growth and non-recurring model enhancements which leads to a negative cash generation in the year. Despite this short term loss, the transition to SII and historic profits, have enabled Movestic to declare its inaugural dividend of £2.7m.
- Chesnara plc has cash of £117.1m at 31 December 2016 and is expected to receive dividends from divisions of £32.7m. Short term future outflows include payment of the final dividend (£19.0m), funding the LGN acquisition (£58.3m) and next debt repayment (£12.7m).
- After the expected funding of the LGN acquisition the Waard Group will have c£31m of surplus capital available for controlled distribution to Group or to fund future acquisitions.





## WHAT IS SOLVENCY AND CAPITAL SURPLUS

- The book value of the company is referred to as its “own funds” (OF) value in EcV.
- The capital requirement is referred to as the Solvency Capital Requirement (SCR).
- Solvency is expressed as either a ratio: **OF/SCR %** or as an absolute surplus **OF less SCR**

### MORE ABOUT OWN FUNDS

#### WHAT ARE OWN FUNDS?

A valuation which reflects the net assets of the company and includes a value for future profits expected to arise from in-force policies.

The own fund valuation is deemed to represent a commercially meaningful figure with the exception of Contract boundaries & Risk margin:

We therefore define Economic Value (EcV) as being OF adjusted for contract boundaries and risk margin. As such our “own funds” and “EcV” have many common characteristics and tend to be impacted by the same factors.

Transitional measures are available to temporarily increase own funds. Chesnara does not take advantage of such measures.

#### HOW DO OWN FUNDS CHANGE?

Own funds (and Economic Value) are sensitive to economic conditions. In general positive equity markets and increasing yields lead to OF growth and vice versa. Other factors that improve own funds include writing profitable new business, reducing the expense base and improvements to lapse rates.

**SOLVENCY SURPLUS**



**CASH GENERATION**

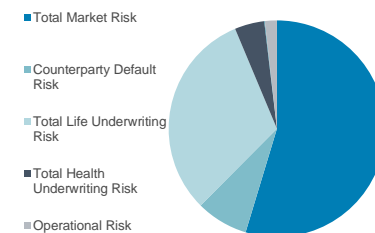
Subject to ensuring other constraints are managed, surplus capital is a useful proxy measure for liquid resources available to fund matters such as dividends, acquisitions or business investment. As such Chesnara defines cash generation as the movement in surplus, above management buffers, during the period.

### MORE ABOUT THE CAPITAL REQUIREMENT

#### WHAT IS CAPITAL REQUIREMENT?

The solvency capital requirement can be calculated using a “standard formula” or “internal model”. Chesnara adopt the “standard formula”.

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



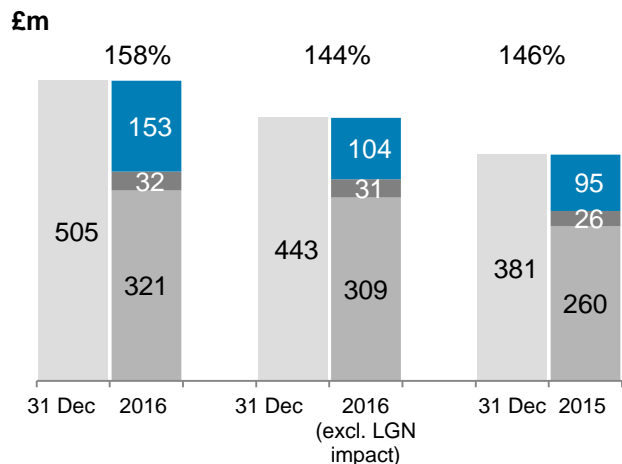
There are three levels of capital requirement:

Min dividend paying requirement	Solvency capital requirement	Min capital requirement
---------------------------------	------------------------------	-------------------------

#### HOW DOES THE SCR CHANGE?

Given the largest component of Chesnara’s SCR is market risk, changes in investment mix or changes in the overall value of our assets has the greatest impact on the SCR. For example, equity assets require more capital than low risk bonds. Also, positive investment growth in general creates an increase in SCR. Book run-off will tend to reduce SCR but new business will result in an increase.

**Chesnara group**



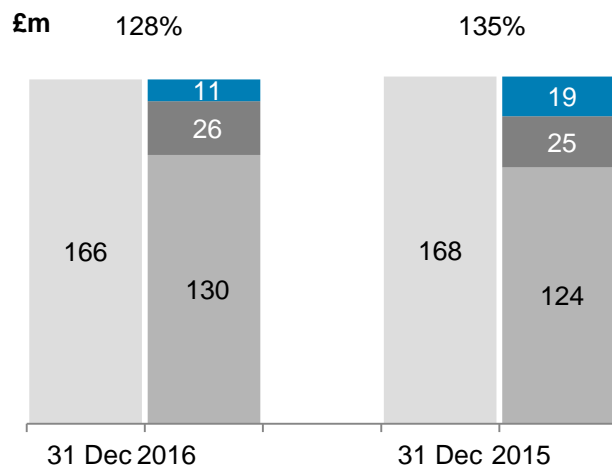
**Highlights:**

Managing the group and subsidiaries' capital positions appropriately is a critical part of ensuring we remain true to the group's culture and values. We are well capitalised at both a group and a subsidiary level, and we have not used any elements of the long term guarantee package.

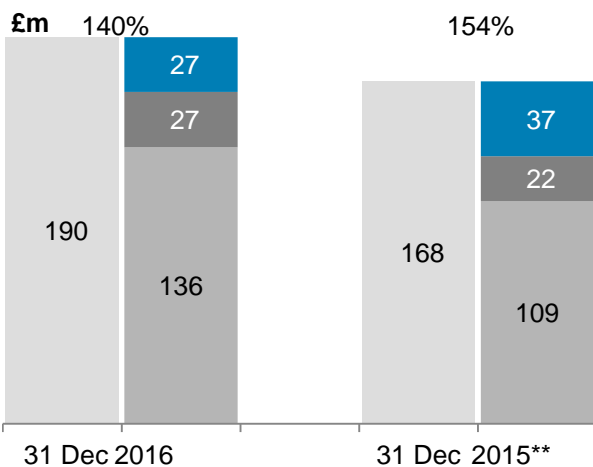
**Chesnara Group**

- Group solvency remains strong at 158%. On a like for like basis, after removing the impact of the capital raise and associated costs for the acquisition of LGN, the ratio is 144%.
- Solvency is stated after deducting proposed dividend of £19.0m.
- The increase in own funds is principally driven by the impact of the equity raise to fund the LGN acquisition and the own funds generation in the group's divisions coupled with positive foreign exchange gains.
- The SCR has increased by £61.0m in the year. This is largely due to increases in the division SCRs, depreciation of sterling against the Euro and SEK and additional market risk SCR being held for the equity capital raise.
- We have not made use of transitional arrangements in determining our solvency position.

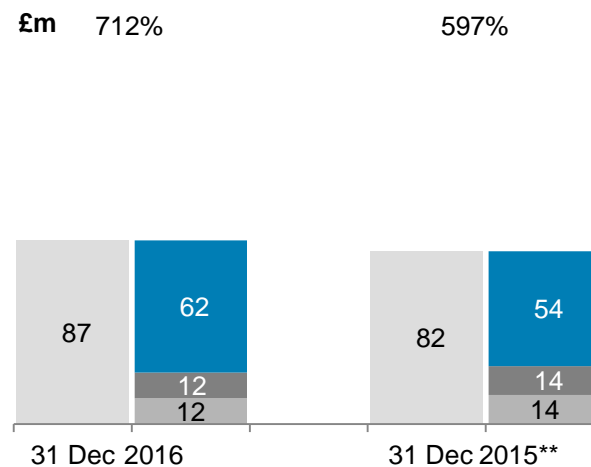
**United Kingdom**



**Sweden**



**Netherlands**

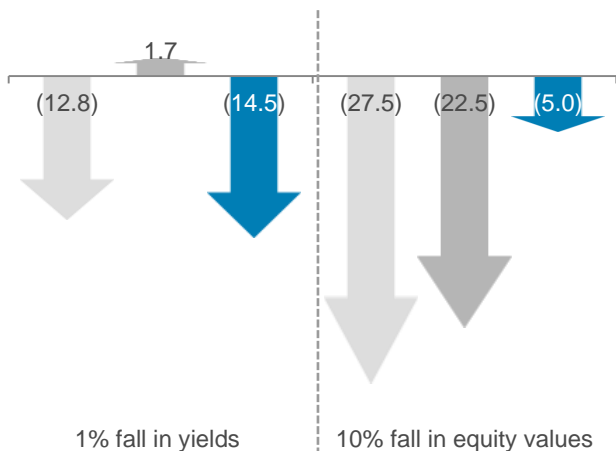


Own Funds (post Div) SCR Buffer Surplus

\*\*Restated using 31 Dec 2016 exchange rates

The divisional graphs on this page present a view of the solvency position which may differ to the position of the individual insurance company(ies) within that division.

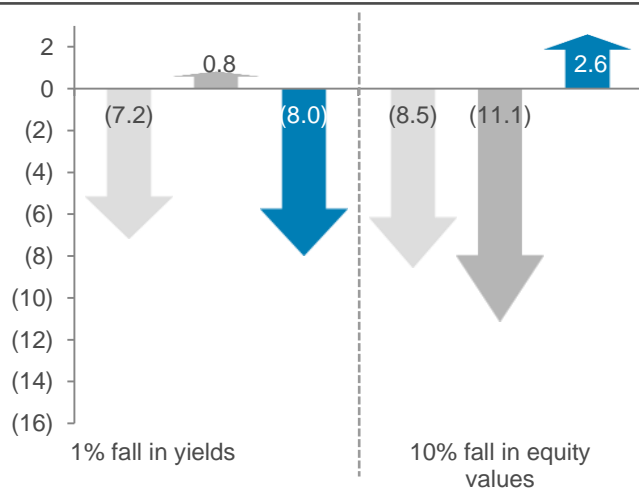
**Chesnara group**



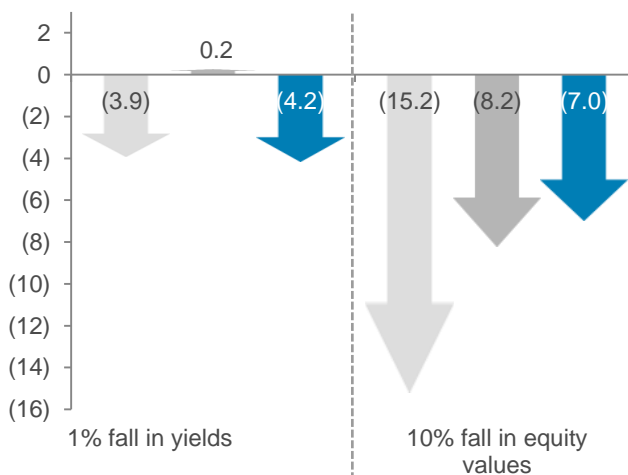
**Highlights:**

- The own funds are most sensitive to equity value movements.
- There is a natural hedge in that the SCR declines as equities fall.
- When yields drop there is a slight compounding impact on surplus as the SCR increases.
- A 10% appreciation in the value of sterling causes the own funds and surplus to fall by c£36m and c£12m respectively.
- Economic Value moves in line with the Solvency II own funds sensitivities.

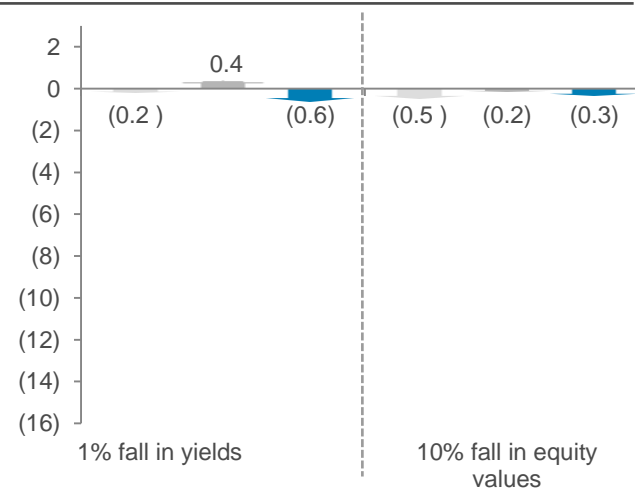
**United Kingdom**



**Sweden**



**Netherlands**

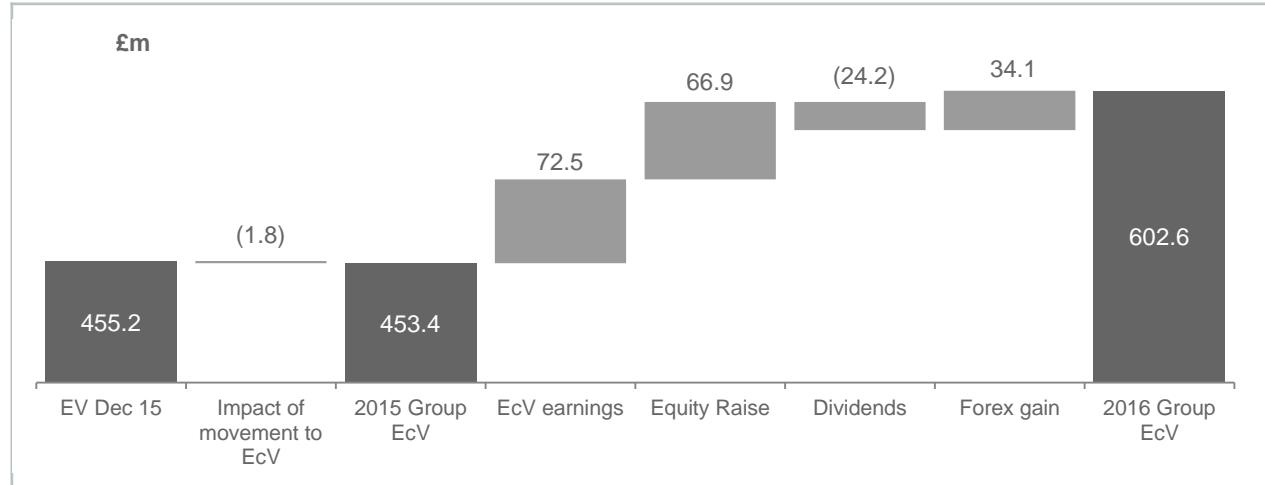


Own Funds (post Div) SCR Surplus



The total value of Chesnara has increased significantly during the period. The total movement includes a £66.9m (net of equity raising costs) equity inflow and a £24.2m dividend payment.

- The movement in value includes the impact of the transition from Embedded Value (EV) reporting.
- As expected the opening Economic Value (EcV) is broadly consistent with the opening EV.
- The £72.5m earnings in the year includes £40m of economic profits mainly resulting from asset value growth (equities and bonds). The remaining operating profit includes a new business profit of £11.7m and positive mortality experience.
- The growth in Economic Value during the period benefited from FOREX gains on our overseas subsidiaries, due largely to the Brexit vote.
- Because Economic Value is derived from Solvency II, we expect EcV profits to align relatively closely to movements to Solvency II “Own Funds” and to have similar sensitivities to Solvency II (see slide 19 )



### What is Economic Value?

- The development of the Solvency II balance sheet value “own funds” has led to a general demise of Embedded Value reporting.
- Own funds are deemed to underestimate the commercial value of Chesnara due to:
  - Contract boundaries
  - Excessive risk margin
- 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 – WHAT WE'VE DONE

**2004**

Chesnara is born EV - £126m

**6** successful acquisitions, including LGN, across **3** territories.

**2005**

First acquisition – CWA adding £30m EV

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

**2007**

– Tactical “bolt-on” deals to more transformative deals

**2009**

Chesnara moves into Europe acquiring Movestic in Sweden.

– Open minded regarding deal size

– Willingness to find value beyond the UK

**2010**

Group EV now £263m

S&P acquired, group AuM over £4bn

– Flexible and efficient deal funding solutions

– Capability to find expedient solutions to de– risk where required

**2013**

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

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

**2015**

Expansion into the Netherlands. Waard Group acquired

– been within Chesnara’s risk appetite

– been subject to appropriate due diligence

– been either neutral or positive in terms of customer outcomes

**2016**

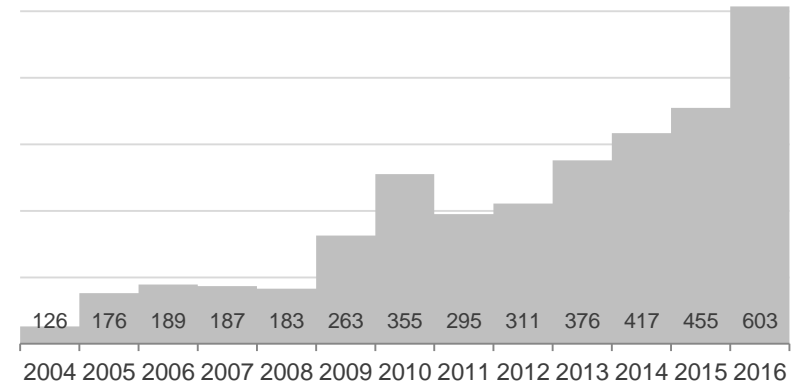
Building on our entry to the Dutch market. We announce the acquisition of LGN. 33% discount to Economic Value of £202.5m

– supported Chesnara’s position as an income investment

OUTCOME

£m

Embedded / Economic Value growth

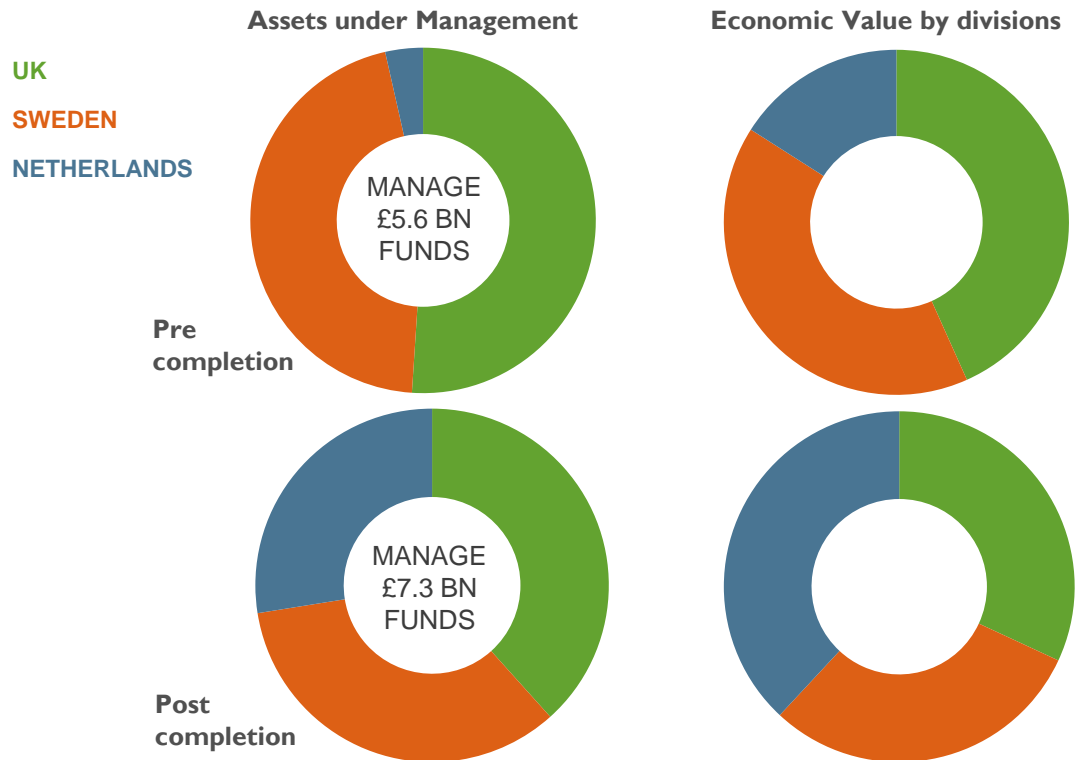


**Value growth is achieved through a combination of efficient management of the existing policies, acquisitions and writing profitable new business. The growth includes c£151m of new equity throughout the 12 year period but is net of c£218m of cumulative dividend payments.**

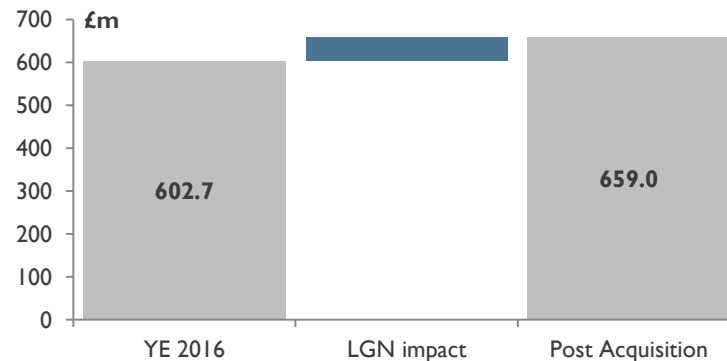


On completion of the LGN acquisition we expect the Group to evolve to a balanced three territory model.

We expect an Economic Value gain of c£56m on completion.



Note: Post completion estimations are based on LGN results as at 30 June 2016.



# John Deane

## Chief Executive Officer

### CONCLUSION & OUTLOOK



## CONCLUSION & OUTLOOK: REGULATORY BACKDROP

### MAXIMISE VALUE FROM EXISTING BUSINESS

- Solvency II SFCR and RSR reporting
- FCA legacy review guidance implementation
- Completion of Woekerpolis activation process in the Netherlands

### ACQUIRE LIFE AND PENSION BUSINESSES

- Solvency II
- Woekerpolis - completion of the activation programme
- FCA publication of the guidance on the treatment of long-standing customers
- Brexit
- Increasing governance and regulatory requirements

### ENHANCE VALUE THROUGH NEW BUSINESS

- The risk of a commission being imposed in the Swedish market been reduced
- Luxembourg management company established and approved

### CHESNARA CULTURE AND VALUES

- SIMR
- Regulated as Group

## CONCLUSION & OUTLOOK: MANAGEMENT'S FOCUS FOR 2017

### MAXIMISE VALUE FROM EXISTING BUSINESS

- Solvency II in action
- Continue to seek efficiencies that benefit our customers and shareholders.
- Implement changes resulting from the final guidance from the Legacy Review
- Integrate LGN into the Chesnara Group

### ACQUIRE LIFE AND PENSION BUSINESSES

- Continue to review market opportunities as they arise in our target territories.
- Maintaining our price and process disciplines.
- The FCA publication of the guidance on the treatment of long-standing customers announcement along with Solvency II will impact the life insurance industry which may provide acquisition opportunities.

### ENHANCE VALUE THROUGH NEW BUSINESS

- Continue our work introducing improvements to the new business process.
- Further improvements to the fund range offered in Sweden.
- Introduce a new brand for LGN as it joins the Chesnara Group. Focus on reliable market shares that bring value to Chesnara.

### CHESNARA CULTURE AND VALUES

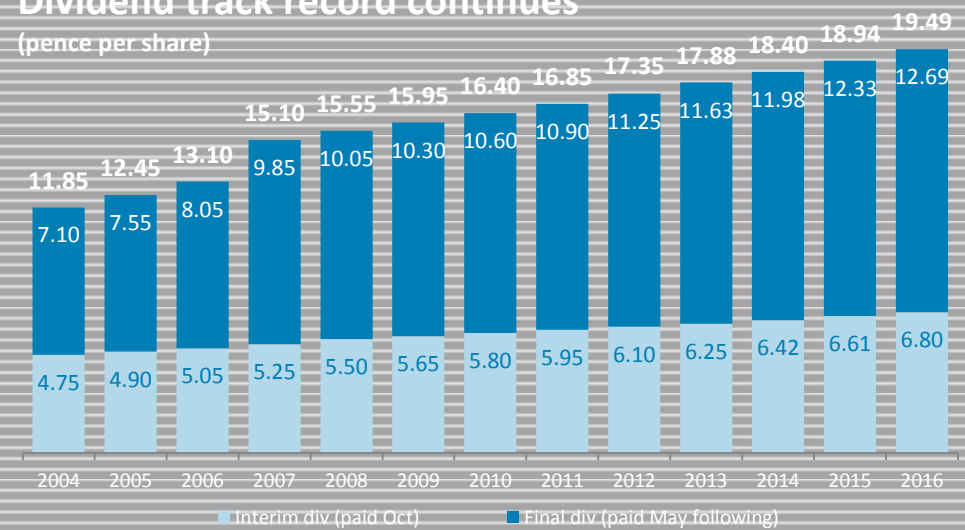
- Deliver value to our customers through our continued focus on:
  - Customer service levels.
  - Investment performance.
  - Maintaining financial stability.

Another year of solid delivery on our core strategic objectives.

# QUESTIONS

## Dividend track record continues

(pence per share)



# APPENDICES

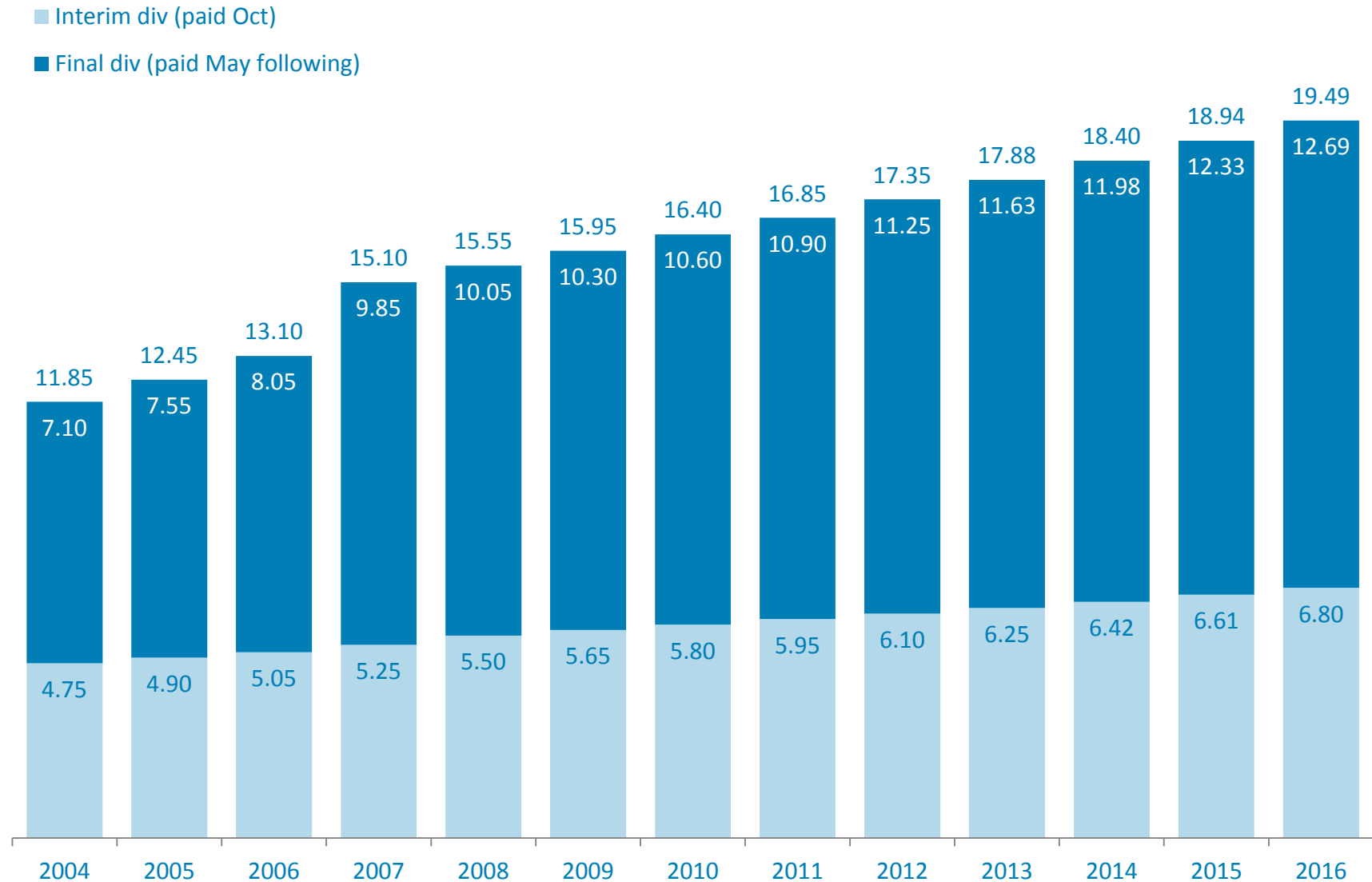
## APPENDICES: HISTORICAL DATA - HEADLINE RESULTS

	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
IFRS profit £m (pre-tax and exceptionals)	40.7	42.8	28.8	57.8	24.5
EcV / EEV profit / (loss) £m (pre-tax and exceptionals) <sup>1</sup>	72.5	57.5	44.2	82.7	31.2
EcV / EEV Shareholder equity £m <sup>1</sup>	602.6	453.4	417.2	376.4	311.1
Solvency II ratio (UK)	128%	135%	n/a	n/a	n/a
Solvency II ratio (Sweden)	140%	154%	n/a	n/a	n/a
Solvency II ratio (Netherlands)	712%	597%	n/a	n/a	n/a
Solvency II ratio (Group) <sup>2</sup>	158%	146%	n/a	n/a	n/a

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

<sup>2</sup> 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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