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Chesnara plc (CSN.L)

("Chesnara" or "the Company")

STRONG CASH GENERATION AND 20 YEARS OF UNINTERRUPTED DIVIDEND GROWTH

Chesnara reports its 2024 interim results. Key highlights are:

- Continued strong group commercial cash generation(1) of £29m (six months to 30 June 2023: £22m);
- Robust solvency of 201% (31 December 2023: 205%), materially above our 140 - 160% normal operating range;
- Economic value ("EcV") of £508m (31 December 2023: £525m) with EcV earnings of £20m pre FX and dividend (six months to 30 June 2023: £33m excluding the impact of acquisitions);
- Commercial value of new business(3) of £5m (six months to 30 June 2023: £6m);
- IFRS pre-tax profit of £13m (six months to 30 June 2023: £15m(4));
- 3% increase to the 2024 interim dividend to 8.61p per share (2023: 8.36p interim).

Commenting on the results, Steve Murray, Group CEO, said:

"The group has yet again delivered strong cash generation and generated positive organic EcV earnings. This financial performance over the first half of the year, combined with our robust solvency position, has allowed us to extend our track record of uninterrupted dividend growth to 20 years, unrivalled across listed UK and European insurers. Our people have also continued to deliver on our major operational programmes, including the introduction of Consumer Duty for UK closed books. We have continued to be active in assessing potential acquisitions, our M&A pipeline remains positive and we continue to have material firepower to deploy on opportunities."

The results presentation will be held at 9:30am on 10 September 2024 - participants can register here.

Further details on the financial results are as follows:

2024 HALF YEAR FINANCIAL AND STRATEGIC HIGHLIGHTS

CASH GENERATION AND DIVIDENDS - 20 YEARS OF UNINTERRUPTED DIVIDEND GROWTH

- Group commercial cash(1) generation of £29.2m in HY 2024 (HY 2023: £21.8m).
- 2024 interim dividend of 8.61p per share (2023 interim dividend of 8.36p), which is a 3% increase compared to 2023.
- Our 20-year dividend growth track record is unrivalled across UK and European Listed insurers with Chesnara's business model delivering sustainable returns to shareholders, with c£489m of cumulative dividends paid over the 20 year period.

FINANCIAL RESILIENCE - FLEXIBILITY IN FINANCING FUTURE M&A

- Solvency II ratio of 201% as at 30 June 2024 (31 December 2023: 205%), materially above our normal operating range of between 140 - 160%.
- Pro forma cash balances at group holding companies increased over the period (taking into account accrued divisional dividends) to £137.0m (31 December 2023: £124.1m), providing substantial resources to both support dividends and fund future acquisitions.

- Leverage ratio[2] of 30% as at 30 June 2024 has remained broadly consistent when compared to FY 2023 (31 December 2023: 29%).

DELIVERING LONG TERM VALUE

- Economic Value ("EcV") of £508.0m as at 30 June 2024 (31 December 2023: £524.7m), with positive organic EcV earnings of £20.2m offset by the payment of dividends and the negative impact of foreign exchange rates over the period.
- IFRS capital base of £458.1m as at 30 June 2024 (31 December 2023: £487.4m), has reduced over the period largely due to dividend payments. The movement in the prior year was impacted by additional Contractual Service Margin ("CSM") arising from acquisitions. Profit before tax was £13.4m for the six month period to 30 June 2024 (£15.3m[4] for the six month period to 30 June 2023).
- Commercial new business profit[3] of £4.9m in HY 2024 (HY 2023: £6.3m).
- Our SS&C partnership for policy administration services will enable a scalable platform for M&A in the UK and work on the migration to the new platform has continued at pace over the first half of the year.
- We have expanded the reach of our Custodian offering in Sweden from new partnerships which has driven value through new business sales.

DIVIDEND DETAILS

- The interim dividend of 8.61p per share is expected to be paid on 1 November 2024. The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 19 September 2024. The record date for eligibility for payment will be 20 September 2024.

ANALYST PRESENTATION

- The results presentation will be held at 9.30am on 10 September 2024 at the offices of RBC Capital Markets, 100 Bishopsgate, London, EC2N 4AA, which will be available to join online and subsequently be posted to the corporate website at www.chesnara.co.uk.
- To join the webcast, please register using the following link here.

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Notes to Editors

Chesnara (CSN.L) is a European life and pensions consolidator listed on the London Stock Exchange. It administers c.1 million policies and operates as Countrywide Assured in the UK, as The Waard Group and Scildon in the Netherlands, and as Movestic in Sweden.

Following a three-pillar strategy, Chesnara's primary responsibility is the efficient administration of its customers' life and savings policies, ensuring good customer outcomes and providing a secure and compliant environment to protect policyholder interests. It also adds value by writing focused, profitable new business in the UK, Sweden and the Netherlands and by undertaking value-adding acquisitions of either companies or portfolios.

Consistent delivery of the Company strategy has enabled Chesnara to increase its dividend for 20 years in succession. Further details are available on the Company's website (www.chesnara.co.uk).

Notes

Note 1 ***Group cash generation*** represents the surplus cash that the group has generated in the period. Cash generation is largely a function of the movement in the solvency position, used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring that other constraints are managed.
Commercial cash generation is used as a measure of assessing how much dividend potential has been

generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of the commercial cash generated by the business.

The cash generation results excludes the day 1 impacts of acquisitions in the period.

Note 2 The ***leverage ratio*** is a financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as 'debt' divided by 'net equity plus debt plus CSM (net of tax and reinsurance)', as measured under IFRS.

Note 3 ***Commercial new business profit*** is a more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business. This provides a fair commercial reflection of the value added by new business operations.

Note 4 IFRS HY 2023 comparators have been restated.

The Board approved this statement on 9 September 2024.

HIGHLIGHTS

COMMERCIAL CASH GENERATION £29.2M SIX MONTHS ENDED 30 JUNE 2023 £21.8M

The opening half of 2024 has been another period of strong cash generation for the group. Group cash generation of £19.6m (six months ended 30 June 2023: £10.6m) allows for the short-term requirement to hold additional equity risk capital (£9.3m) as defined by the Solvency II symmetric adjustment (SA).

Commercial cash generation looks through the SA impact and is deemed to better reflect the underlying business performance. Commercial cash of £29.2m, supported by strong divisional contributions demonstrates the group's continued ability to deliver cash generation through a wide variety of market conditions.

GROUP SOLVENCY 201% 31 DECEMBER 2023: 205%

The group's solvency has reduced slightly since the start of the year remaining well above our normal operating range of 140-160%. The ratio does not include any temporary impacts from either transitional benefits or a positive closing SA position. The solvency position continues to provide substantial headroom for future acquisitions, while all operating divisions remain well in excess of risk appetite levels.

FUNDS UNDER MANAGEMENT £11.9BN 31 DECEMBER 2023: £11.5BN

FuM have increased by c4% since the start of the year, reflecting positive investment returns on our existing business during the period.

ECONOMIC VALUE £508.0M 31 DECEMBER 2023 £524.7M

ECONOMIC VALUE EARNINGS £20.2M SIX MONTHS ENDED 30 JUNE 2023 £32.6M excluding the impact of acquisitions

EcV earnings of £20.2m have been offset by the impact of dividend payments (£23.5m) and foreign exchange consolidation impacts (£13.3m). Investment returns have provided the most material contribution to the EcV earnings, with new business also contributing positively.

COMMERCIAL NEW BUSINESS PROFIT £4.9M SIX MONTHS ENDED 30 JUNE 2023 £6.3M

Commercial new business profits continue to be a positive source of value growth. Whilst the Swedish market remains competitive, we have seen margins stabilise, with strong flows into our occupational pensions and custodian offerings. In the Netherlands, new business volumes from our term assurance offerings have remained supressed, while the UK division has continued to contribute new business, primarily through its intermediated onshore bond proposition, since the acquisition of CASLP in 2022.

IFRS PRE-TAX PROFIT £13.4M SIX MONTHS ENDED 30 JUNE 2023 £15.3M*

IFRS pre-tax profits are boosted by positive investment returns in the period and the continued steady release of the contractual service margin (CSM).

**2023 IFRS comparatives have been restated from those previously reported - see the IFRS Financial Statements section for further information.*

IFRS CAPITAL BASE DECREASE £29.3M SIX MONTHS ENDED 30 JUNE 2023 £21.2M GAIN

The IFRS Capital Base has decreased in the period largely due to dividend payments. The movement in the prior year was impacted by additional CSM arising from acquisitions.

The adoption of IFRS 17 provides some more insight into the future profits that are expected to emerge from the group's life insurance business. However, the accounting standard does not include the group's significant amount of policies that are classified as investment contracts, which also represent a future profit stream for the business. As a result, whilst IFRS 17 does provide some level of alignment with the valuation regime of Solvency II, it does not replace it and therefore the group continues to also focus on Solvency II and its derivative KPIs of Economic Value and cash generation in assessing the performance of the business.

INTERIM DIVIDEND INCREASED FOR THE 20TH CONSECUTIVE YEAR

Increase in the interim dividend for the year of 3% to 8.61p per share (2023: 8.36p interim), supported by continued commercial cash generation from our divisions and strong, resilient capital position. Our 20 year dividend growth track record is unrivalled across UK and European listed insurers with Chesnara one of only seven companies across the main UK, French, German, Dutch and Swedish exchanges to raise their dividend every year for 20 years, with c£489m of cumulative dividends paid to our shareholders over the period.

ECONOMIC BACKDROP

The opening half of 2024 has been a period of economic growth, with positive market movements supporting an increase in FuM and cash generation. It was also another period of sterling appreciation (versus both the euro and Swedish krona), in which our FX hedge continued to protect against the full force of adverse foreign exchange impacts on the translation of our overseas divisional results.

NEW GROUP CFO APPOINTED, BUSINESS INTEGRATIONS & CONSUMER DUTY PROGRESS

In April, Chesnara strengthened the group leadership team with Tom Howard joining as Group CFO, bringing a wealth of experience having held a variety of senior roles at Aviva. Tom's track record and capabilities further strengthen the group's ability to deliver its ambitious plans for the future. He also joined the plc board.

The Part VII transfer of the Canada Life protection portfolio (acquired in 2023) and the migration of the majority of the UK division's business to a new outsourcing partner (SS&C), continue to move forward positively, with expected completion dates in early 2025 and late 2025 respectively.

The UK also successfully complied with the Consumer Duty requirements for closed books, meeting the 31 July 2024 regulatory deadline. While in the Netherlands, Scildon's IT system improvement project has progressed and nears completion, with cost efficiencies already materialising. And, in Sweden, Movestic has strengthened its digital platform and connectivity with distribution partners, to deliver a smoother transfer experience for customers.

WE ARE COMMITTED TO BECOMING A SUSTAINABLE CHESNARA

We continue to work to transition the group into a sustainable business. We are committed to delivering against our three key targets: to be a net zero emitter; to invest in positive solutions; and to be an inclusive place for all stakeholders. We reported on our progress against these in our Annual Sustainability Report issued in March and have taken further steps since, including starting the production of our climate transition plan under the IIGCC's Net Zero Investment Framework and delivering the first part of our group-wide sustainability training. In the UK, we have also signed up to the UK Sustainable Investment & Finance Association (UKSIF) and the Finance for Biodiversity Pledge and became a signatory of the PRI (Principles for Responsible Investment). Work is also underway on our wider transition plans.

These financial highlights include the use of Alternative Performance Measures (APMs) that are not required to be reported under International Financial Reporting Standards.

1 - Group cash generation represents the surplus cash that the group has generated in the period. Cash generation is largely a function of the movement in the solvency position, used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.

2 - Commercial cash generation is used as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of the Commercial cash generated by the business.

3 - Funds Under Management (FuM) represents the sum of all financial assets on the IFRS balance sheet.

4 - Economic Value (EcV) is a financial metric derived from Solvency II. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.

5 - Economic Value earnings are a measure of the value generated in the period, recognising the longer-term nature of the group's insurance and investment contracts.

6 - Commercial new business represents the best estimate of cash flows expected to emerge from new business written in the period. It is deemed to be a more commercially relevant and market consistent measurement of the value generated through the writing of new business, in comparison to the restrictions imposed under the Solvency II regime.

CHAIR'S STATEMENT

The group has delivered a strong set of results and continues to benefit from a strong and resilient capital position. This has supported an increase in the interim dividend for the 20th consecutive year whilst maintaining significant resources to transact future M&A opportunities

LUKE SAVAGE, CHAIR

20 YEARS OF DIVIDEND GROWTH

The first half of 2024 saw a continuation of Chesnara's strong record of delivering cash generation with all of our operating divisions contributing to commercial cash generation of £29.2m for the period, significantly higher than in the same period in 2023 (£21.8m).

As a result, I am pleased to report that our shareholders will receive an interim dividend of 8.61p per share, an increase of 3% on the prior year and the 20th consecutive year that we have increased the dividend. This track record puts us in a unique group of only 7 companies (according to RBC research) across the main European listed exchanges of UK, France, Germany, the Netherlands and Sweden to have increased their dividend for 20 years or more.

We continue to ensure that we have a broad range of skills and capabilities on our boards. In April, we announced Mark Hesketh's appointment as Chair of our UK board, Countrywide Assured plc. And at the AGM, we formally appointed Tom Howard (Group CFO) to the group board. It was also pleasing to see strong shareholder support for all resolutions tabled at this year's Annual General Meeting in May.

Financial stability remains at the heart of the Chesnara business and its financial model and is fundamental to providing financial security to our customers.

Our Solvency II ratio of 201% is significantly above our normal operating range of 140% - 160%, continuing to provide us with considerable strategic flexibility.

Our solvency position remains underpinned by a well-diversified business model, a focus on responsible risk-based management and resilient and reliable cash flows from our businesses.

A strong and resilient capital position is also a critical factor in the investment case for both our equity and debt investors and it also provides us with the solvency headroom required to take advantage of attractive M&A opportunities as they arise.

OPERATIONAL DELIVERY

Across the group, our people continue to deliver strongly against our key strategic priorities. Last year we announced the acquisition of a protection portfolio in the UK from Canada Life. The planned transfer of this portfolio in the UK is on track to complete in Q1 2025 (subject to approval by the High Court of Justice of England and Wales) and the operational activities to transfer existing Chesnara UK insurance portfolios to our new outsource partner SS&C are progressing well.

In Sweden, the Movestic team's ongoing focus on digitisation and efficiency has been a crucial factor in winning new partnership deals and supporting healthy new business sales in a competitive market.

And, in the Netherlands the delivery of material IT projects in Scildon and further bedding in of our new Waard operating model, post the acquisitions of Robein Leven and an insurance portfolio from Conservatrix, are notable highlights.

I'm also pleased to say that the process of fully embedding the IFRS 17 accounting regime has been successful and is a testament to the huge effort and commitment made by many of our people across the group.

PURPOSE

At Chesnara, we help protect customers and their dependants by providing life, health, and disability cover or savings and pensions solutions to meet future financial needs. These are very often customers that have come to us through acquisition, and we are committed to ensuring that they remain positively supported by us.

We have always managed our business in a responsible way and have a strong sense of acting in a fair manner, giving full regard to the relative interests of all stakeholders.

Strong financial performance will always remain of key importance for many reasons. These include our desire to offer competitive returns to shareholders and fund our debt investor coupon payments but also because it creates financial stability for customers. However, we continue to be very conscious of the need for the business to serve a wider purpose with an increasing balance of focus across the 3Ps: Profit, People and Planet.

Over recent years we have increased our focus on our sustainability agenda, and I continue to be impressed with the level of engagement in this area from all levels of the group.

The group-wide sustainability programme is progressing well against its long-term objectives. We are working to embed sustainability into decision-making at all levels of the group by placing Environmental, Social and Governance (ESG) considerations at the heart of our internal governance processes and by introducing mandatory sustainability training for all colleagues as part of their learning journey.

We continue to develop our plans to deliver a just transition to net-zero, and to develop our understanding of the actions we need to take to integrate nature into our decision-making processes.

I am also pleased to report that Chesnara is now a signatory to the Principles for Responsible Investment. This is another step forwards in our sustainability journey and complements our existing memberships of the United Nations Global Compact, UK Sustainable Investment and Finance Association and the Institutional Investors Group on Climate Change, to name but a few.

We continue to build objectives that are a balance of items that create solid foundations for longer term change together with shorter-term actions that will begin to make a real-world positive impact.

Our financial results over the first half of 2024 demonstrate that the sources of value from the components of the "Chesnara fan" (a diagrammatic illustration of value growth sources) remain robust and will continue to be a reliable source of value from our in-force book into the future.

In addition, the outlook for acquisitions remains positive and our strong, resilient capital and cash positions mean that we are well-placed to benefit from inorganic opportunities as they arise.

Luke Savage,
Chair
9 September 2024

CHIEF EXECUTIVE OFFICER'S REPORT

In H1, the group has again generated EcV earnings and delivered strong cash generation. Our people have continued to deliver on our major operation programmes and our M&A pipeline remains positive.

STEVE MURRAY, CEO

INTRODUCTION & RESULTS

The first half of 2024 has been another period of good execution against our renewed strategy, which continues to focus on:

1. Running in-force insurance and pensions books efficiently and effectively;
2. Seeking out and delivering value enhancing M&A opportunities; and
3. Writing focused, profitable new business where we are satisfied an appropriate return can be made.

We have c1 million customers across Chesnara and our people take pride in the responsibility that comes with delivering for them every single day.

We have an ambitious change agenda underway across the group.

There has been a strong cross-business effort to ensure we successfully met the requirements of the new Consumer Duty regulations for closed books by the deadline of 31 July this year. This follows the successful implementation of the Consumer Duty regulations for open books last year. Chesnara remains fully supportive of the Duty and has been reassured throughout the process that the work completed several years ago to support long-standing customers has provided strong foundations to deliver the good outcomes and value for money that underpin the Duty. There has been a small provision sustained from last year's full accounts where we acknowledged there were some changes that would improve the outcomes for a small segment of customers. We have confidence in the fully funded implementation plan that will roll out the further recommendations approved by the board to support the Duty.

Work is continuing at pace to migrate the majority of our UK policies to our new operating platform with SS&C. In his Chair's Statement, Luke highlighted the positive progress we are making with regards to the planned transfer and migration of the UK protection book we recently acquired from Canada Life. We continue to believe that the partnership with SS&C will be a key enabler for the UK business to continue to deliver quality and cost effective servicing, with the capacity and flexibility to support continued M&A developments in the UK where we see good opportunities.

In Scildon, a significant programme of work is now largely complete which was focused on improving the efficiency and usability of our Individual Life platform. In Waard, the work has continued to embed the new Target Operating Model (TOM) for the enlarged business following the acquisitions of Robein Leven and the insurance portfolio from Conservatrix. And for Sweden, we have seen the benefits of the work that the Movestic team has executed to enhance the quality of our offering for distribution partners with strong new business flows over the period.

As Luke also mentions, our group-wide sustainability programme is progressing well and we announced new initial interim targets for financed emissions. We are committed to a 50% reduction by 2030 in our scope 1 and 2 financed emissions investments that are within our control or influence, which represents a material component of our assets under management. We are committed to work with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We also remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes.

Work has also begun on our transition plans which will help us in identifying the more detailed actions we will take to tackle all our financed emissions and will also factor in how we manage a just transition which considers the needs of all stakeholders, including nature and biodiversity.

We have also been more actively engaging with a number of the agencies that provide sustainability related ratings to ensure we understand their methodologies and approaches better.

On M&A, we've continued to see a positive pipeline of opportunities across the UK and Europe. Our teams have evaluated multiple opportunities over the first half of the year, and this has included the performance of due diligence on a number of portfolios and legal negotiation in relation to some, albeit not to conclusion. We continue to materially invest in the support of our M&A activity, remaining very active in our pursuit of opportunities and will maintain our discipline and patience when executing.

On new business, Movestic has had a strong first half across both its unit linked and custodian propositions with overall new business levels higher than the first half of 2023. It's been a tougher market in the Netherlands for our main term life product with overall new business lower compared to the same period in 2023. It has been pleasing to see the team maintain their disciplined approach to pricing against this more challenging market backdrop. In the UK, post the acquisition of Sanlam Life and Pensions UK, we have continued to see positive flows into our intermediated onshore bond proposition.

Tom Howard joined us from Aviva in April. Tom has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. Tom brings with him an extensive European actuarial and financial reporting background and we're already seeing the benefits of his experience and skill across both our M&A activity and as part of the H1 reporting process.

Looking at our financial results, we have again shown strong cash generation in this period, with commercial cash generation of £29.2m providing coverage of the interim dividend, T2 debt servicing, and the working capital costs over H1.

We undertook no material management actions during the period with cash generation driven by positive economics and operating performance. We note the potential for EIOPA's Solvency II reforms to support further cash generation e.g. if the risk margin is reformed in the way we have seen in the UK. We will keep investors updated as these reforms become more certain.

COMMERCIAL CASH GENERATION OF £29.2M EXCEEDS THE INTERIM DIVIDEND AND OTHER CENTRAL COSTS.

Divisional commercial cash generation by territory $^{\Delta}$

$^{\Delta}$ *excluding FX consolidation impacts*

£m	
UK	23.2
Sweden	2.0
Netherlands	5.2
Divisional total	**30.4**

The Chesnara parent company cash (including holding companies) and instant access liquidity fund balance stood at £88m at 30th June 2024. After allowing for our planned divisional dividend receipts of £49m the adjusted balance of £137m is £13m higher than our opening balance (31 Dec 2023 £124m). This provides us with substantial resources to finance future acquisitions, sustainably fund the group dividend and service our Tier 2 debt. The group recently renegotiated its Revolving Credit Facility with £150m of capacity available. And shareholders also supported our AGM resolution allowing us to issue RT1 instruments up to an amount equal to one third of our issued ordinary share capital (c£120m). This provides us with even greater potential firepower.

Looking forward, we continue to have a strong line of sight to future cash generation over the medium and longer term from the unwind of risk margin and SCR, investment returns above risk free rates, wider synergies and management actions. And that's before further potential benefits from new business and further acquisitions.

THE LONG TERM OUTLOOK FOR GROWTH REMAINS POSITIVE, PARTICULARLY THROUGH M&A

Before allowing for the prior-year dividend and FX impacts, the group generated Economic Value earnings of £20.2m (vs £32.6m for the first half of 2023 and adjusting for the impact of acquisitions in the period) and we saw components of the "Chesnara Fan" growth model deliver positively in the period. The 'Chesnara fan' illustrates the additional areas of growth potential the group may benefit from that aren't fully reflected in our Economic Value metric.

We have previously highlighted that over the medium term, we expect all components of the growth model to be positive, although there can be a level of shorter-term volatility in each element.

Although there are limitations to tracking the growth metrics over short time periods, it remains useful to assess how the results for the period mapped against the value growth components of the 'Chesnara fan'.

A key element of the growth model is real-world investment returns. The reported EcV of the group assumes risk free returns on shareholder and policyholder assets. Given the direct link to external market performance this source of value tends to be the most volatile of the growth sources. During the period, real-world returns added c£32m to EcV.

Over time, we expect improvements to operational effectiveness to be a source of value creation, be that through M&A synergies, scale benefits or other positive management actions (such as our recently announced partnership with SS&C). This period saw growth resulting from commercial new business profits of £4.9m.

It's worth noting that further value growth expectations from M&A are often not recognised in the day one gains.

We have also grown our Funds Under Management (FuM) in the period, through the addition of new business and growth in underlying asset values.

Growth in FuM

Funds Under Management	£bn
2020	8.5
2021	9.1
2022	10.6
2023	11.5
Jun 2024	11.9

ROBUST & RESILIENT SOLVENCY

Group solvency has remained robust at 201%, materially above the normal operating range we have disclosed to investors of 140-160%. And our divisions have generated a positive operating surplus over the period. It's worth reminding investors that the solvency ratio does not adopt any of the temporary benefits available from Solvency II transitional arrangements, although we do apply the volatility adjustment in our UK and Dutch divisions. The ratio does include the benefit of the capital efficiencies relating to the Tier 2 debt raised in 2022.

We expect to utilise this additional capital surplus as we undertake acquisitions, which should result in the ratio reverting back to within the robust and stable 140%-160% normal range.

Our strong cash generation and solvency position has meant that we have yet again grown the interim dividend, this year by 3%. This growth rate is now back above short and long-term rates of inflation and as Luke highlighted is the 20th consecutive year of interim dividend growth. This is a track record that we are very proud of and one that is almost unrivalled amongst our UK and European listed peers

Solvency ratio

	Solvency ratio %*	Solvency surplus £m
2020	156	204
2021	152	191
2022	197	298
2023	205	351
Jun 2024	201	330

**Preferred operating solvency range = 140% to 160%*

OUTLOOK

It has been pleasing to see continued strong cash and economic earnings generation. Whilst a volatile macro-economic backdrop will continue to be a material factor in all our markets, we remain confident that the Chesnara business model will continue to generate cash across a wide variety of market conditions, as it has done over its history.

We also remain positive on the outlook for further M&A where we remain active and continue to see a positive pipeline of opportunities.

Our people have continued to deliver across a number of material operational programmes and for our customers in the period. I thank them again for their efforts.

We celebrated our 20th anniversary in May and increasing our interim dividend for the 20th consecutive year places us in a very small group of companies to have this track record. I look forward to continuing to deliver for our investors and continue to believe there is a lot to look forward to here at Chesnara.

Steve Murray,
Chief Executive Officer
9 September 2024

MANAGEMENT REPORT

OVERVIEW OF STRATEGY

Our strategy focuses on delivering value to customers and shareholders through our three strategic pillars, executed across our three territories.

STRATEGIC OBJECTIVES

1.	2.	3.
MAXIMISE THE VALUE FROM EXISTING BUSINESS	ACQUIRE LIFE AND PENSIONS BUSINESSES	ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS
Managing our existing customers fairly and efficiently is core to delivering our overall strategic aims.	Acquiring and integrating companies into our business model is key to continuing our growth journey.	Writing profitable new business supports the growth of our group and helps mitigate the natural run-off of our book.
KPIs **Cash generation** **EcV earnings** **Customer outcomes**	KPIs **Cash generation** **EcV growth** **Customer outcomes** **Solvency**	KPIs **EcV growth** **Commercial new business profit** **Customer outcomes**

OUR CULTURE AND VALUES -
RESPONSIBLE RISK BASED MANAGEMENT

RESPONSIBLE RISK BASED MANAGEMENT FOR THE BENEFIT OF ALL OUR STAKEHOLDERS	GOOD TREATMENT OF CUSTOMERS	MAINTAIN ADEQUATE FINANCIAL RESOURCES	PROVIDE A COMPETITIVE RETURN TO OUR INVESTORS	ROBUST REGULATORY COMPLIANCE	A JUST TRANSITION TO A SUSTAINABLE GROUP

BUSINESS REVIEW | UK

The UK division consists of the operating company Countrywide Assured plc is largely closed to new business and therefore largely grows through investment returns, positive demographic experience, strong cost control and periodic acquisitions. The UK division has continued to write onshore bond business following the acquisition of CASLP.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL AND VALUE MANAGEMENT

BACKGROUND INFORMATION

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

In general, surplus regulatory capital emerges as the book runs off. The level of required capital is closely linked to the level of risk to which the division is exposed. Management's risk-based decision-making process seeks to continually manage and monitor the balance of making value enhancing decisions whilst maintaining a risk profile in line with the board's risk appetite.

At the heart of maintaining value is ensuring that the division is governed well from a regulatory and customer perspective.

INITIATIVES AND PROGRESS IN 2024

- In the first half of the year, financial markets had a positive impact on the value growth of the UK division, through rising yields and growth of policyholder funds.
- Work has progressed on the transition to the long-term strategic partnership with Fin Tech market leader, SS&C Technologies. SS&C will service the front-to-back-office operations for the majority of the UK division, providing a modern platform that will improve the efficiency of the existing business and establishes a solid platform to scale the business via future acquisitions.
- The programme of works included in this transformation and transition project is significant and is expected to conclude in 2025.
- The division has continued to support the group's acquisition strategy by assessing M&A opportunities and processes, including due diligence activity, as appropriate.
- The UK business settled its year end 2023 proposed dividend of £35.0m to Chesnara plc in early July, and is reporting a closing post-dividend solvency ratio of 171%.
- The division generated new business which contributed £1.0m (£1.0m on a commercial new business basis) to EcV in the first half of the year primarily from the onshore bond that is open to new business via third party investment platforms.

FUTURE PRIORITIES

- Delivery of the division's transition and transformation programme, which focuses on the end state migration of front-to-back-office operations to SS&C for the majority of the UK division.
- Execute the 'fully funded plan' in relation to further actions on Consumer Duty.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Support Chesnara in identifying and delivering UK acquisitions.
- Continue to grow new business volumes to drive further value growth.

KPIs

Economic Value - UK

£m	**2020**	**2021**	**2022**	**2023**	**Jun 2024**
EcV	187.4	181.9	209.3	181.0	205.1
Cumulative dividends		33.5	61.0	117.0	117.0
Total	**187.4**	**215.4**	**270.3**	**298.0**	**322.1**

Cash generation - UK

£m	**2020**	**2021**	**2022**	**2023**	**Jun 2024**
Cash generation	29.5	27.4	40.8	45.0	19.9

CUSTOMER OUTCOMES

BACKGROUND INFORMATION

Delivering good customer outcomes is one of our primary responsibilities. We strive to do this by providing good customer service, competitive fund performance and offering overall fair value for money. We seek to offer additional support to customers who may need it and provide easy to understand information about our products and the benefits provided. We are committed to meeting our regulatory responsibilities, including remaining operationally resilient and maintaining a strong solvency position.

INITIATIVES AND PROGRESS IN 2024

- An ongoing focus of the division is to ensure that it complies with the requirements of the FCA's "Consumer Duty". The business unit met the requirements in relation to its open business by the regulatory deadline of 31 July 2023 and the closed book operations achieved compliance with the requirements needed by the deadline of 31 July 2024.
- Another important multi-year focus is to ensure compliance with the FCA's "Operational Resilience" regulations by 31 March 2025. This remains on track and has included supporting the PRA in its industry-wide data collection programme.
- The partnership with SS&C is expected to benefit customers through an improved service experience.

FUTURE PRIORITIES

- Continued focus on the operational resilience programme to ensure the regulatory deadline of March 2025 is achieved.
- Continued focus on delivering good customer outcomes and maintaining strong service performance from all customer-facing suppliers and providers.

KPIs

Policyholder fund performance

	12 months ended 30 Jun 2024	**12 months ended 30 Jun 2023**
CA Pension Managed	12.7%	1.0%
CWA Balanced Managed Pension	12.7%	1.0%
S&P Managed Pension	12.2%	0.5%
Benchmark - ABI Mixed Inv 40%-85% shares	11.3%	3.6%
SLP Managed Pension	10.1%	1.0%
Benchmark - ABI Mixed Inv 20%-40% shares	9.0%	0.2%

GOVERNANCE

BACKGROUND INFORMATION

Maintaining effective governance and a constructive relationship with regulators underpins the delivery of the division's strategic plans.

Having robust governance processes provides management with a platform to deliver the other aspects of the business strategy. As a result, a significant proportion of management's time and attention continues to be focused on ensuring that both the existing governance processes, coupled with future developments, are delivered.

INITIATIVES AND PROGRESS IN 2024

- The division has supported the wider group's sustainability programme over the first half of the year and will continue to focus on local initiatives, including supporting staff with volunteering opportunities. Recently, it has also become a signatory of the PRI (Principles of Responsible Investment).
- David Brand retired as a director and as Chair of CA in March 2024. Mark Hesketh, who was already a non-executive director of CA, was appointed as Chair in April 2024.
- The division is focused on ensuring that its governance and oversight routines adapt to reflect the changes taking place in the business, from the partnership to SS&C to the planned Part VII of the Canada Life portfolio.
- CA has maintained oversight of its investment managers, holding regular meetings with fund managers and ensuring asset allocations are in line with its strategic objectives, including review of sustainability metrics.

FUTURE PRIORITIES

- Ensure appropriate governance arrangements are in place as the division transitions the majority of its front-to-back-office operations to SS&C.
- Continue to horizon scan for future regulatory changes.
- Continue engaging with our asset managers on progress towards net zero and investing in positive solutions.
- Support the wider group-wide sustainability programme to becoming a more sustainable group, including focusing on our operation's social purpose, and ensuring the group's and division's reporting needs are met.

KPIs

SOLVENCY RATIO: 171%

	£m	**Solvency Ratio**
31 Dec 2023 surplus	49.9	149%
Surplus generation	53.8	
[illegible]	[illegible]	[illegible]

30 Jun 2024 surplus (pre dividend)	**103.8**	**207%**
2024 dividend	(35.0)	
30 Jun 2024 surplus	**68.8**	**171%**

BUSINESS REVIEW | SWEDEN

Our Swedish division consists of Movestic, a life and pensions business which is open to new business. It offers personalised unit-linked pension and savings solutions through brokers, together with custodian products via a number of private banks and is well regarded within both communities.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL AND VALUE MANAGEMENT

BACKGROUND INFORMATION

Movestic creates value predominantly by generating growth in unit-linked Funds Under Management (FuM), whilst ensuring a high-quality customer proposition and maintaining an efficient operating model. FuM growth is dependent upon positive client cash flows and positive investment performance. Capital surplus is a factor of both the value and capital requirements and hence surplus can also be optimised by effective management of capital.

INITIATIVES AND PROGRESS IN 2024

- Financial market development has been positive in the first half of the year, which is reflected in the favourable returns on policyholders' investment assets.
- During 2024, transfer activity increased with an effect on both inward and outward transfer flows, though the level of transfers out is not expected to remain at this level in the long term. Movestic has intensified its retention initiatives during the period.
- Strong inflows in both the unit-linked and the custodian areas exceed the prior year and has resulted in overall positive net client cash flow despite the strain from continued outflows in unit-linked pensions.
- Movestic's solvency ratio remains strong at 142% (pre-dividend: 148%).

FUTURE PRIORITIES

- Progress the development of the digital pension platform to support customers in all distribution channels.
- Continue working to increase the use of automation, streamline processes, and improve administrative efficiency and control.
- Continue to build solid and long-term sustainable value creation for customers and owners through a diversified business model with continued profitable growth of volumes and market shares in selected segments.
- Remain focused on customer loyalty and providing attractive offerings to both retain customers and reach more volumes on the transfer market.
- Provide a predictable and sustainable dividend to Chesnara.
- Seek out opportunities to bring in additional scale through M&A.

KPIs (all comparatives have been presented using 2024 exchange rates)

Economic Value

£m	2020	2021	2022	2023	Jun 2024
Reported value	205.2	223.3	185.9	189.8	193.9
Cumulative dividends		4.9	7.7	18.9	18.9
Total	**205.2**	**228.2**	**193.6**	**208.8**	**212.8**

CUSTOMER OUTCOMES

BACKGROUND INFORMATION

Movestic provides personalised long-term savings, insurance policies and occupational pensions for individuals and business owners. We believe that recurring independent financial advice increases the likelihood of a solid and well-planned financial status, hence we are offering our products and services through advisors, licenced brokers and private banks.

INITIATIVES AND PROGRESS IN 2024

- During 2024, the Swedish business has continued to expand its custodian offering by establishing new partnerships.
- To help customers plan their retirement, Movestic has developed a unique digital service where customers can plan, start withdrawing and change how they receive their occupational pension. An updated version was launched in 2024 which enables customers with several years until retirement, to start planning for their withdrawal.
- A new digital service that helps customers explore whether a salary sacrifice pension is right for them was launched on the company website.
- Further automation and a new customer service system have enabled smoother administration as well as improved customer service. During the first half of 2024, the digital process for receiving customer enquiries also went through an improvement process.
- Movestic has further strengthened its digital platform and connectivity with distribution partners, to deliver a smoother transfer experience for customers, via new technological capacity through APIs to partners within the custodian offering.

FUTURE PRIORITIES

- Focus on high quality service and smooth administrative processes to ensure that Movestic is a partner that is easy to do business with.
- Further strengthen the relationship with brokers as well as expanding partnerships beyond the traditional broker community, for instance the private banking sector.

KPIs (all comparatives have been presented using 2024 exchange rates)

Broker assessment rating (out of 5)

	2019	2020	2021	2022	2023
Rating	3.5	3.3	3.6	3.8	3.8

POLICYHOLDER AVERAGE INVESTMENT RETURN:
10.7%

GOVERNANCE

BACKGROUND INFORMATION

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

Maintaining strong governance is a critical platform to delivering the various value-enhancing initiatives planned by the division.

INITIATIVES AND PROGRESS IN 2024

- The new EU regulatory framework, 'Digital Operational Resilience Act' (DORA) will come into force in January 2025. DORA is designed to improve cybersecurity within the finance sector. Movestic has worked on identifying and mapping critical processes and IT systems as part of a group-wide project.
- Analysis of the Global Minimum Tax (GMT) regulatory framework continues, as the directive was implemented in Swedish law in January 2024.
- Corporate Sustainability Reporting Directive (CSRD), the EU adopted new directive on sustainability reporting, became Swedish law in May 2024. Movestic falls within the thresholds for SMEs, which are not covered by CSRD, but Movestic will continue its sustainability work within the reporting area both internally and as part of the Chesnara group.
- During H1 David Brand retired as Chairman of the board and was replaced by Eamonn Flanagan, already a member of the board. Additionally, CEO, Sara Lindberg joined the board in May and David Rimmington resigned from the board.

FUTURE PRIORITIES

- Proceed with the implementation of sustainability regulations.
- Continue to develop plans, adapt and monitor the company's carbon footprint in order to support and continuously work towards the Chesnara group agenda of net zero financed and operational emissions by 2050.

KPIs (all comparatives have been presented using 2024 exchange rates)

SOLVENCY RATIO: 142%

	£m	Solvency Ratio
31 Dec 2023 surplus	52.1	147%

Surplus generation	7.6	
30 Jun 2024 surplus (pre dividend)	**59.7**	**148%**
2024 dividend	(7.5)	
30 Jun 2024 surplus	**52.2**	**142%**

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 which will fund further growth or contribute towards the group's attractive dividend. Movestic continues to adopt a profitable pricing strategy.

INITIATIVES AND PROGRESS IN 2024

- Sales volumes were strong in the first half of the year, rising by 44%.
- The division delivered a commercial new business profit of £2.1m.
- Movestic will continue to develop its pension and savings and risk insurance offerings to increase competitiveness and build customer loyalty.

FUTURE PRIORITIES

- Keep offering modern and individually adapted solutions within pension and savings and health insurance combined with related digital services.
- Continue to strengthen distribution capacity within all channels and work to launch new partner collaborations within all lines of business.

KPIs (all comparatives have been presented using 2024 exchange rates)

Occupational pension market share %

%	2019	2020	2021	2022	2023
Market share	7.0	4.7	3.6	4.1	4.4

New business profit

£m	2020	2021	2022	2023	2024
New business profit	1.4	3.8	3.1	2.8	2.1

BUSINESS REVIEW | NETHERLANDS

Our Dutch businesses deliver growth through our acquisitive closed book business Waard, which seeks to acquire and integrate portfolios; and our open book business Scildon, which seeks to write profitable term, investments and savings business.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL AND VALUE MANAGEMENT

BACKGROUND INFORMATION

Both Waard and Scildon have a common aim to make capital available to the Chesnara group to fund further acquisitions or to contribute to the dividend and debt funding. Whilst their aims are common, the dynamics by which the businesses add value differ:

- Waard is in run-off and has the benefit that the capital requirements reduce in-line with the attrition of the book. Waard periodically grows through delivering acquisitions.
- As an "open business", Scildon's capital position does not benefit from book run-off. It therefore adds value and creates surplus capital through writing new business and by efficient operational management and capital optimisation.

INITIATIVES AND PROGRESS IN 2024

- Scildon's IT system improvement project is near completion with cost efficiencies materialising in line with the business case.

- Scildon has changed its asset mix to provide a better interest rate hedge, replacing short-duration government bonds with investments in money market funds and increasing its investment in mortgage funds. Waard also made changes to its asset mix to improve longer term returns.
- Waard paid a dividend of £6.8m (€8m) to Chesnara in July 2024.
- Both Waard and Scildon continue to have strong solvency positions, inclusive of the use of the volatility adjustment, with Scildon at 194% and Waard at 304%.

FUTURE PRIORITIES

- Effective management of the closed book run-off in Waard to enable ongoing dividend payments to Chesnara.
- Complete the IT improvement project and ensure the planned efficiencies are delivered.
- Continue to focus on maintaining an efficient and cost-effective operating model.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Support Chesnara in identifying and delivering Dutch acquisitions.

KPIs (all comparatives have been presented using 2024 exchange rates)

Economic Value - The Netherlands

£m	2020	2021	2022	2023	Jun 2024
EcV	212.5	183.5	220.7	246.5	246.0
Cumulative dividends			5.1	14.4	14.4
Total	**212.5**	**183.5**	**225.8**	**260.9**	**260.4**

CUSTOMER OUTCOMES

BACKGROUND INFORMATION

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.

INITIATIVES AND PROGRESS IN 2024

- Scildon's focus remains on providing flexible solutions and offerings to its clients, including sustainable options. This has involved a continued focus on digitisation for term life insurance and investment-linked insurance customers.
- Scildon has also worked to make the pension scheme more transparent for customers through a digital platform.
- Waard continued work on digitalising its customer portal to both make it easier for customers to access documents but also to reduce the level of printing required, in turn helping the group decarbonise. This is expected to be launched in the second half of 2024.

FUTURE PRIORITIES

- Regular engagement with customers to improve service quality and to enhance and develop existing processes, infrastructure, and customer experiences.
- Continue to review and progress appropriate initiatives to meet the needs of customers.

KPIs (all comparatives have been presented using 2024 exchange rates)

Scildon client satisfaction rating (range of -100 to +100)*

	Dec 2023	Jun 2024
Rating	27	32

Net Promoter Score (NPS) - introduced in 2023 and therefore there are no earlier comparatives available. Scale ranges from -100 to +100 and measures customer loyalty by looking at their likelihood of recommending a given business.

GOVERNANCE

BACKGROUND INFORMATION

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.

INITIATIVES AND PROGRESS IN 2024

- Both business units have been progressing their sustainability activity, including Scildon's commitment to positive

- Both business units have been progressing their sustainability activity, including Scildon's commitment to positive solutions through its partnership with JustDiggit. Waard started the first stage of its investment transition plan to reduce its scope 3 emissions over the period.
- Work has continued on the implementation of the Corporate Sustainability Reporting Directive (CSRD), which is an EU adopted new directive on sustainability reporting effective from 2024. It will be applied from 2025 by Scildon, though Waard is working to determine its implementation date, given the complex implementation rules of the legislation. The double materiality assessments are ongoing and will be finalised in the short term.
- In January 2024, Chesnara Holdings BV was dissolved resulting in the Scildon, Waard Leven and Waard Schade moving to be directly owned by Chesnara plc. The company was later de-registered in April 2024.

FUTURE PRIORITIES

- Progress the implementation of the Corporate Sustainability Reporting Directive (CSRD).
- Finalise the double materiality assessments and gap analyses.
- Prepare the roadmap for investments to become net zero in 2050.

KPIs (all comparatives have been presented using 2024 exchange rates)

SOLVENCY RATIO: SCILDON 194%; WAARD 304%

Scildon

	£m	Solvency Ratio
31 Dec 2023 surplus	59.5	184%
Surplus generation	6.7	
30 Jun 2024 surplus	**66.2**	**194%**

Waard

				£m	Solvency Ratio
31 Dec 2023 surplus				**68.9**	**353%**
Surplus generation				(3.9)	
30 Jun 2024 surplus (pre dividend)				**65.0**	**328%**
2024 dividend				(6.8)	
30 Jun 2024 surplus				**58.2**	**304%**

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

BACKGROUND INFORMATION

Scildon brings a "New business" dimension to the Dutch division. Scildon sells protection, individual savings and group pensions contracts via a broker-led distribution model. The aim is to deliver meaningful value growth from realistic market share. Having realistic aspirations regarding volumes means we are able to adopt a profitable pricing strategy. New business also helps the company maintain scale and hence contributes to unit cost management.

INITIATIVES AND PROGRESS IN 2024

- Scildon continues to generate solid new business profits, with a commercial new business result of £1.8m for the first half of 2024. The overall term market volumes remain suppressed with pressure on pricing. Scildon have retained their disciplined approach to pricing, albeit at lower volumes.
- Scildon policy count continued to increase, closing the period with nearly 238,000 policies. The market share for the Scildon term product over the first half of 2024 was 10.3% (2023: 10.8%).
- In April 2024, Scildon launched a Stop Smoking lifestyle proposition on new business reflecting its focus on expanding offerings to customers.

FUTURE PRIORITIES

- Reassess and simplify the product portfolio and implement further cost improvement initiatives to help increase new business profits which are lower than previous years due to pricing competition.

KPIs (all comparatives have been presented using 2024 exchange rates)

Scildon - term assurance market share %

%	Jun 2022	Dec 2022	Jun 2023	Dec 2023	Jun 2024

Market share	11.6	10.6	12.2	10.8	10.3

Scildon - new business profit

£m	2020	2021	2022	2023	Jun 2024
New business profit	8.5	5.2	6.2	5.3	1.8

BUSINESS REVIEW | ACQUIRE LIFE AND PENSION BUSINESSES

HOW WE DELIVER OUR ACQUISITION STRATEGY

- Identify potential deals through an effective network of own contacts and advisors and industry associates, utilising both group and divisional management expertise as appropriate.
- We primarily focus on acquisitions in our existing territories, although we will consider other territories should the opportunity arise and this is supportive of our strategic objectives.
- We assess deals by 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 reduced 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 own resources, debt or equity depending on the size and cash flows of each opportunity and commercial considerations.

HOW WE ASSESS DEALS

Cash generation

- Collectively our future acquisitions must be suitably cash generative to continue to support Chesnara delivering attractive dividends.

Value enhancement

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

Customer outcomes

- Acquisitions must ensure we protect, or ideally enhance, customer interests with deals always giving full regard to Consumer Duty responsibilities.

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

- Chesnara has been active during the first half of 2024 in assessing a number of potential acquisitions. This included due diligence activity. We continue to see a healthy flow of future opportunities across the UK & European insurance market.

- We remain disciplined in evaluating acquisition opportunities and utilise both internal and external expertise in order to assess risks and benefits of potential opportunities for shareholders.

- Our expectation is that sales of portfolios will continue across the UK & European market and our strong expertise and knowledge, good regulatory relationships and the flexibility of our operating model mean that Chesnara is very well placed to manage the additional complexity associated with these portfolio transfers and provide beneficial outcomes for all stakeholders. These transactions may not be suitable for all potential consolidators, in particular those who do not have existing regulatory licenses.

- Key drivers for owners to divest portfolios continue to remain relevant and create a strong pipeline. These include alternative uses of capital (e.g. return to investors or supporting other business lines), operational challenges (e.g. end of life systems), management distraction, regulatory challenges and wider business and strategic needs.

- We continue to have immediately available acquisition firepower of over £200m, noting we seek to hold cash reserves to cover costs for 12 months (dividend, coupon and working capital). We will continue to explore how we can increase to cover costs for 12 months (dividend, coupon and working capital). We will continue to explore how we can increase our funding capability further, including consideration of partnerships as well as equity and debt to ensure we can compete for larger deals.

- Our financing considerations, when looking at new deals, are: that we operate in our normal operating solvency range of 140 - 160%; we maintain our investment grade rating; we retain liquid resources to cover the dividend, coupon and working capital for approximately one year; and we continue to have the capacity to finance smaller transactions without further fundraising.

CAPITAL MANAGEMENT | SOLVENCY II

Subject to ensuring other constraints are managed, surplus capital is a useful proxy measure for liquid resources available to fund items such as dividends, acquisitions or business investment.

GROUP SOLVENCY

SOLVENCY POSITION

£m	30 Jun 2024	31 Dec 2023
Own funds	656	684
SCR	326	333
Surplus	330	351
Solvency ratio %	201%	205%

SOLVENCY SURPLUS

£m	
Group solvency surplus at 31 Dec 2023	**351.0**
UK	18.8
Movestic	0.2
Waard	(2.7)
Scildon	6.7
Chesnara / consol adj	(0.2)
Change in T2/T3 restrictions	(24.9)
Exchange rates	(5.8)
Dividends	(13.0)
Group solvency surplus at 30 Jun 2024	**330.2**

Surplus:

The group has £330m of surplus over and above the capital requirements under Solvency II, compared to £351m at the end of 2023. The group solvency ratio has decreased from 205% to 201%. The change in surplus is explained in terms of Own Fund and SCR movements below.

Own Funds:

Own Funds have fallen by £14m (pre-dividend). A key driver of this is a rise in the Tier 2/3 restriction due to an increase in the value of Tier 2 & Tier 3 assets and a small FX loss, offset by some economic gains due to positive equity markets and rising yields.

SCR:

The SCR has decreased by £7m, owing mainly to a fall in underwriting risk capital, due to the rise in yields, and an increase in the loss absorbing capacity of deferred tax in the UK.

Solvency II background

- Solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold.
- The value of the company is referred to as its "Own Funds" (OF) and this is measured in accordance with the rules of the newly adopted Solvency II regime.

- The capital requirement is again defined by Solvency II rules and the primary requirement is referred to as the Solvency Capital Requirement (SCR).
- Solvency is expressed as either a ratio: **OF/SCR %** or as an absolute surplus: **OF less SCR.**

WHAT ARE OWN FUNDS?

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

The Own Funds valuation: A restriction is applied to reduce the aggregate value of Tier 2 and 3 assets down to 50% of the reported SCR.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain policies despite a high probability of receipt.

Risk margin: The Solvency II rules require a 'risk margin' liability which is deemed to be above the realistic cost, particularly in respect of the overseas divisions. The overseas risk margin is based on the original methodology whereas the UK benefits from HMT's Solvency II reforms**.**

Restricted with profit surpluses: Surpluses in the group's with-profit funds are not recognised in Solvency II Own Funds despite their commercial value.

We define Economic Value (EcV) as being the Own Funds adjusted for the items above. As such our Own Funds and EcV have many common characteristics and tend to be impacted by the same factors.

Transitional measures, introduced as part of the long-term guarantee package when Solvency II was introduced, are available to temporarily increase Own Funds. Chesnara does not take advantage of such measures, however we do apply the volatility adjustment within our Dutch and UK divisions.

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

WHAT IS CAPITAL REQUIREMENT?

The solvency capital requirement can be calculated using a "standard formula" or "internal model". Chesnara adopts the "standard formula".

There are three levels of capital requirement:

Minimum dividend paying requirement/risk appetite requirement

The board sets a minimum solvency level above the SCR which means a more prudent level is applied when making dividend decisions.

Solvency Capital Requirement

Amount of capital required to withstand a 1 in 200 event. The SCR acts as an intervention point for supervisory action including cancellation or the deferral of distributions to investors.

Minimum Capital Requirement

The MCR is between 45% and 25% of the SCR. At this point Chesnara would need to submit a recovery plan which if not effective within three months may result in authorisation being withdrawn.

How does the SCR change?

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

The HMT's reforms to Solvency II were laid before parliament on 8 December 2023 and came into force on 31 December 2023. The reforms updated the risk margin calculation for CA. EIOPA has proposed provisional reforms to Solvency II. These reforms need to be presented to member states and the European Parliament for approval. We continue to monitor any further proposed changes closely and future financial statements will report on the UK specific application of Solvency II as it diverges from the EU's regime.

We are well capitalised at both a group and divisional level. We have applied the volatility adjustment in Scildon, Waard Leven and CA, but have not used any other elements of the long-term guarantee package within the group. The Volatility Adjustment is an optional measure that can be used in solvency calculations to reduce volatility arising from large movements in bond spreads.

The numbers that follow present the divisional view of the solvency position which may differ to the position of the individual insurance company(ies) within the consolidated numbers. Note that year end 2023 figures have been restated using 30 June 2024 exchange rates in order to aid comparison at a divisional level.

UK

£m	30 Jun 2024	31 Dec 2023
Own funds (post dividend)	166	152
SCR	97	103
Buffer	19	21
Surplus	49	29
Solvency ratio %	171%	149%

Surplus: £49.4m above board's capital management policy.

Dividends: Solvency position is stated after £35.0m proposed dividend.

Own Funds: Increased by £13.3m, mostly driven by positive economic experience as a result of rise in equities and fall in credit spreads.

SCR: Decreased by £5.5m, with the key drivers being a reduction in underwriting risks, due to the rise in yields, and an increase in LACDT, due to a rise in deferred tax liabilities.

SWEDEN

£m	30 Jun 2024	31 Dec 2023
Own funds (post dividend)	177	164
SCR	125	112
Buffer	25	22
Surplus	27	30
Solvency ratio %	142%	147%

Surplus: £27.4m above board's capital management policy.

Dividends: Solvency position is stated after £7.5m (100 MSEK) proposed dividend.

Own Funds: Increased by £12.9m largely owing to positive economic movements, offset by a small operating strain and assumption changes.

SCR: Increased by £12.7m due to positive equity growth and moderate rise in currency risks.

NETHERLANDS - WAARD

NETHERLANDS - WAARD

£m	30 Jun 2024	31 Dec 2023
Own funds (post dividend)	87	96
SCR	29	27
Buffer	10	10
Surplus	48	59
Solvency ratio %	304%	353%

Surplus: £48.3m above board's capital management policy.

Dividends: Solvency position stated after £6.8m proposed dividend.

Own Funds: Decreased by £9.5m, largely owing to an economic strain caused by an increase in government bond spreads and the rise in interest rates.

SCR: Increased by £1.2m, mainly due to an increase in spread risk, due to some proactive re-risking via an increase in corporate bond holdings, offset by a reduction in counterparty default risk.

NETHERLANDS - SCILDON

£m	30 Jun 2024	31 Dec 2023
Own funds (post dividend)	137	131
SCR	70	71
Buffer	53	53
Surplus	13	6
Solvency ratio %	194%	184%

Surplus: £13.5m above board's capital management policy.

Dividends: No foreseeable dividend was proposed for 2024.

Own Funds: Increased by £5.7m driven by positive operating variances and new business profits.

SCR: Decreased by £1.0m, chiefly consisting of an increase in spread risk, owing to a rise in money market holdings, offset by a decrease in life underwriting risks, due to rising yields.

CAPITAL MANAGEMENT | SENSITIVITIES

The group's solvency position remains strong and we proactively evaluate the main factors that can affect our solvency. The group's EcV, and cash generation, both of which are derived from the group's solvency calculations, are also sensitive to these factors.

The table below provides some insight into the immediate impact of certain sensitivities that the group is exposed to, covering solvency surplus and Economic Value. As can be seen, EcV tends to take the 'full force' of adverse conditions immediately (where the impacts are calculated on the cash flows for the life of our portfolios) whereas solvency is often protected in the short term and, to a certain extent, the longer term due to compensating impacts on required capital.

Tier 2 debt has a material impact on the reported sensitivities because, as capital requirements move, the amount of the Tier 2 debt able to be recognised in the Own Funds also moves. For example, where FX movements reduce the SCR, we also experience a corresponding reduction in base Own Funds and Own Funds relating to Tier 2 capital. Importantly though, the Tier 2 debt itself has created more than sufficient additional headroom to accommodate this.

Whilst cash generation has not been shown in the table below, the impact of these sensitivities on the group's solvency surplus has a direct read across to the immediate impact on cash generation. Each individual column in the table illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive or negative.

	Solvency ratio Impact %	Solvency surplus Impact range £m	EcV Impact range £m
20% sterling appreciation	**22.0%**	(17.4) to (7.4)	(59.8) to (49.8)
20% sterling depreciation	**(12.9)%**	18.4 to 28.4	75.7 to 85.7
25% equity fall	**10.4%**	(63.8) to (33.8)	(94.5) to (74.5)
25% equity rise	**(7.0)%**	21.5 to 51.5	64.0 to 84.0
10% equity fall	**3.8%**	(21.6) to (11.6)	(36.7) to (26.7)
10% equity rise	**(2.3)%**	11.5 to 21.5	26.0 to 36.0
1% interest rate rise	**2.6%**	(4.6) to 5.4	(10.6) to (0.6)
1% interest rate fall	**(4.9)%**	(18.1) to 1.9	(10.3) to 4.7
50bps credit spread rise	**(4.9)%**	(21.6) to (11.6)	(16.8) to (11.8)
25bps swap rate fall	**(4.5)%**	(15.7) to (5.7)	(13.5) to (3.5)
10% mass lapse	**1.2%**	(26.7) to (16.7)	(39.6) to (29.6)
1% inflation	**(10.0)%**	(33.5) to (23.5)	(28.9) to (18.9)
5% mortality increase	**(3.4)%**	(14.0) to (9.0)	(13.8) to (8.8)

INSIGHT*

20%sterling appreciation: A material sterling appreciation reduces the value of surplus in our overseas divisions and any overseas investments in our UK entities, however this is partially mitigated by the group currency hedge so the overall impact on solvency is reduced.

Equity sensitivities: The equity rise sensitivities cause both Own Funds and SCR to rise, as the value of the funds exposed to risk is higher. The increase in SCR can be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment. The converse applies to an equity fall sensitivity, although the impacts are not fully symmetrical due to management actions and tax. The Tier 2 debt value also changes materially in these sensitivities. The change in symmetric adjustment can have a significant impact (25% equity fall: -£25.3m to the SCR, 25% equity rise: +£19.3m to SCR). The EcV impacts are more intuitive as they are more directly linked to Own Funds impact. CA and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities.

Interest rate sensitivities: An interest rate fall has a more adverse effect on group EcV than an interest rate rise. Group solvency is less exposed to rising interest rates as a rise in rates causes capital requirements to fall, increasing solvency.

50bps credit spread rise: A credit spread rise has an adverse impact on surplus and future cash generation, particularly in Waard and Scildon due to corporate and non-local government bond holdings that form part of the asset portfolios backing non-linked insurance liabilities. The impact on the other divisions is less severe.

25bps swap rate fall: This sensitivity measures the impact of a fall in the swap discount curve with no change in the value of assets. The result is that liability values increase in isolation. The most material impact is on Scildon due to the size of the non-linked book.

10%mass lapse: In this sensitivity Own Funds fall as there are fewer policies on the books, thus less potential for future profits. This is largely offset by a fall in SCR, although the amount of eligible Tier 2 capital also falls. The division most affected is Movestic as it has the largest concentration of unit-linked business.

1%inflation rise: This sensitivity measures a permanent increase in inflation in every future year (above existing valuation assumptions). Such a rise in inflation increases the amount of expected future expenses. This is capitalised into the balance sheet and hits the solvency position immediately.

5%mortality increase: This 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 sensitivities provide a useful guide, in practice, how our results react to changing conditions is complex and the exact level of impact can vary due to the interactions of events and starting position.

FINANCIAL REVIEW

Our key performance indicators provide a good indication of how the business has performed in delivering its three strategic objectives.

CASH GENERATION

GROUP CASH GENERATION £19.6M 30 JUNE 2023: £11.1M

DIVISIONAL CASH GENERATION£18.8M 30 JUNE 2023: £2.3M

What is it?

Cash generation is calculated as being the movement in Solvency II Own Funds over the internally required capital, excluding the impact of Tier 2 debt. The internally required capital is determined with reference to the group's capital management policies, which have Solvency II rules at their heart. 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.

Why is it important?

Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'. However, our cash generation is always managed in the context of our stated value of maintaining strong solvency positions within the regulated entities of the group.

Risks

The ability of the underlying regulated subsidiaries within the group to generate cash is affected by a number of our principal risks and uncertainties. Whilst cash generation is a function of the regulatory surplus, as opposed to the IFRS surplus, it is impacted by similar drivers, and therefore factors such as yields on fixed interest securities and equity and property performance contribute significantly to the level of cash generation within the group.

£m	**Jun 2024**
UK	19.9
Sweden	(3.6)
Netherlands	2.5
Divisional cash generation	**18.8**
Other group activities	0.8
Group cash generation	**19.6**

- Cash generation of £19.6m exceeded the prior year (30 June 2023: £11.1m) and includes a material adverse impact from the symmetric adjustment of £9.3m (six months to 30 June 2023: £10.6m).
- The divisional result of £18.8m was driven by another period of strong cash generation from the UK (£19.9m), with a healthy contribution from Scildon also supporting the result. In Sweden, value growth delivered through equity returns was exceeded by associated rises in SCR (and symmetric adjustment), while the Waard result included a reduction in Own Funds due to economic losses (negative impact of rising interest rates).
- The central group contribution includes the benefit of a cash gain from our FX hedge, which has risen in value to offset some (£4.7m) of the adverse FX movements experienced elsewhere in the group, helping to reduce capital requirements. The reduction in SCR offsets the adverse impact of consolidation adjustments and central development expenditure (including M&A).

IFRS

PRE-TAX PROFIT: £13.4M 30 JUNE 2023: PRE-TAX£15.3M

TOTAL COMPREHENSIVE INCOME: £(6.7)M 30 JUNE 2023: £0.5M

What is it?

Presentation of the results in accordance with International Financial Reporting Standards (IFRS) aims to recognise the profit arising from the longer-term insurance and investment contracts over the life of the policy.

Why is it important?

The IFRS results form the core of reporting and hence retain prominence as a key financial performance metric. We believe that, for Chesnara, the IFRS results in isolation do not recognise the wider financial performance of the business, hence the use of supplementary Alternative Performance Measures to enhance understanding of financial performance.

Risks

IFRS 17 was effective from 1 January 2023 and has been applied in the financial statements in section C. IFRS 17 introduces a concept of insurance revenue which aims to reflect the insurance contract services provided in each period in the income statement by establishing an explicit measure of future profit (the Contractual Service Margin (CSM)) and provides a framework as to how the CSM is recognised in a given period. The 'investment result' is presented separately from the 'insurance result' on the face of the income statement. Market volatility impacting the surplus assets will result in volatility in investment result and the IFRS pre-tax profit/(loss). Foreign currency fluctuations will further affect total comprehensive income.

£m	**30 Jun 2024**
Net insurance service result	**(3.3)**
Net investment result	**40.3**
Fee, commission and other operating income	54.9
Other operating expenses	(72.9)
Financing costs	(5.6)
Profit before income taxes	**13.4**
Tax	(12.4)
Forex & other	(7.7)
Total comprehensive income	**(6.7)**

- Profit before tax in the period of £13.4m includes a net insurance service loss of £ £3.3m and an investment result of £40.3m (six months to 30 June 2023: £10.5m and £24.6m profit respectively).
- The negative insurance service result has been driven primarily by adverse experience and assumption changes on lines of business, termed 'onerous contracts', for which the CSM has been extinguished meaning such losses must be taken to the P&L rather than to the CSM.
- The positive investment result in the year, is reflective of equity market gains combined with rising yields.

ECONOMIC VALUE (EcV)

£508.0M 31 DECEMBER 2023: £524.7M

What is it?

Economic value (EcV) was introduced following the introduction of Solvency II at the start of 2016, with EcV being derived from Solvency II Own Funds. EcV reflects a market-consistent assessment of the value of the existing insurance business, plus the adjusted net asset value of the non-insurance businesses within the group.

Why is it important?

EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time.

The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives, in particular the value created from acquiring life and pensions businesses and enhancing our value through writing profitable new business. It ignores the potential of new business to be written in the future (the franchise value of our Swedish and Dutch businesses) and the value of the company's ability to acquire further businesses.

Risks

The Economic Value of the group is affected by economic factors such as equity and property markets, yields on fixed interest securities and bond spreads. In addition, the EcV position of the group can be materially affected by exchange rate fluctuations. For example, a 20.0% weakening of the Swedish krona and euro against sterling would reduce the EcV of the group within a range of £50m-£60m, based on the composition of the group's EcV at 30 June 2024.

£m	
EcV 31 Dec 2023	**524.7**
EcV earnings	20.2
Forex	(13.3)
Pre-dividend EcV	**531.6**
Dividends	(23.5)
EcV 30 Jun 2024	**508.0**

- EcV growth for the opening half of the year was £20.2m (prior to the dividend payment and FX consolidation losses).
- This value growth was delivered through a variety of sources across the group. Positive new business results contributed to operating profits in the UK and Netherlands while, at a total level, economic growth was muted as investment market conditions had a mixed impact on our divisions. Growth in the UK and Sweden (predominantly through rising equities and yields) was offset by losses in the Netherlands, owing to the negative impact of changes in interest rates.

ECV EARNINGS

£20.2M 30 JUNE 2023: £32.6M excluding acquisitions

What is it?

In recognition of the longer-term nature of the group's insurance and investment contracts, supplementary information is presented that provides information on the Economic Value of our business.

The principal underlying components of the Economic Value result are:

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

Why is it important?

A different perspective is provided in the performance of the group and on the valuation of the business. Economic Value earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The Economic Value earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives. This includes new business profits generated from writing profitable new business, Economic Value profit emergence from our existing businesses, and the Economic Value impact of acquisitions.

Risks

The EcV earnings of the group can be affected by a number of factors, including those highlighted within our principal risks and uncertainties and sensitivities analysis. In addition to the factors that affect the IFRS pre-tax profit and cash generation of the group, the EcV earnings can be more sensitive to other factors such as the expense base and persistency assumptions. This is primarily due to the fact that assumption changes in EcV affect our long-term view of the future cash flows arising from our books of business.

£m	**Jun 2024**
Total operating earnings	0.9
Economic earnings	31.9
Other	(12.6)
Total EcV earnings	**20.2**

- Economic returns in the period underpin the positive EcV earnings result. In the UK and Sweden, earnings were delivered through equity market growth and positive impact of rising yields. This offset economic losses in the Dutch divisions, with movements in interest rates having an adverse impact on bond holdings.
- Operating profits were reported in the Dutch divisions, however the result was impacted by adverse transfer activity in Sweden and a small loss in the UK resulting in overall operating earnings of £0.9m.
- The "Other" category includes risk margin movement, negative tax impacts, the cost of Tier 2 coupon payments and central costs which are primarily one-off costs associated with M&A activity.

CASH GENERATION

There is no reporting framework defined by the regulators for cash generation and there is therefore inconsistency across the sector. We define cash generation as being the movement in Solvency II own funds over and above the group's internally required capital, which is based on Solvency II rules.

GROUP CASH GENERATION

£19.6M 30 JUNE 2023: £11.1M excluding the impact of acquisitions

Cash generation was £19.6m for the period, with a divisional cash total of £18.8m, the result benefitting from positive equity growth (net of the temporary net impact of the symmetric adjustment). Cash is generated from increases in the group's solvency surplus, which is represented by the excess of Own Funds held over management's internal capital needs. These are based on regulatory capital requirements, with the inclusion of additional 'management buffers'.

Implications of our cash definition:

Positives

- Creates a strong and transparent alignment to a regulated framework.
- Positive cash results can be approximated to increased dividend potential.
- Cash is a factor of both value and capital and hence management are focused on capital efficiency in addition to value growth and indeed the interplay between the two.

Challenges and limitations

- In certain circumstances the cash reported may not be immediately distributable by a division to group or from group to shareholders.
- Brings the technical complexities of the SII framework into the cash results e.g. symmetric adjustment, with-profit fund restrictions, model changes etc, and hence the headline results do not always reflect the underlying commercial or operational performance.

	Jun 2024 £m				Jun 2023 £m
	Movement in Own Funds	Movement in management's capital requirement	Forex impact	Cash generated / (utilised)	Cash generated / (utilised)
UK	13.3	6.6	-	19.9	10.0
Sweden	13.0	(15.3)	(1.2)	(3.6)	(6.4)
Netherlands - Waard Group	(1.5)	(1.7)	(1.6)	(4.7)	(0.4)
Netherlands - Scildon	5.8	1.6	(0.2)	7.2	(0.9)
Divisional cash generation / (utilisation)	**30.6**	**(8.8)**	**(3.0)**	**18.8**	**2.3**
Other group activities	(7.3)	8.1	-	0.8	8.8
Group cash generation / (utilisation)	**23.3**	**(0.7)**	**(3.0)**	**19.6**	**11.1**

GROUP

- Other group activities include consolidation adjustments as well as central costs and central SCR movements.
- Central costs include Tier 2 debt coupon payments (c£5m) and uncovered central expenditure, of which a large proportion of exceptional non-recurring development activity.

UK

- The UK reported another strong period of cash generation, contributing £19.9m in the first half of 2024. This was delivered through both Own Funds growth and a reduction in capital requirements. Economic conditions (mainly the positive impact of rising yields) supported both the growth in Own Funds and the reduction in SCR (from lower with profit guarantee costs, offsetting a rise in symmetric adjustment).

SWEDEN

- In Movestic, the increase in SCR was primarily driven by market risk related capital requirements. This exceeded the growth in Own Funds from economic returns on unit linked business. This equity market-driven growth in Own Funds also resulted in a larger increase in the symmetric adjustment.

NETHERLANDS - WAARD

- Waard recorded cash utilisation of £4.7m for the period. Own Funds fell due to economic losses (mainly the negative impact on bond holdings of rising interest rates), offsetting operating profits. The SCR increased mainly from a rise in market risk through a higher symmetric adjustment, the purchase of government bonds with longer duration increasing interest rate SCR and proactive re-risking through an increase in corporate bond holdings increasing spread SCR. The divisional result also includes an FX loss on consolidation owing to sterling appreciation versus the euro.

NETHERLANDS - SCILDON

- Scildon generated a cash return £7.2m for the period. Positive market conditions were the primary driver of Own Funds growth and higher interest rates also had a positive impact on capital requirements (owing to fall in life risk), reducing the SCR.

CASH GENERATION - ENHANCED ANALYSIS

The format of the analysis draws out components of the cash generation results relating to technical complexities, modelling issues or exceptional corporate activity. The results excluding such items are deemed to better reflect the inherent commercial outcome (Commercial cash generation).

COMMERCIAL CASH GENERATION

£29.2M 30 JUNE 2023: £21.8M excluding the impact of acquisitions

	UK	SWEDEN	NETHERLANDS WAARD	NETHERLANDS SCILDON	DIVISIONAL TOTAL	GROUP ADJ	TOTAL
Base cash generation	**19.9**	**(3.6)**	**(4.7)**	**7.2**	**18.8**	**0.8**	**19.6**
Symmetric adjustment	3.0	4.4	0.3	0.7	8.4	0.9	**9.3**
WP restriction look through	0.2				0.2	-	**0.2**
Commercial cash generation	**23.2**	**0.8**	**(4.5)**	**8.0**	**27.4**	**1.7**	**29.2**

Commercial cash generation of £29.2m is primarily supported by contributions of £23.2m from the UK business and £8.0m from Scildon. Movestic made a small £0.8m gain in commercial cash while Waard experienced a £4.5m loss. Movements in FX rates during 2024 led to a loss of £3.0m to cash, however, the group FX hedge has more than offset these currency impacts, providing a cash benefit of £10.9m YTD.

UK

The key drivers of the UK result are economic gains from positive equity performance and rising yields - the latter has benefitted both Own Funds and required capital.

SWEDEN

The Swedish result, after removing a loss caused by the increase in the symmetric adjustment, is slightly positive. The economic result is positive, principally due to equity market gains, offset by the depreciation of Swedish krona against sterling. The economic gains are offset by a change to lapse assumptions and new business strain.

WAARD

Waard's negative cash result is primarily driven by increased yields and spreads on certain bond holdings, along with the depreciation of the euro against sterling. The negative economic result is offset somewhat by an increase in the Tier 3 tax asset.

SCILDON

Scildon's commercial cash generation reflects both positive economic and operating impacts. The economic gains are a result of equity and yield movements, offset somewhat by the depreciation of the euro against sterling.

GROUP

The central group result is driven by positive economic experience and a beneficial FX hedge movement, offset by central expenses. Central expenses include, Tier 2 debt coupon payments and a range of development activity, such as M&A programmes as well as investment in the business to support the future growth of the group.

EcV EARNINGS

£20.2M 30 JUNE 2023: £32.6M

A period of strong EcV earnings have been delivered through new business gains and economic profits.

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

£m	30 Jun 2024	30 Jun 2023[1]	31 Dec 2023[1]
Expected movement in period	9.8	7.7	14.9
New business	2.5	4.7	4.4
Operating experience variances	(4.1)	(5.7)	14.9
Operating assumption changes	(7.3)	(5.4)	(25.9)
Total operating earnings	**0.9**	**1.3**	**8.3**
Total economic earnings	**31.9**	**31.6**	**42.9**
Other non-operating variances	(4.8)	7.2	(13.8)
Central costs (including one-off costs)	(6.6)	(4.7)	(14.1)
Risk margin movement	2.4	0.9	1.1
Tax	(3.6)	(3.7)	6.3
EcV earnings	**20.2**	**32.6**	**30.7**
Acquisitions	-	28.4	28.4
EcV earnings inc. acquisitions	**20.2**	**61.0**	**59.1**

[1]*Prior year comparators have been restated following a reallocation of components, with total EcV earnings remaining unchanged*.

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

£m	30 Jun 2024	30 Jun 2023	31 Dec 2023
UK	13.7	11.0	31.4
Sweden	12.1	15.0	6.8
Netherlands	1.7	12.1	19.5
Group and group adjustments	(7.3)	(5.5)	(27.0)
Acquisitions	-	28.4	28.4
EcV earnings	**20.2**	**61.0**	**59.1**

Total economic earnings: The economic result continues to be the largest component of the total EcV earnings, with a profit of £31.9m in the period. The result is in line with our reported sensitivities and is driven by the following key market movements:

Rising equity indices:

- FTSE All Share index increased by 5.2% (6 months to 30 June 2023: increased by 0.5%);
- Swedish OMX all share index increased by 7.9% (6 months to 30 June 2023: increased by 8.4%);
- The Netherlands AEX all share index increased by 16.2% (6 months to 30 June 2023: increased by 10.2%); and

Widening credit spreads:

- UK AA corporate bond yields decreased to 0.67% (31 December 2023: 0.71%)
- European AA credit spreads decreased to 0.52% (31 December 2023: 0.63%).

Increased yields:

- 10-year UK gilt yields have increased to 4.19% (31 December 2023: 3.64%).

The EcV results continue to illustrate how sensitive the results are to economic factors. As outlined in the past, we continue to be of the view that short term volatility has limited commercial impact on the business and of more importance is the fact that steady state, over the longer term, we expect EcV growth in the form of real-world investment returns.

Total operating earnings: Operating earnings of £0.9m were reported in the period, driven from positive results in the two Dutch businesses. Their earnings were largely offset in Sweden, where adverse transfer activity resulted in an operating loss for Movestic, and in the UK, where expense strengthening resulted in adverse assumption variances leading to a small operating loss.

Other costs: It is worth noting that the EcV earnings result of £20.2m includes a number of negative components that represent positive investment in the future and items that are non-recurring in nature. Examples of key items in the period include:

- Central costs, primarily one-off costs associated with the M&A strategy. Whilst the cost of this development investment is recognised, EcV does not recognise the potential returns we expect from it.
- Tier 2 debt servicing costs – EcV does not recognise the benefit of the capital or the potential for future value adding

- Tier 2 debt servicing costs - EcV does not recognise the benefit of the capital or the potential for future value adding transactions that it provides.

Looking at the results by division:

UK: The UK's positive earning result of £13.7m was driven by favourable market conditions, predominantly the long-term impact of rising yields and equities. Operating losses were small, with favourable fee income being offset by expense strengthening. The result also includes non-recurring transition and transformational costs relating to new outsourcing arrangements and business integrations. The UK also reported higher than expected new business earnings in the first half of the year, contributing to the result.

Sweden: Movestic recorded earnings of £12.1m for the opening half of the year with the division benefitting from external economic factors. Rising equity markets in Sweden and Europe have underpinned economic returns of £22.6m. This more than outweighed an operating loss, owing mainly to adverse transfer activity. Pricing pressures suppressed fee income and lower fund rebates also contributed to the result. Modest new business profits (on an EcV basis) of £0.8m were recorded, reflective of the continued competitive market conditions and margin pressures.

Netherlands: Overall, the Dutch businesses reported growth of £1.7m in the period, with operating profits mitigating economic losses. Across both entities, economic losses were primarily the consequence of rising interest rates, reducing the value of bonds holdings. Scildon generated EcV growth of £4.6m, driven by positive operating variances, offset by the economic experience variances explained above. New business profits were muted, due to market pricing pressures and a smaller term market. In Waard, the negative impact of economic conditions on the bond portfolio, led to an overall loss of £2.7m, offsetting positive operating earnings delivered in the opening half of the year.

Group: This component contains a variety of group-related expenses and includes: non-maintenance related costs (such as acquisition activity costs); as well as some material economic-related items such as financing costs, primarily in relation to the Tier 2 debt interest costs, and positive investment returns for the period.

EcV

£508.0M (31 DEC 2023: £524.7M)

The Economic Value of Chesnara represents the present value of future profits of the existing insurance business, plus the adjusted net asset value of the non-insurance business within the group. EcV is an important reference point by which to assess Chesnara's intrinsic value.

Value movement: 1 Jan 2024 to 30 Jun 2024:

£m	
EcV 31 Dec 2023	**524.7**
EcV earnings	20.2
Forex	(13.3)
Pre-dividend EcV	**531.6**
Dividends	(23.5)
EcV 30 Jun 2024	**508.0**

EcV earnings: EcV profits of £20.2m have been driven primarily by positive market conditions over the period.

Foreign exchange: The closing EcV of the group reflects a foreign exchange loss in the period, which is a consequence of sterling appreciation against both the Swedish krona and also the euro since the start of the year.

Dividends: Under EcV, dividends are recognised in the period in which they are paid. Dividends of £23.5m were paid during the first half of the year, representing the final dividend from 2023.

EcV by segment at 30 Jun 2024

£m	
UK	205.1
Sweden	193.9
Netherlands	246.0
Other group activities	(136.9)
EcV 30 Jun 2024	**508.0**

The above table shows that the EcV of the group is diversified across its different markets.

EcV to Solvency II:

£m	
EcV 30 Jun 2024	**508.0**
Risk margin	(22.4)
Contract boundaries	1.8
Tier 2 debt	200.00
RFF & Tier 2/3 restrictions	(25.7)
Deferred tax asset adjustment	7.7
Dividends	(13.0)
SII Own Funds 30 Jun 2024	**656.4**

Our EcV is based on a Solvency II assessment of the value of the business but adjusted for certain items where it is deemed that Solvency II does not reflect the commercial value of the business. The above waterfall shows the key difference between EcV and SII, with explanations for each item below.

Risk margin: Solvency II rules applying to our European businesses require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. We therefore reduce this margin for risk for EcV valuation purposes from being based on a 6% (UK: 4%) cost of capital to a 3.25% cost of capital. On our UK business, the Solvency II reform risk tapering is also reversed.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain in-force contracts, despite the high probability of receipt. We therefore make an adjustment to reflect the realistic value of the cash flows under EcV.

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

Dividends: The interim dividend for 2024 of £13.0m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

Tier 2: The Tier 2 debt is treated as "quasi equity" for Solvency II purposes. For EcV, consistent with IFRS, we continue to report this as debt. Under SII this debt is recognised at fair value, while for EcV this remains at book value.

Tier 3: Under Solvency II the eligibility of Tier 3 Own Funds is restricted in accordance with regulatory rules. For EcV the Tier 3 Own Funds are recognised at an impaired value.

IFRS BALANCE SHEET

The transition to IFRS 17 is now fully embedded in the reporting of the group's IFRS results and balance sheet. As at 30 June 2024, total net equity is £330m and the CSM, which represents unearned future insurance profits, is £167m (net of reinsurance).

HOW THE CSM HAS MOVED IN THE PERIOD

£m	
CSM: 31 Dec 2023	166.5
Interest accreted to CSM	2.0
Assumption & experience variances	7.7
New business CSM	3.0
Release of profit	(9.0)
Foreign exchange rate impacts	(3.0)
CSM: 30 Jun 24	167.2

The group CSM has slightly increased in the first half of 2024.

Positive experience and assumption changes across the group have added £7.7m of CSM. New business in Scildon has also added £3.0m of CSM, reflecting the future profits arising on profitable new business recognised in the period. These additions broadly offset the £9.0m reduction, which reflects the release to profit in the period as the insurance services are provided.

Other smaller movements include the impact of foreign exchange and the "interest" on unwinding the discounting that is embedded within the opening CSM valuation.

CSM values are shown net of reinsurance but gross of tax. When calculating the IFRS capital base a net of reinsurance and net of tax figure is used. The equivalent net of reinsurance and tax movement of CSM during the six months to 30 June 2024 is £0.4m

HOW DOES IFRS 17 COMPARE TO SOLVENCY II AND ECV?

EcV and IFRS share a number of common principles. However, for investment contracts, expected future profits on existing policies are not recognised in the IFRS balance sheet, with profits being reported as they arise. This differs to the approach in EcV, where these future profits are fully recognised on the balance sheet, subject to contract boundaries.

We believe that due to the hybrid nature of the business, EcV and Solvency II, alongside cash generation, continue to give a more holistic view of the financial dynamics of the group and are therefore the key metrics that management use to manage the business.

LEVERAGE

Applying the Fitch gearing definition of debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, the gearing of the group as at 30 June 2024 was 30.4% (31 December 2023: 29.2%).

IFRS INCOME STATEMENT

IFRS PRE-TAX PROFIT

£13.4M 30 JUNE 2023 : £15.3M

IFRS TOTAL COMPREHENSIVE INCOME

£(6.7)M 30 JUNE 2023 : £(0.5)M

Analysis of IFRS result between net insurance service and net investment results:

	30 June 24 £m	30 June 23 £m	31 Dec 23 £m
Net insurance service result	**(3.3)**	**10.5**	**(5.1)**
Net investment result	**40.3**	**24.6**	**71.7**
Fee, commission and other operating income	**54.9**	47.4	89.4
Other operating expenses	**(72.9)**	(65.7)	(149.9)
Financing costs	**(5.6)**	(5.5)	(11.0)
Profit arising on business combinations and portfolio acquisitions	**-**	4.0	6.7
Profit before income taxes	**13.4**	**15.3**	**1.8**
Income tax (charge)/credit	**(12.4)**	(0.6)	16.9
Profit for the period after tax	**1.0**	**14.7**	**18.7**
Foreign exchange (loss)/gain	**(8.2)**	(15.2)	(7.8)
Other comprehensive income	**0.5**	-	(0.6)
Total comprehensive income	**(6.7)**	**(0.5)**	**10.3**

Movement in IFRS capital base			
Opening IFRS capital base	**487.4**	**469.2**	**469.2**
Movement in CSM (net of reinsurance and tax)	0.4	44.1	42.4
Total comprehensive income	(6.7)	(0.5)	10.3
Other adjustments made directly to shareholders' equity	0.5	0.4	0.9
Dividend	(23.5)	(22.8)	(35.4)
Closing IFRS capital base	**458.1**	**490.4**	**487.4**

IFRS REPORTING CATEGORY	INSIGHT
Net insurance service result The net insurance service result comprises the revenue and expenses from providing insurance services to policyholders and ceding insurance business to reinsurers and is in respect of current and past service only. Assumption changes, that relate to future service, are therefore excluded from the insurance result (as they adjust the CSM), unless the CSM for a given portfolio of contracts falls below zero; thereby in a 'loss component' position. Economic impacts are also excluded from the insurance service result.	The net insurance service result of £3.3m loss can be broken down into the following elements: - gains from the release of risk adjustment and CSM of £11.2m (six months to 30 June 2023: £12.4m). These gains represent a healthy and consistent source of future profits for the group. - losses of £14.5m (six months to 30 June 2023: £1.9m loss) caused by experience impacts and loss component effects where portfolios of contracts with no CSM have suffered adverse impacts that would otherwise be offset in the balance sheet if the CSM for those portfolios were positive. In this reporting period, a variety of different factors have contributed to the negative result, some of which will have offsetting amounts in the investment result.
Movement in CSM The movement in CSM is important to consider alongside the income statement. New CSM represents future profits that are expected to be released to the income statement over time and whilst a lot of the costs associated with generating this new CSM are recognised in the year, the expected profit is deferred over the life of the products.	During the period to 30 June 2024, the gross of tax CSM has increased by £0.7m to £167.2m. The key components of this increase are £3.0m of additional CSM arising from new business within Scildon and positive experience changes across all divisions which increased the CSM by £7.7m These amounts are offset by £9.0m of CSM released to the income statement. The remaining CSM will be earned over the coverage period of the policies to which it relates, and the expected earnings pattern is such that after 10 years more than 40% will remain to be earned.
Net investment result The net investment result contains the investment return earned on all assets together with the financial impacts of movements in insurance and investment contract liabilities.	The investment result of £40.3m in the year to date reflects the positive market conditions in the period, with equity market gains combined with rising yields. The UK investment result includes £8.1m in respect of policyholder tax deductions on investment contracts which will have a corresponding contra impact within the tax line. The effect of locked in discount rates has also contributed £3.3m, partly offset by negative loss component impacts in the insurance service result.
Fee, commission and other operating income The most significant item in this line is the fee income that is charged to policyholders in respect of the asset management services provided for investment contracts. There is no income in respect of insurance contracts in this line, as this is all now reported in the insurance result	Fee, commission and other operating income shows an improvement on the 2023 comparative, but this is in part due to increased fee income in the form of yield tax deducted from policyholders in Movestic (£20.0m for the six months to 30 June 2024 and £11.7m for the six months to 30 June 2023) as a result of improving economic factors, with a corresponding offset within other operating expenses.
Other operating expenses Other operating expenses consist of costs relating to the management of the group's investment business, non-attributable costs relating to the group's insurance business and other certain one-off costs such as project costs. Other items of note are the amortisation of intangible assets in respect of investment business and the payment of yield tax relating to policyholder investment funds in Movestic, for which there is a corresponding income item within the fee income line.	The expenses incurred in the first six months of 2024 are higher than the corresponding six months in 2023, driven mainly by the increased policyholder yield tax from the impact of stronger market on unit linked funds in Movestic. This offsets the equivalent value within the fee, commission and other operating income line above.
Financing costs	This predominantly relates to the cost of servicing our Tier 2 corporate debt notes which were issued in early 2022.
Profit arising on business combinations and portfolio acquisitions	During 2023, Chesnara successfully completed the acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands. This gave rise to a day 1 gain which can be found within the 2023 income statement. There has been no equivalent gain for 2024.
Foreign exchange	The IFRS result of the group reflects a foreign exchange loss in the period, a consequence of sterling appreciation, particularly against the Swedish krona. The resulting gain in respect of existing foreign exchange rate hedges can be seen within the investment result.
Other comprehensive income	This represents the impact of movements in the valuation of land and buildings held in our Dutch division.
Income tax Income tax consists of both current and deferred taxes.	The income tax expense is mainly the result of a UK deferred tax charge driven by utilisation of 'excess E' (brought forward losses) against the current year tax charge.

RISK MANAGEMENT

Managing risk is a key part of our business model. We achieve this by understanding the current and emerging risks to the business, mitigating them where appropriate and ensuring they are appropriately monitored and managed.

HOW WE MANAGE RISK

RISK MANAGEMENT SYSTEM

The risk management system supports the identification, assessment, and reporting of risks to monitor and control the probability and/or impact of adverse outcomes within the board's risk appetite or to maximise realisation of opportunities.

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

Policies: The risk management policies implement the risk management strategy and provide a set of principles (and mandated activities) for control mechanisms that take into account the materiality of risks.

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

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

Chesnara adopts the "three lines of defence" model with a single set of risk and governance principles applied consistently across the business.

In all divisions we maintain processes for identifying, evaluating and managing the material risks faced by the group, which are regularly reviewed by the divisional and group senior leadership teams and Audit & Risk Committees. Our risk assessment processes have regard to the significance of risks, the likelihood of their occurrence and take account of the controls in place to manage them. The processes are designed to manage the risk profile within the board's approved risk appetite.

Group and divisional risk management processes are enhanced by stress and scenario testing, which evaluates the impact of certain adverse events occurring separately or in combination. The results, conclusions and any recommended actions are included within divisional and group ORSA Reports to the relevant boards. There is a strong correlation between these adverse events and the risks identified in 'Principal risks and uncertainties'. The outcome of this stress testing provides context against which the group and divisions can assess whether any changes to its risk appetite or to its management processes are required.

ROLE OF THE BOARD

The Chesnara board is responsible for the adequacy of the design and implementation of the group's risk management and internal control system and its consistent application across divisions. All significant decisions for the development of the group's risk management system are the group board's responsibility.

Risk Strategy and Risk Appetite

Chesnara group and its divisions have a defined risk strategy and supporting Risk Appetite Framework to embed an effective Risk Management Framework, culture and processes at its heart and to create a holistic, transparent and focused approach to risk identification, assessment, management, monitoring and reporting.

On the recommendation of the Audit & Risk Committee the Chesnara board approves a set of risk preferences which articulate, in simple terms, the desire to increase, maintain, or reduce the level of risk taking for each main category of risk. The risk position of the business is monitored against these preferences using risk tolerance limits, where appropriate, and they are taken into account by the management teams across the group when taking strategic or operational decisions.

Risk and Control Policies

Chesnara has a set of Risk and Control Policies that set out the key policies, processes and controls to be applied. Senior Management are responsible for the day-to-day implementation of the Risk and Control Board Policies. Subject to the materiality of changes, the Chesnara board approves the review, updates and attestation of these policies at least annually.

Risk Identification

The group maintains a register of risks which are specific to its activity and scans the horizon to identify potential risk events (e.g. political; economic; technological; environmental, legislative & social).

(e.g. political, economic, technological, environmental, legislative & social).

On an annual basis the board approves on the recommendation of the Audit & Risk Committee the materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk. At least quarterly the principal and emerging risks are reported to the relevant boards, assessing their proximity, probability and potential impact.

Own Risk and Solvency Assessment (ORSA)
On an annual basis, or more frequently if required, the group produces a group ORSA Report which aggregates the divisional ORSA findings and supplements these with an assessment specific to group activities. The group and divisional ORSA policies outline the key processes and contents of these reports.

The Chesnara board is responsible for approving the ORSA, including steering in advance how the assessment is performed and challenging the results.

The primary objective of the ORSA is to support the company's strategic decision-making, by providing insights into the company's risks profile over the business planning horizon. Effective ORSA reporting supports the board, in its role of protecting the viability and reputation of the company, reviewing and challenging management's strategic decisions and recommendations.

Risk Management System Effectiveness
The group and its divisions undertake a formal annual review of and attestation to the effectiveness of the Risk Management System. The assessment considers the extent to which the Risk Management System is embedded.

The Chesnara board is responsible for monitoring the Risk Management System and its effectiveness across the group. The outcome of the annual review is reported to the group board which make decisions regarding its further development.

CLIMATE CHANGE RISK WITHIN CHESNARA'S RISK FRAMEWORK

Climate change is not considered as a standalone principal risk. Instead, the risks arising from climate change are integrated through existing considerations and events within the framework. The following information has been updated to reflect Chesnara's latest views on the potential implications of climate change risk and wider developments and activity in relation to Environmental, Social and Governance (ESG).

Chesnara has embedded climate change risk within the group's Risk Framework and includes a detailed assessment as part of the group's regular ORSA exercise, concluding that the group is not currently materially exposed to climate change risk. However, Chesnara is not complacent about the wider risks arising from climate change and the broader sustainability agenda, including strategic, reputational and operational risks, some of which are material risks for the group.

GEOPOLITICAL RISK

Geopolitical risk continues to create a greater level of uncertainty across the group risk profile. To name some examples, the ongoing conflict between Ukraine and Russia, unrest in the Middle East and growing tensions between China and Taiwan all continue to be areas of emerging risk for Chesnara group, in the sense that these are evolving situations which have potential implications for Chesnara's Principal risks.

During the course of 2024, more than 40 countries, accounting for over 40 percent of the world are expected to hold national elections, making it the largest year for global democracy. Against a backdrop of geopolitical tensions and economic instability, significant political change is happening:

- elections in Europe have seen far-right parties make serious gains, including the Netherlands and France
- the UK's Conservative Party were heavily defeated after 14 years in power
- the US election could see the comeback of former President Donald Trump, with Kamala Harris replacing Joe Biden as Democratic Party candidate

MACROECONOMIC VOLATILITY

Geopolitical instability and conflict continue to be a significant risk to global economic growth. Economic volatility and uncertainty remain high, although interest rates in the UK and Europe have recently seen 25 bps cuts, it is anticipated a cautious approach will be taken to any further cuts with the key focus on keeping inflation low and stable.

PRINCIPAL RISKS AND UNCERTAINTIES

The following tables outline the principal risks and uncertainties of the group. It has been drawn together following regular assessment, performed by the Audit & Risk Committee, of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. The impacts are not quantified in the tables. However, by virtue of the risks being defined as principal, the impacts are potentially significant. Those risks with potential for a material financial impact are covered within the sensitivities.

INVESTMENT AND LIQUIDITY RISK

DESCRIPTION

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

RISK APPETITE

The group accepts this risk but has controls in place to prevent any increase or decrease in the risk exposure beyond set levels. These controls will result in early intervention if the amount of risk approaches those limits.

POTENTIAL IMPACT

Market risk results from fluctuations in asset values, foreign exchange rates and interest rates and has the potential to affect the group's ability to fund its commitments to customers and other creditors, as well as pay a return to shareholders.

CLIMATE CHANGE RISK

With greater global emphasis being placed on environmental and social factors when selecting investment strategies, the group has a particular emerging exposure to 'transition risk' arising from changing preferences and influence of, in particular, institutional investors. This has the potential to result in adverse investment returns on any assets that perform poorly as a result of 'ESG transition'. Chesnara has established a 'Sustainability Programme' to embed Chesnara's sustainability strategy.

GEOPOLITICAL RISK

Ongoing global conflict, including more recently in the Middle East brings continued volatility to financial markets. This creates additional risk of poor mid-term performance on shareholder and policyholder assets.

REGULATORY CHANGE RISK

DESCRIPTION

The risk of adverse changes in industry practice/regulation, or inconsistent application of regulation across territories.

RISK APPETITE

The group aims to minimise any exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

Chesnara currently operates in three regulatory domains and is therefore exposed to potential for inconsistent application of regulatory standards across divisions, such as the imposition of higher capital buffers over and above regulatory minimum requirements. Potential consequences of this risk for Chesnara are the constraining of efficient and fluid use of capital within the group or creating a non-level playing field with respect to future new business/acquisitions.

Regulatory developments continue to drive a high level of change activity across the group, with items such as Consumer Duty, Operational Resilience, Climate Change/ESG and Digital Operational Resilience Act (DORA) being particularly high profile. Such regulatory initiatives carry the risk of expense overruns should it not be possible to adhere to them in a manner that is proportionate to the nature and scale of Chesnara's businesses. The group is therefore exposed to the risk of:

- incurring one-off costs of addressing regulatory change as well as any permanent increases in the cost base in order to meet enhanced standards;
- erosion in value arising from pressure or enforcement to reduce future policy charges;
- erosion in value arising from pressure or enforcement to financially compensate for past practice; and
- regulatory fines or censure in the event that it is considered to have breached standards or fails to deliver changes to the required regulatory standards on a timely basis.

ACQUISITION RISK

DESCRIPTION

The risk of failure to source acquisitions that meet Chesnara's criteria or the execution of acquisitions with subsequent unexpected financial losses or value reduction.

RISK APPETITE

Chesnara has a patient approach to acquisition and generally expects acquisitions to enhance EcV and expected cash generation in the medium term (net of external financing), though each opportunity will be assessed on its own merits.

POTENTIAL IMPACT

The acquisition element of Chesnara's growth strategy is dependent on the availability of attractive future acquisition opportunities. Hence, the business is exposed to the risk of a reduction in the availability of suitable acquisition opportunities within Chesnara's current target markets, for example arising as a result of a change in competition in the consolidation market or from regulatory change influencing the extent of life company strategic restructuring.

Through the execution of acquisitions, Chesnara is also exposed to the risk of erosion of value or financial losses arising from risks inherent within businesses or funds acquired which are not adequately priced for or mitigated as part of the transaction.

DEMOGRAPHIC EXPERIENCE RISK

DESCRIPTION

Risk of adverse demographic experience compared with assumptions (such as rates of mortality, morbidity, persistency etc.)

RISK APPETITE

The group accepts this risk but restricts its exposure, to the extent possible, through the use of reinsurance and other controls. Early warning trigger monitoring is in place to track any increase or decrease in the risk exposure beyond a set level, with action taken to address any impact as necessary.

necessary.

POTENTIAL IMPACT

In the event that demographic experience (rates of mortality, morbidity, persistency etc.) varies from the assumptions underlying product pricing and subsequent reserving, more or less profit will accrue to the group.

The effect of recognising any changes in future demographic assumptions at a point in time would be to crystallise any expected future gain or loss on the balance sheet.

If mortality or morbidity experience is higher than that assumed in pricing contracts (i.e. more death and sickness claims are made than expected), this will typically result in less profit accruing to the group.

If persistency is significantly lower than that assumed in product pricing and subsequent reserving, this will typically lead to reduced group profitability in the medium to long-term, as a result of a reduction in future income arising from charges on those products. The effects of this could be more severe in the case of a one-off event resulting in multiple withdrawals over a short period of time (a "mass lapse" event).

MACRO-ECONOMIC VOLATILITY

Cost of living pressures could give rise to higher surrenders and lapses should customers face personal finance pressures and not be able to afford premiums or need to access savings. Currently there has been no evidence of changes in behaviours. Chesnara continues to monitor closely and respond appropriately.

Any prolonged stagnation of the property market could reduce protection business sales compared to plan, particularly in the Netherlands.

EXPENSE RISK

DESCRIPTION

Risk of expense overruns and unsustainable unit cost growth.

RISK APPETITE

The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The group is exposed to expenses being higher than expected as a result of one-off increases in the underlying cost of performing key functions, or through higher inflation of variable expenses.

A key underlying source of potential increases in regular expense is the additional regulatory expectations on the sector.

For the closed funds, the group is exposed to the impact on profitability of fixed and semi-fixed expenses, in conjunction with a diminishing policy base.

For the companies open to new businesses, the group is exposed to the impact of expense levels varying adversely from those assumed in product pricing. Similar, for acquisitions, there is a risk that the assumed costs of running the acquired business allowed for in pricing are not achieved in practice, or any assumed cost synergies with existing businesses are not achieved.

MACRO-ECONOMIC VOLATILITY

The cost of living and energy crisis has driven increases in material supplier costs and wage inflation remains high, directly impacting the group's internal costs. Consideration is being continually given to balance the desire to grow the business and ensuring we have the capabilities and capacity to support that growth whilst continuing to keep tight cost control and also seeking opportunities to exploit efficiencies/ synergies.

OPERATIONAL RISK

DESCRIPTION

Significant operational failure/business continuity event.

RISK APPETITE

The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The group and its subsidiaries are exposed to operational risks which arise through daily activities and running of the business. Operational risks may, for example, arise due to technical or human errors, failed internal processes, insufficient personnel resources or fraud caused by internal or external persons. As a result, the group may suffer financial losses, poor customer outcomes, reputational damage, regulatory intervention or business plan failure.

Part of the group's operating model is to outsource support activities to specialist service providers. Consequently, a significant element of the operational risk arises within its outsourced providers.

Operational resilience remains a key focus for the business and high on the regulatory agenda following the regulatory changes published by the BoE, PRA and FCA. Chesnara continues to progress activity under the UK operational resilience project.

DORA entered into force January 2023 and will apply from January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption.

IT / DATA SECURITY & CYBER RISK

DESCRIPTION

Risk of IT/ data security failures or impacts of malicious cyber-crime (including ransomware) on continued operational stability.

RISK APPETITE

The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT	Cyber risk is a growing risk affecting all companies, particularly those who are custodians of customer data. The most pertinent risk exposure relates to information security (i.e. protecting business sensitive and personal data) and can arise from failure of internal processes and standards, but increasingly companies are becoming exposed to potential malicious cyber-attacks, organisation specific malware designed to exploit vulnerabilities, phishing attacks etc. The extent of Chesnara's exposure to such threats also includes third party service providers. The potential impact of this risk includes financial losses, inability to perform critical functions, disruption to policyholder services, loss of sensitive data and corresponding reputational damage or fines.
GEOPOLITICAL RISK	Geopolitical unrest heightens the risk of cyber-crime campaigns, particularly originating from Russia and there continues to be an increased trend in state sponsored cyber-attacks from Russia following Sweden officially joining NATO. Although Chesnara is not considered to be a direct target of any such campaigns, all business units have confirmed that they have increased monitoring and detection/ protection controls in relation to the increased threat.

NEW BUSINESS RISK

DESCRIPTION	Adverse new business performance compared with projected value.
RISK APPETITE	Chesnara does not wish to write new business that does not generate positive new business value (on a commercial basis) over the business planning horizon.
POTENTIAL IMPACT	If new business performance is significantly lower than the projected value, this will typically lead to reduced value growth in the medium to long-term. A sustained low level performance may lead to insufficient new business profits to justify remaining open to new business.
MACRO-ECONOMIC VOLATILITY	Increased expenses and price pressure remains a risk for the ongoing viability of writing profitable new business across the group and the Swedish transfer market remains active following regulatory changes which give greater transfer freedom. There is a risk that this persists longer than expected resulting in lower sales than expected in the business plan. Market share is currently being maintained in the Netherlands with activity to look at some broader wealth products. In Sweden action is being taken to diversify distribution partners whilst expanding product offering across unit linked, custodian and life & health markets. And there is now a meaningful contribution from the UK, primarily through the onshore bond wrapper acquired as part of the Sanlam Life and Pensions deal which remains open to new business.

REPUTATIONAL RISK

DESCRIPTION	Poor or inconsistent reputation with customers, regulators, investors, staff or other key stakeholders/counterparties.
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	The group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information (including the loss or theft of customer data), IT failures or disruption, cyber security breaches and/or inadequate services, amongst others, whether true or not, could impact its brand or reputation. The group's brand and reputation could also be affected if products or services recommended by it (or any of its intermediaries) do not perform as expected (whether or not the expectations are realistic) or in line with the customers' expectations for the product range. Any damage to the group's brand or reputation could cause existing customers or partners to withdraw their business from the group, and potential customers or partners to elect not to do business with the group and could make it more difficult for the group to attract and retain qualified employees.
CLIMATE CHANGE RISK	Given the global focus on climate change as well as the significant momentum in the finance industry, the group is exposed to strategic and reputational risks arising from its action or inaction in response to climate change as well the regulatory and reputational risks arising from its public disclosures on the matter. Chesnara supports the UN Sustainable Development Goals (SDGs), including Climate Action. We have set our long-term net zero targets, interim targets for 2030 and short-term actions including baselining our financial emissions and beginning work to create our transition plan to be a net zero group. Chesnara has mobilised a group-wide sustainability project programme in relation to the broader sustainability agenda making commitments to: - Become a net zero emitter - Invest in positive solutions - Provide inclusivity for all stakeholders

MODEL RISK

DESCRIPTION	Adverse consequences from decisions based on incorrect or misused model outputs, or fines or reputational impacts from disclosure of materially incorrect or misleading information.
RISK APPETITE	The group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.
POTENTIAL IMPACT	Chesnara and each of its subsidiaries apply statistical, economic and financial techniques and assumptions to process input data into quantitative estimates. Inaccurate model results may lead to unexpected losses arising from inaccurate data, assumptions, judgements, programming errors, technical errors, and misinterpretation of outputs. Potential risk impacts of inaccurate model results include: - Poor decisions, for example regarding business strategy, operational decisions, investment choices, dividend payments or acquisitions; - Potentially overestimating the value of acquisitions resulting in over payment; - Misstatement of financial performance or solvency, resulting in misleading key shareholders or fines; and - Provision of inaccurate information to the board on business performance resulting in poorly informed or delayed decisions.

GOING CONCERN

Going concern

After making appropriate enquiries, including consideration of the economic uncertainty in the wake of a high-inflation environment on the group's operations, financial position and prospects, the directors confirm that they are satisfied that the company and the group have adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

In performing this work, the board has considered the current solvency and cash position of the group and company, coupled with the group's and company's projected solvency and cash position as highlighted in the most recent business plan and Own Risk and Solvency Assessment (ORSA) process. These processes consider the financial projections of the group and its subsidiaries on both a base case and a range of stressed scenarios, covering projected solvency, liquidity, EcV and IFRS positions. In particular these projections assess the cash generation of the life insurance divisions and how these flow up into the Chesnara parent company balance sheet, with these cash flows being used to fund debt repayments, shareholder dividends and the head office function of the parent company. Further insight into the immediate and longer-term impact of certain scenarios, covering solvency, cash generation and Economic Value, can be found in the Chesnara Half Year Report for the six months ended 30 June 2024, under the section headed 'Capital Management Sensitivities'. The directors believe these scenarios will encompass any potential future impact of the prevailing economic uncertainty on the group, as Chesnara's most material ongoing exposure to both potential threats are any associated future investment market impacts. Underpinning the projections process outlined above are a number of assumptions. The key ones include:

- We do not assume that a future acquisition needs to take place to make this assessment.
- We make long term investment return assumptions on equities and fixed income securities.
- The base case scenario assumes exchange rates remain stable, and the impact of adverse rate changes are assessed through scenario analysis.
- Levels of new business volumes and margins are assumed.
- The projections apply the most recent actuarial assumptions, such as mortality and morbidity, lapses and expenses.
- and margins are assumed.

The group's strong capital position and business model, provides a good degree of comfort that although the economic uncertainty in the wake of a high-inflation environment has the potential to cause further significant global economic disruption, the group and the company remain well capitalised and has sufficient liquidity. As such we can continue to remain confident that the group will continue to be in existence in the foreseeable future. The information set out in the Capital Management section indicates a strong Solvency II position as at 30 June 2024 as measured at both the individual regulated life company levels and at the group level. As well as being well-capitalised the group also has a healthy level of cash reserves to be able to meet its debt obligations as they fall due and does not rely on the renewal or extension of bank facilities to continue trading. This position was further enhanced in early 2022, when the company announced the successful pricing of its inaugural debt capital markets issuance of £200m Tier 2 Subordinated Notes, the net proceeds of which have been used for corporate purposes, including investments and acquisitions.

The group's subsidiaries rely on cash flows from the maturity or sale of fixed interest securities which match certain

The group's subsidiaries rely on cash flows from the maturity or sale of fixed interest securities which match certain obligations to policyholders, which brings with it the risk of bond default. In order to manage this risk, we ensure that our bond portfolio is actively monitored and well diversified. Other significant counterparty default risk relates to our principal reinsurers. We monitor their financial position and are satisfied that any associated credit default risk is low.

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

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

By order of the board

Luke Savage	Steve Murray
Chairman	Chief Executive Officer
9 September 2024	9 September 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

	Unaudited Six months ended 30 June 2024	Unaudited Restated Six months ended 30 June 2023	Year ended 31 December 2023
	£m	£m	£m
Insurance revenue	136.1	118.5	228.0
Insurance service expense	(138.2)	(102.7)	(224.7)
Net expenses from reinsurance contracts held	(1.2)	(5.3)	(8.4)
Insurance service result	**(3.3)**	**10.5**	**(5.1)**
Net investment return	811.8	603.0	1,023.5
Net finance (expenses)/income from insurance contracts issued	(174.1)	(147.0)	(314.9)
Net finance income/(expenses) from reinsurance contracts held	2.5	(3.0)	6.7
Net change in investment contract liabilities	(490.9)	(361.7)	(529.6)
Change in liabilities relating to policyholders' funds held by the group	(109.0)	(66.7)	(114.0)
Net investment result	**40.3**	**24.6**	**71.7**
Fee, commission and other operating income	54.9	47.4	89.4
Total revenue net of investment result	**91.9**	**82.5**	**156.0**
Other operating expenses	(72.9)	(65.7)	(149.9)
Total income less expenses	**19.0**	**16.8**	**6.1**
Financing costs	(5.6)	(5.5)	(11.0)
Profit arising on business combinations and portfolio acquisitions	-	4.0	6.7
Profit/(loss) before income taxes	**13.4**	**15.3**	**1.8**
Income tax (expense)/credit	(12.4)	(0.6)	16.9
Profit/(loss) for the period	**1.0**	**14.7**	**18.7**
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange translation differences arising on the revaluation of foreign operations	(8.2)	(15.2)	(7.8)
Revaluation of pension obligations after tax	0.5	-	(0.7)
Revaluation of land and building	-	-	0.1
Other comprehensive (expense)/income for the period, net of tax	**(7.7)**	**(15.2)**	**(8.4)**
Total comprehensive income/(expense) for the period	**(6.7)**	**(0.5)**	**10.3**
Basic earnings per share (based on profit or loss for the period)	0.66p	9.79p	12.41p
Diluted earnings per share (based on profit or loss for the period)	0.65p	9.70p	12.29p

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Unaudited As at 30 June 2024	Unaudited Restated As at 30 June 2023	As at 31 December 2023
	£m	£m	£m
Assets			
Intangible assets	92.1	116.9	96.4
Property and equipment	7.6	7.5	8.4
Investment properties	96.2	98.7	88.1
Insurance contract assets	3.1	10.2	4.0
Reinsurance contract assets	179.8	179.3	185.7
Amounts deposited with reinsurers	33.5	32.1	32.5

Financial investments	11,885.7	11,008.8	11,456.1
Derivative financial instruments	0.1	3.2	0.3
Other assets	68.4	47.9	57.7
Deferred tax assets	41.1	51.3	54.6
Cash and cash equivalents	131.1	144.3	146.0
Total assets	**12,538.7**	**11,700.2**	**12,129.8**
Liabilities			
Insurance contract liabilities	4,179.4	4,103.1	4,203.0
Reinsurance contract liabilities	14.4	16.2	17.1
Other provisions	21.5	16.9	23.2
Investment contracts at fair value through profit or loss	6,065.3	5,698.3	5,872.3
Liabilities relating to policyholders' funds held by the group	1,563.6	1,116.5	1,281.8
Lease contract liabilities	0.8	1.5	1.2
Borrowings	206.1	209.3	207.9
Derivative financial instruments	(0.2)	0.1	4.4
Deferred tax liabilities	21.4	33.9	24.3
Deferred income	2.6	3.0	2.8
Other current liabilities	133.2	140.0	131.7
Bank overdrafts	0.4	0.2	0.2
Total liabilities	**12,208.5**	**11,339.0**	**11,769.9**
Net assets	**330.2**	**361.2**	**359.9**
Shareholders' equity			
Share capital	7.5	7.5	7.5
Merger reserve	36.3	36.3	36.3
Share premium	142.5	142.4	142.5
Other reserves	(1.2)	(0.3)	6.5
Retained earnings	145.1	175.3	167.1
Total shareholders' equity	**330.2**	**361.2**	**359.9**

Approved by the Board of Directors and authorised for issue on 9 September 2024 and signed on its behalf by:

Luke Savage Steve Murray

Chairman Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Unaudited	**Six months ended 30 June 2024**	**Restated Six months ended 30 June 2023**
	£m	**£m**
Profit/(Loss) for the period	**1.0**	**14.7**
Adjustments for:		
Depreciation of property, plant and equipment	0.3	0.3
Depreciation on right-of-use assets	0.3	0.3
Amortisation of intangible assets	6.7	8.5
Share-based payment	0.5	0.3
Tax paid	12.4	0.6
Interest receivable	(4.1)	(1.1)
Dividends receivable	(2.1)	(0.6)
Interest expense	5.2	5.2
Fair value gains on financial assets	(811.8)	(603.0)
Profit on business combinations and portfolio acquisitions	-	(4.0)
(Increase) / decrease in intangible assets related to investment contracts	(4.8)	(4.7)
Adjustment total	**(797.4)**	**(598.2)**
Interest received	5.9	3.8
Dividends received	4.0	1.2
Changes in operating assets and liabilities:		
Decrease/(increase) in financial assets and investment properties	130.1	24.3
Decrease in net reinsurers contract assets	2.8	12.5
(Increase) / decrease in amounts deposited with reinsurers	(1.0)	0.7
Decrease / (increase) in other assets	5.2	(12.0)
Increase in net insurance contract liabilities	42.4	24.8
Increase in investment contract liabilities	656.5	463.4
(Decrease) / increase in provisions	(1.3)	(3.8)
Increase in other current liabilities	7.6	14.3
Cash utilised from operations	**55.8**	**(54.3)**
Income tax paid	(38.7)	(1.3)
Net cash utilised from operating activities	**17.1**	**(55.6)**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	30.3
Net proceeds/(purchases) of property and equipment	(0.1)	(1.2)
Net cash generated by investing activities	**(0.1)**	**29.1**
Cash flows from financing activities		
Net proceeds from issue of share premium	-	0.1
Proceeds of borrowings	-	0.2
Repayment of borrowings	(1.8)	(2.2)
Repayment of lease liabilities	(0.3)	(0.5)
Dividends paid	(23.5)	(22.8)
Interest paid	(5.2)	(5.1)
Net cash (utilised)/generated by / from financing activities	**(30.8)**	**(30.3)**
Net (decrease)/increase in cash and cash equivalents	**(13.8)**	**(56.8)**
Cash and cash equivalents at beginning of period	145.9	204.6
Effect of exchange rate changes on cash and cash equivalents	(1.4)	(3.7)
Cash and cash equivalents at end of the period	**130.7**	**144.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Unaudited - six months ended 30 June 2024

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2024	**7.5**	**142.5**	**36.3**	**6.5**	**167.1**	**359.9**
Profit for the period	-	-	-	-	1.0	1.0
Dividends paid	-	-	-	-	(23.5)	(23.5)
Foreign exchange translation differences	-	-	-	(8.2)	-	(8.2)
Other items of comprehensive income	-	-	-	0.5	-	0.5
Share-based payment	-	-	-	-	0.5	0.5
Equity shareholders' funds at 30 June 2024	**7.5**	**142.5**	**36.3**	**(1.2)**	**145.1**	**330.2**

Unaudited - six months ended 30 June 2023 (restated)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2023	**7.5**	**142.3**	**36.3**	**14.9**	**183.1**	**384.1**
Profit for the period	-	-	-	-	14.7	14.7
Dividends paid	-	-	-	-	(22.8)	(22.8)
Foreign exchange translation differences	-	-	-	(15.2)	-	(15.2)
Issue of share premium	-	0.1	-	-	-	0.1
Share-based payment	-	-	-	-	0.3	0.3
Equity shareholders' funds at 30 June 2023	**7.5**	**142.4**	**36.3**	**(0.3)**	**175.3**	**361.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

This condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed set of consolidated financial statements has been prepared applying the accounting policies and presentation which were applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2023.

Any judgements and estimates applied in the condensed set of consolidated financial statements are consistent with those applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2023.

The financial information shown in these interim financial statements is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The directors have elected to not obtain a review opinion over these interim financial statements by the group's auditor, Deloitte.

The comparative figures for the financial year ended 31 December 2023 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

After making appropriate enquiries, including detailed consideration of the impact on the group's operations and financial position and prospects, the directors confirm that they are satisfied that the company and the group have adequate resources to continue in business for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in the preparation of these interim financial statements. Further detail on the key considerations made by the directors in making this assessment has been included in the 'Going Concern' section of this report.

Restatement

Following the production of the 2023 Interim Report, certain immaterial adjustments were identified due to further updates to the IFRS 17 implementation programme. These adjustments have been applied consistently to the prior year comparatives throughout these condensed financial statements and the disclosure notes that are affected are headed up accordingly.

Standards and amendments issued but not yet effective

At the date of authorisation of these financial statements the following standards and interpretations, which are

At the date of authorisation of these financial statements the following standards and interpretations, which are applicable to the group, and which have not been applied in these financial statements, were in issue but not yet effective.

Title	Effective date
IFRS 9 / IFRS 7 Amendments to the classification and measurement of financial instruments	1 January 2026
IFRS 18 Presentation and disclosure financial statements	1 January 2027

The directors do not expect that the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the group in future periods.

2 Significant judgements and estimates

The critical accounting judgements and key sources of estimation and uncertainty remain largely unchanged from those described in Note A6 of the 2023 Annual Report and Accounts. The potential impact on the group has been considered in the preparation of these interim financial statements, including management's evaluation of critical accounting judgements and estimates. Further information on discount rates applied in these financial statements is provided below.

Discount rates
Cash flows are discounted using currency-specific, risk-free yield curves adjusted for the characteristics of the cash flows and the liquidity of the insurance contracts. The group applies a 'bottom-up' approach to determining discount rates and follows the methodology used by the PRA and EIOPA to determine risk-free yield curves and ultimate forward rates for regulatory solvency calculations. To reflect the liquidity or otherwise of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium.

For certain Dutch 'savings mortgage' products, there is a direct connection to the policyholder's mortgage loan and the premiums to repay the loan in that the crediting rate is set such that the account value will be equal to the balance on the loan at maturity. For this product, the cash flows are discounted using the same curve used to value the corresponding mortgage assets which itself is derived from mortgage rates available in the market.

When the present value of future cash flows is estimated using stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.
Inflation rates mainly relate to expense inflation. The assumptions in respect of expense inflation reflect the group's best estimate view incorporating market consistent data such as earnings indices and central bank inflation targets.

The yield curves that were used to discount the estimates of future cash flows that were modelled deterministically are shown in the following table:

Yield Curve	Broad Product Category	Currency	30 June 2024					31 December 2023				
			1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 Years	20 years	30 years
Risk-Free Rate	Unit-linked/index-linked/with-profits - VFA	EUR	3.43%	2.77%	2.73%	2.66%	2.70%	3.36%	2.32%	2.39%	2.41%	2.53%
	Unit-linked/index-linked/with-profits - GMM (*with high liquidity)*	GBP	4.89%	3.96%	3.86%	3.99%	3.92%	4.74%	3.36%	3.28%	3.43%	3.36%
	Short-term protection	SEK	2.98%	2.47%	2.49%	2.83%	2.99%	3.03%	2.26%	2.25%	2.76%	2.99%
Risk-Free Rate + VA	Immediate annuities	EUR	3.59%	2.93%	2.89%	2.82%	2.83%	3.56%	2.52%	2.59%	2.61%	2.70%
	Term assurance & other non-linked Unit-linked/index-linked/with-profits - GMM *(with medium liquidity)*	GBP	5.12%	4.19%	4.09%	4.22%	4.15%	5.05%	3.67%	3.59%	3.74%	3.67%
Market Mortgage Rates	Waard Savings Mortgage	EUR	4.44%	3.77%	3.73%	3.67%	3.70%	4.77%	3.73%	3.80%	3.82%	3.94%

3 Earnings per share

Earnings per share are based on the following:

	Unaudited Six months ended 30 June		Year ended 31 December
	2024	restated 2023	2023
(Loss)/profit for the period attributable to shareholders (£m) (restated)	1.0	14.7	18.7
Weighted average number of ordinary shares	150,886,918	150,430,393	150,528,597
Basic earnings per share	0.66p	9.79p	12.41p
Diluted earnings per share	0.65p	9.70p	12.29p

The weighted average number of ordinary shares in respect of the six months ended 30 June 2024 is based upon 150,849,587 shares in issue at the beginning of the period and 150,954,119 at the end of the period. No shares were held in treasury.

The weighted average number of ordinary shares in respect of the six months ended 30 June 2023 is based upon 150,369,603 shares in issue at the beginning of the period, and 150,570,190 shares in issue at the end of the period. No shares were held in treasury.

The weighted average number of ordinary shares in respect of the year ended 31 December 2023 is based upon 150,369,603 shares in issue at the beginning of the period and 150,849,587 shares in issue at the end of the period. No shares were held in treasury.

There were 2,456,598 share options outstanding at 30 June 2024 (30 June 2023: 1,165,272). Accordingly, there is dilution of the average number of ordinary shares in issue. There were 1,537,582 share options outstanding as at 31 December 2023.

4 Retained earnings

Unaudited	**Six months ended 30 June**	
	2024 £m	**restated 2023 £m**
Retained earnings attributable to equity holders of the parent company comprise:		
Balance at 1 January	**167.1**	**183.1**
Profit/(loss) for the period	1.0	14.7
Share-based payment	0.5	0.3
Dividends:		
Final approved and paid for 2022	-	(22.8)
Final approved and paid for 2023	(23.5)	-
Balance at 30 June	**145.1**	**175.3**

The interim dividend in respect of 2023, approved and paid in 2023 was paid at the rate of 8.36p per share.

The final dividend in respect of 2023, approved and paid in 2024, was paid at the rate of 15.61p per share so that the total dividend paid to the equity shareholders of the company in respect of the year ended 31 December 2023 was made at the rate of 23.97p per share.

An interim dividend of 8.61 per share in respect of the year ending 31 December 2024 is payable on 1 November 2024 to equity shareholders of the company registered at the close of business on 20 September 2024, the dividend record date, was approved by the Directors after the balance sheet date. The resulting dividend of £13.0m has not been provided for in these financial statements and there are no income tax consequences.

The following table summarises dividends per share in respect of the six-month period ended 30 June 2024 and the year ended 31 December 2023:

	Six months ended 30 June 2024 Pence	**Year ended 31 December 2023 Pence**
Interim- approved/paid	8.61	8.36
Final - proposed/paid	-	15.61
Total	**8.61**	**23.97**

5 Operating segments

The group considers that it has no product or distribution-based business segments. It reports segmental information on the same basis as reported internally to the chief operating decision maker, which is the board of directors of Chesnara plc.

The segments of the group as at 30 June 2024 comprise:

UK: This segment comprises the UK's life insurance and pensions business within Countrywide Assured plc (CA), the group's principal UK operating subsidiary. CA contains a mix of unit-linked, with-profits and non-linked products and represents the UK acquisition vehicle, recently acquiring the onshore individual protection business of Canada Life Limited in 2023 and Sanlam Life and Pensions Limited in 2022.

Movestic: This segment comprises the group's Swedish life and pensions business, Movestic Livförsäkring AB ('Movestic') and its subsidiary company Movestic Fonder AB (investment fund management company). Movestic is open to new business and primarily comprises unit-linked pension business and also providing some life and health product offerings.

Waard Group: This segment represents the group's closed Dutch life insurance business and comprises a number of acquisitions of closed insurance books of business since the acquisition of the original Waard entities into the group in 2015. The Waard group comprises a mixture of long-term savings and protection business and also contains some non-life business.

Scildon: This segment represents the group's open Dutch life insurance business. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model.

Other group activities: The functions performed by the parent company, Chesnara plc, are defined under the operating segment analysis as 'Other group activities'. Also included therein are consolidation and elimination adjustments.

The accounting policies of the segments are the same as those for the group as a whole. Any transactions between the business segments are on normal commercial terms in normal market conditions. The group evaluates performance of operating segments on the basis of the profit before tax attributable to shareholders of the reporting segments and the group as a whole. There were no changes to the measurement basis for segment profit during the period ended 30 June 2024.

(i) Segmental reporting for the six months ended 30 June 2024

Unaudited	**UK**	**Movestic (Sweden)**	**Waard Group (Netherlands)**	**Scildon (Netherlands)**	**Other group activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance revenue	36.8	5.1	14.5	79.7	-	136.1
Insurance service expense	(33.5)	(2.7)	(17.5)	(84.5)	-	(138.2)
Net expenses from reinsurance contracts held	0.9	(1.0)	(0.1)	(1.0)	-	(1.2)
Segmental insurance service result	**4.2**	**1.4**	**(3.1)**	**(5.8)**	**-**	**(3.3)**
Net investment return	243.1	457.3	(2.4)	107.2	6.6	811.8
Net finance (expenses)/income from insurance contracts issued	(63.5)	(15.7)	3.7	(98.6)	-	(174.1)
Net finance income/(expenses) from reinsurance contracts held	2.0	-	-	0.5	-	2.5
Net change in investment contract liabilities	(161.1)	(330.7)	0.9	-	-	(490.9)
Change in liabilities relating to policyholders' funds held by the group	-	(109.0)	-	-	-	(109.0)
Segmental net investment result	**20.5**	**1.9**	**2.2**	**9.1**	**6.6**	**40.3**
Fee, commission and other operating income	17.6	37.1	0.2	-	-	54.9
Segmental revenue, net of investment result	**42.3**	**40.4**	**(0.7)**	**3.3**	**6.6**	**91.9**
Other operating expenses	(17.4)	(31.7)	(3.7)	(2.1)	(11.1)	(66.0)
Financing costs	(0.2)	(0.2)	-	-	(5.2)	(5.6)
Profit/(loss) before tax and consolidation adjustments	**24.7**	**8.5**	**(4.4)**	**1.2**	**(9.7)**	**20.3**
Consolidation adjustments:						
Amortisation of intangible assets	(1.5)	(5.4)	-	-	-	(6.9)
Segmental income less expenses	**23.2**	**3.1**	**(4.4)**	**1.2**	**(9.7)**	**13.4**
Post completion gain on portfolio acquisition	-	-	-	-	-	-
(Loss)/profit before tax	**23.2**	**3.1**	**(4.4)**	**1.2**	**(9.7)**	**13.4**
Income tax credit / (charge)	(12.9)	-	0.8	(0.3)	-	(12.4)
(Loss)/profit after tax	**10.3**	**3.1**	**(3.6)**	**0.9**	**(9.7)**	**1.0**

(ii) Segmental assets and liabilities as at 30 June 2024

Unaudited	**UK**	**Movestic (Sweden)**	**Waard Group (Netherlands)**	**Scildon (Netherlands)**	**Other Group Activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Segment assets	4,549.7	4,984.1	885.5	2,025.3	94.1	12,538.7
Segment liabilities	(4,388.9)	(4,887.9)	(815.8)	(1,912.5)	(203.4)	(12,208.5)
Segment net assets	**160.8**	**96.2**	**69.7**	**112.8**	**(109.3)**	**330.2**

(iii) Segmental reporting for the six months ended 30 June 2023 (restated)

Unaudited	**UK**	**Restated Movestic (Sweden)**	**Waard Group (Netherlands)**	**Restated Scildon (Netherlands)**	**Other Group Activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance revenue	35.1	5.8	21.2	56.4	-	118.5
Insurance service expense	(31.6)	(3.2)	(11.8)	(56.1)	-	(102.7)
Net expenses from reinsurance contracts held	(2.5)	(1.0)	(1.0)	(0.8)	-	(5.3)
Segmental insurance service result	**1.0**	**1.6**	**8.4**	**(0.5)**	**-**	**10.5**
Net investment return	112.9	360.9	30.6	91.1	7.5	603.0
Net finance (expenses)/income from insurance contracts issued	(21.7)	(13.5)	(30.0)	(81.8)	-	(147.0)
Net finance income/(expenses) from reinsurance contracts held	(1.5)	(0.1)	0.1	(1.5)	-	(3.0)
Net change in investment contract liabilities	(83.8)	(279.3)	1.4	-	-	(361.7)
Change in liabilities relating to policyholders' funds held by the group	-	(66.7)	-	-	-	(66.7)
Segmental net investment result	**5.9**	**1.3**	**2.1**	**7.8**	**7.5**	**24.6**
Fee, commission and other operating income	18.8	28.4	0.2	-	-	47.4
Segmental revenue, net of investment result	**25.7**	**31.3**	**10.7**	**7.3**	**7.5**	**82.5**
Other operating expenses	(15.5)	(22.7)	(4.7)	(2.3)	(12.0)	(57.2)
Financing costs	-	(0.3)	-	-	(5.2)	(5.5)
Profit/(loss) before tax and consolidation adjustments	**10.2**	**8.3**	**6.0**	**5.0**	**(9.7)**	**19.8**
Consolidation adjustments:						
Amortisation of intangible assets	(2.9)	(5.6)	-	-	-	(8.5)
Segmental income less expenses	**7.3**	**2.7**	**6.0**	**5.0**	**(9.7)**	**11.3**
Post completion gain on portfolio acquisition	-	-	4.0	-	-	4.0
Profit/(loss) before tax	**7.3**	**2.7**	**10.0**	**5.0**	**(9.7)**	**15.3**
Income tax credit / (charge)	(0.7)	-	1.6	(1.5)	(0.1)	(0.6)
Profit/(loss) after tax	**6.6**	**2.7**	**11.6**	**3.5**	**(9.7)**	**14.7**

(iv) Segmental assets and liabilities as at 30 June 2023 (restated)

Unaudited	**UK**	**Restated Movestic (Sweden)**	**Waard Group (Netherlands)**	**Restated Scildon (Netherlands)**	**Other Group Activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Segment assets	4,577.2	4,106.8	956.1	1,921.3	138.8	11,700.2
Segment liabilities	(4,434.6)	(4,017.9)	(873.4)	(1,810.2)	(202.9)	(11,339.0)
Segment net assets	**142.6**	**88.9**	**82.7**	**111.1**	**(64.1)**	**361.2**

(v) Segmental reporting for the year ended 31 December 2023

	UK	**Movestic (Sweden)**	**Waard Group (Netherlands)**	**Scildon (Netherlands)**	**Other Group Activities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance revenue	65.8	11.1	36.1	115.0	-	228.0
Insurance service expense	(65.6)	(7.4)	(37.8)	(113.9)	-	(224.7)
Net (expenses) / income from reinsurance contracts held	(5.5)	(0.6)	0.4	(2.7)	-	(8.4)
Segmental insurance service result	**(5.3)**	**3.1**	**(1.3)**	**(1.6)**	**-**	**(5.1)**
Net investment return	339.3	432.5	63.2	181.2	7.3	1,023.5
Net finance income from insurance contracts issued	(86.4)	(16.0)	(49.3)	(163.2)	-	(314.9)
Net finance (expenses)/income from reinsurance contracts held	9.3	0.7	0.1	(3.4)	-	6.7
Net change in investment contract liabilities	(226.4)	(299.6)	(3.6)	-	-	(529.6)
Change in liabilities relating to policyholders' funds held by the group	-	(114.0)	-	-	-	(114.0)
Segmental net investment result	**35.8**	**3.6**	**10.4**	**14.6**	**7.3**	**71.7**
Fee, commission and other operating income	39.8	50.3	2.9	-	(3.6)	89.4
Segmental revenue, net of investment result	**70.3**	**57.0**	**12.0**	**13.0**	**3.7**	**156.0**
Other operating expenses	(39.9)	(40.0)	(3.5)	(5.5)	(23.1)	(112.0)
Financing costs	(0.2)	(0.5)	-	-	(10.3)	(11.0)
Profit/(loss) before tax and consolidation adjustments	**30.2**	**16.5**	**8.5**	**7.5**	**(29.7)**	**33.0**
Consolidation adjustments:						
Amortisation and impairment of intangible assets	(26.7)	(11.2)				(37.9)

Amortisation and impairment of intangible assets	(26.7)	(11.2)	-	-	-	(37.9)
Segmental income less expenses	**3.5**	**5.3**	**8.5**	**7.5**	**(29.7)**	**(4.9)**
Post completion gain on portfolio acquisition	-	-	6.7	-	-	6.7
Profit/(loss) before tax	**3.5**	**5.3**	**15.2**	**7.5**	**(29.7)**	**1.8**
Income tax credit / (charge)	20.5	-	(1.6)	(1.9)	(0.1)	16.9
Profit/(loss) after tax	**24.0**	**5.3**	**13.6**	**5.6**	**(29.8)**	**18.7**

(vi) Segmental assets and liabilities as at 31 December 2023

		Movestic	Waard Group	Scildon	Other Group Activities	Total
	(UK)	(Sweden)	(Netherlands)	(Netherlands)		
	£m	£m	£m	£m	£m	£m
Segment assets	4,527.2	4,519.4	946.8	2,009.1	127.3	12,129.8
Segment liabilities	(4,376.6)	(4,422.2)	(867.0)	(1,894.6)	(209.5)	(11,769.9)
Segment net assets	**150.6**	**97.2**	**79.8**	**114.5**	**(82.2)**	**359.9**

6 Insurance service result

Unaudited	Six months ended 30 June	
		restated
	2024	2023
Insurance revenue	£m	£m
Contracts not measured under the PAA:		
Amounts relating to changes in the liability for remaining coverage:		
Expected incurred claims and other directly attributable expenses	116.1	90.9
Change in risk adjustment for non-financial risk for the risk expired	2.8	8.3
CSM recognised for the services provided	10.6	12.1
Insurance acquisition cash flows recovery	1.9	1.7
Insurance revenue for contracts not measured under the PAA	**131.4**	**113.0**
Insurance revenue for contracts measured under the PAA	4.7	5.5
Total insurance revenue	**136.1**	**118.5**
Insurance service expenses		
Incurred claims and other directly attributable expenses	(97.4)	(79.0)
Changes that relate to past service - changes in the FCF relating to the LIC	2.2	3.1
Losses on onerous contracts and reversals of those losses	(41.1)	(25.1)
Insurance acquisition cash flows amortisation	(1.9)	(1.7)
Total insurance service expenses	**(138.2)**	**(102.7)**
Net income/(expenses) from reinsurance contracts held		
Reinsurance expenses (allocation of reinsurance premiums paid) - contracts not measured under the PAA		
Amounts relating to changes in the remaining coverage:		
Expected amount recoverable for claims and other insurance service expenses	(23.2)	(23.4)
Change in risk adjustment for non-financial risk for the risk expired	(1.1)	(1.1)
CSM recognised for the services received	(1.6)	(2.0)
Reinsurance expenses (allocation of reinsurance premiums paid) - contracts not measured under the PAA	**(25.9)**	**(26.5)**
Reinsurance expenses (allocation of reinsurance premiums paid) - contracts measured under the PAA	**(1.4)**	**(1.1)**
Amounts recoverable for incurred claims and other incurred insurance service expenses	26.9	23.1
Changes in amounts recoverable that relate to past service - adjustments to incurred claims	(0.8)	(1.5)
Recoveries of loss on recognition of onerous underlying contracts	0.2	0.3
Recoveries of losses on onerous underlying contracts and reversals of such losses	(0.2)	0.4
Total net expenses from reinsurance contracts held	**(1.2)**	**(5.3)**
Total insurance service result	**(3.3)**	**10.5**

7 Net investment result

In the tables that follow the investment return on surplus shareholder assets is included in the insurance contracts column.

Unaudited			
Investment result for the six months ended 30 June 2024	**Insurance contracts**	**Investment contracts (without DPF's)**	**Total**
Net investment return	£m	£m	£m
Interest revenue from financial assets not measured at FVTPL	4.5	-	4.5
Net gains on financial investments mandatorily measured at FVTPL	326.4	374.8	701.2
Net gains on financial investments designated as FVTPL	(128.9)	225.1	96.2
Net gains from fair value adjustments to investment properties	9.9	-	9.9
Total net investment return	**211.9**	**599.9**	**811.8**
Finance income/(expenses) from insurance contracts issued			
Change in fair value of underlying assets of contracts measured under the VFA	(175.8)	-	(175.8)
Interest accreted	(37.5)	-	(37.5)
Effect of changes in interest rates and other financial assumptions	34.4	-	34.4

	Insurance contracts	Investment contracts (without DPF's)	Total
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	4.8	-	4.8
Total finance income from insurance contracts issued	**(174.1)**	**-**	**(174.1)**
Finance income from reinsurance contracts issued			
Interest accreted	6.8	-	6.8
Effect of changes in interest rates and other financial assumptions	(2.8)	-	(2.8)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	(1.5)	-	(1.5)
Total finance expenses from reinsurance contracts issued	**2.5**	**-**	**2.5**
Net insurance finance expenses	**(171.6)**	**-**	**(171.6)**
Net change in investment contract liabilities	-	(490.9)	(490.9)
Change in liabilities relating to policyholder funds held by the group	-	(109.0)	(109.0)
Net investment result	**40.3**	**-**	**40.3**

Unaudited **Investment result for the six months ended 30 June 2023 (restated)**	**Insurance contracts**	**Investment contracts (without DPF's)**	**Total**
Net investment return	**£m**	**£m**	**£m**
Interest revenue from financial assets not measured at FVTPL	0.4	-	0.4
Net gains on financial investments mandatorily measured at FVTPL	151.7	361.7	513.4
Net gains on financial investments designated as FVTPL	22.5	66.7	89.2
Total net investment return	**174.6**	**428.4**	**603.0**
Finance income/(expenses) from insurance contracts issued			
Change in fair value of underlying assets of contracts measured under the VFA	(107.7)	-	(107.7)
Interest accreted	(28.4)	-	(28.4)
Effect of changes in interest rates and other financial assumptions	(12.5)	-	(12.5)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	1.6	-	1.6
Total finance income from insurance contracts issued	**(147.0)**	**-**	**(147.0)**
Finance income from reinsurance contracts issued			
Interest accreted	2.7	-	2.7
Effect of changes in interest rates and other financial assumptions	(4.7)	-	(4.7)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	(1.0)	-	(1.0)
Total finance expenses from reinsurance contracts issued	**(3.0)**	**-**	**(3.0)**
Net insurance finance expenses	**(150.0)**	**-**	**(150.0)**
Net change in investment contract liabilities	-	(361.7)	(361.7)
Change in liabilities relating to policyholder funds held by the group	-	(66.7)	(66.7)
Net investment result	**24.6**	**-**	**24.6**

8 Financial investments

The carrying amount of financial investments and other financial assets and liabilities held by the group at the balance sheet date are as follows:

30 June 2024 (unaudited)	**Amortised cost**	**FVTPL - Designated**	**FVTPL - Mandatory**	**Total**
	£m	**£m**	**£m**	**£m**
Financial investments				
Equity securities	-	-	199.2	199.2
Holdings in collective investment schemes	-	-	8,645.4	8,645.4
Debt securities - government bonds	-	472.3	-	472.3
Debt securities - other	-	661.1	-	661.1
Policyholder funds held by the group	-	1,563.6	-	1,563.6
Mortgage loan portfolio	-	344.1	-	344.1
Total	**-**	**3,041.1**	**8,844.6**	**11,885.7**
Derivatives and other financial assets				
Derivative financial instruments	-	-	0.1	0.1
Other assets	68.4	-	-	68.4
Cash and cash equivalents	-	131.1	-	131.1
Total financial investments and financial assets	**68.4**	**3,172.2**	**8,844.7**	**12,085.3**
Financial liabilities				
Investment contracts at fair value through profit or loss	-	6,065.3	-	6,065.3
Liabilities relating to policyholder funds held by the group	-	1,563.6	-	1,563.6
Derivative financial instruments	206.1	-	-	206.1
Borrowings	-	-	(0.2)	(0.2)
Other current liabilities	133.2	-	-	133.2
Total financial liabilities	**339.3**	**7,628.9**	**(0.2)**	**7,968.0**

31 December 2023	**Amortised cost**	**FVTPL - Designated**	**FVTPL - Mandatory**	**Total**
	£m	**£m**	**£m**	**£m**
Financial investments				
Equity securities	-	-	194.2	194.2
Holdings in collective investment schemes	-	-	8,376.2	8,376.2
Debt securities - government bonds	-	716.5	-	716.5
Debt securities - other	-	520.6	-	520.6
Policyholder funds held by the group	-	1,281.8	-	1,281.8
Mortgage loan portfolio	-	366.8	-	366.8
Total		**2,885.7**	**8,570.4**	**11,456.1**

Total	**-**	**2,885.7**	**8,570.4**	**11,456.1**
Derivatives and other financial assets				
Derivative financial instruments	-	-	0.3	0.3
Other assets	57.7	-	-	57.7
Cash and cash equivalents	-	146.0	-	146.0
Total financial investments and financial assets	**57.7**	**3,031.7**	**8,570.7**	**11,660.1**
Financial liabilities				
Investment contracts at fair value through profit or loss	-	5,872.3	-	5,872.3
Liabilities relating to policyholder funds held by the group	-	1,281.8	-	1,281.8
Derivative financial instruments	-	-	4.4	4.4
Borrowings	207.9	-	-	207.9
Other current liabilities	131.7	-	-	131.7
Total financial liabilities	**339.6**	**7,154.1**	**4.4**	**7,498.1**

9 Financial asset and liability fair value disclosures

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the group applies valuation techniques to measure such instruments. These valuation techniques make use of market observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Fair value measurement at 30 June 2024 (unaudited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	-	-	96.2	96.2
Financial assets				
Equities - Listed	199.2	-	-	199.2
Holdings in collective investment schemes	5,181.5	-	165.4	5,346.9
Debt securities - government bonds	472.3	-	-	472.3
Debt securities - other debt securities	3,959.6	-	-	3,959.6
Policyholders' funds held by the group	1,515.3	-	48.3	1,563.6
Mortgage loan portfolio	-	344.1	-	344.1
Derivative financial instruments	-	-	-	-
Total	**11,327.9**	**344.1**	**309.9**	**11,981.9**
Financial liabilities				
Investment contracts at fair value through profit or loss	-	5,954.9	-	5,954.9
Liabilities related to policyholders' funds held by the group	1,563.6	-	-	1,563.6
Derivative financial instruments	-	(0.2)	-	(0.2)
Total	**1,563.6**	**5,954.7**	**-**	**7,518.3**

Fair value measurement at 31 December 2023

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	-	-	88.1	88.1
Financial assets				
Equities - Listed	194.2	-	-	194.2
Holdings in collective investment schemes	8,233.7	-	142.5	8,376.2
Debt securities - government bonds	716.5	-	-	716.5
Debt securities - other debt securities	520.6	-	-	520.6
Policyholders' funds held by the group	1,239.4	-	42.4	1,281.8
Mortgage loan portfolio	-	366.8	-	366.8
Derivative financial instruments	-	0.3	-	0.3
Total	**10,904.4**	**367.1**	**273.0**	**11,544.5**
Financial liabilities				
Investment contracts at fair value through profit or loss	-	5,872.3	-	5,872.3
Liabilities related to policyholders' funds held by the group	1,281.8	-	-	1,281.8
Derivative financial instruments	-	4.4	-	4.4
Total	**1,281.8**	**5,876.7**	**-**	**7,158.5**

Investment properties

The investment properties are valued by external chartered surveyors using industry standard techniques based on guidance from the Royal Institute of Chartered Surveyors. The valuation methodology includes an assessment of general market conditions and sector level transactions and takes account of expectations of occupancy rates, rental income and growth. Properties undergo individual scrutiny using cash flow analysis to factor in the timing of rental reviews, capital expenditure, lease incentives, dilapidation and operating expenses; these reviews utilise both observable and unobservable inputs.

Holdings in collective investment schemes

The fair value of holdings in collective investment schemes classified as Level 2 are related to the UK segment and Scildon. These do not meet the classification as Level 1, as their fair value is determined using valuation techniques with observable market inputs. The holdings classified as Level 3 £165.4m (Dec 2023: £142.5m) also relate to Scildon, and represent investments held in a mortgage fund. These are classified as Level 3 as the fair value is derived from valuation techniques that include inputs that are not based on observable market data.

Policyholder funds held by the group

There is also a small holding of assets classified as Level 3 £48.4m (Dec 2023: £42.4m) from our Movestic operation which are unlisted. The valuation of the vast majority of these assets is based on unobservable prices from trading on the over-the-counter market.

Debt securities

The debt securities classified as Level 2 at 2023 and 2024 are traded in active markets with less depth or wider bid-ask spreads. This does not meet the classification as Level 1 inputs. The fair values of debt securities not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes. These assets were valued using counterparty or broker quotes and were periodically validated against third-party models.

Derivative financial instruments

The derivative financial instruments include a foreign currency hedge related to the group. This was deemed to manage the exposure to foreign exchange movements between sterling and both the euro and Swedish krona.

An uncapped collar which consists of two hedges:

- One hedge to protect against the downside (sterling strengthening) (starting at strike A), and one to remove the upside (weakening) (strike B); with the strikes of these coordinated to result in no upfront premium.
- The 2nd hedge (strike B) creates an uncapped liquidity requirement when it bites.

The capped collar comes with an additional leg which creates value and liquidity when exchange rates move beyond a certain point (strike C).

Within derivative financial instruments is a financial reinsurance embedded derivative related to our Movestic operation. The group has entered into a reinsurance contract with a third party that has a section that is deemed to transfer significant insurance risk and a section that is deemed not to transfer significant insurance risk. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative asset at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rate at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out above.

Investment contract liabilities

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

Significant unobservable inputs in level 3 instrument valuations

The Level 3 instruments held in the group are in relation to investments held in an Aegon managed Dutch Mortgage Fund that contains mortgage-backed assets in the Netherlands. The fair value of the mortgage fund is determined by the fund manager on a monthly basis using an in-house valuation model. The valuation model relies on a number of unobservable inputs, the most significant being the assumed conditional prepayment rate, the discount rate and the impairment rate, all of which are applied to the anticipated modelled cash flows to derive the fair value of the underlying asset.

The assumed Conditional Prepayment Rate (CPR) is used to calculate the projected prepayment cash flow per individual loan and reflects the anticipated early repayment of mortgage balances. The CPR is based on four variables:

- Contract age - The CPR for newly originated mortgage loans will initially be low, after which it increases for a couple of years to its maximum expected value, and subsequently diminishes over time.

- Interest rate differential - The difference between the contractual rates and current interest rates are positively correlated with prepayments. When contractual rates are higher than interest rates of newly originated mortgages, we observe more prepayments and the vice versa.
- Previous partial repayments - Borrowers who made a partial prepayment in the past, are more likely to do so in the future.
- Burnout effect - Borrowers who have not made a prepayment in the past, while their option to prepay was in the money, are less likely to prepay in the future.

The projected prepayment cash flows per loan are then combined to derive an average expected lifetime CPR, which is then applied to the outstanding balance of the fund. The CPR used in the valuation of the fund as at 30 June 2024 was 3.2% (31 December 2023: 3.2%).

The expected projected cash flows for each mortgage within the loan portfolio are discounted using rates that are derived using a matrix involving the following three parameters:

- The remaining fixed rate term of the mortgage
- Indexed Loan to Value (LTV) of each mortgage
- Current (Aegon) mortgage rates

At 30 June 2024 this resulted in discounting the cash flows in each mortgage using a range from 4.70% to 4.77% (31 December 2023: 4.67% to 4.68%).

An impairment percentage is applied to those loan cash flows which are in arrears, to reflect the chance of the loan actually going into default. For those loans which are 1, 2 or 3 months in arrears, an impairment percentage is applied to reflect the chance of default. This percentage ranges from 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears (31 December 2023: 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears). Loans which are in default receive a 100% reduction in value.

The value of the fund has the potential to decrease or increase over time. This can be as a consequence of a periodic reassessment of the conditional prepayment rate and/or the discount rate used in the valuation model.

A 1 per cent increase in the CPR would reduce the value of the asset by £2.2m (31 December 2023: £1.9m).
A 1 per cent decrease in the CPR would increase the value of the asset by £2.3m (31 December 2023: £2.1m).
A 1 per cent increase in the discount rate would reduce the value of the asset by £12.7m (31 December 2023: £11.4m).
A 1 per cent decrease in the discount rate would increase the value of the asset by £14.7m (31 December 2023: £13.3m).

Reconciliation of Level 3 fair value measurements of financial instruments

	Unaudited 30 June 2024 £m	31 December 2023 £m
At start of period	**273.0**	**273.8**
Total gains and losses recognised in the income statement	38.3	(8.6)
Purchases	18.9	22.8
Settlements	(15.2)	(10.8)
Exchange rate adjustment	(5.1)	(4.2)
At the end of period	**309.9**	**273.0**

	Carrying amount		Fair value	
	Unaudited 30 June 2024 £m	31 December 2023 £m	Unaudited 30 June 2024 £m	31 December 2023 £m
Financial liabilities				
Borrowings	206.1	207.9	168.3	155.4

Borrowings consist of the Tier 2 debt and an amount due in relation to financial reinsurance. The fair value of the Tier 2 debt is calculated using quoted prices in active markets and they are classified as Level 1 in the fair value hierarchy. The amount due in relation to financial reinsurance is fair valued with reference to market interest rates at the balance sheet date.

There were no transfers between Levels 1, 2 and 3 during the period. The group holds no Level 3 liabilities as at the balance sheet date.

10 Insurance and Reinsurance contracts

(a) Composition of the balance sheet

(i) Composition of the balance sheet as at 30 June 2024

Unaudited	UK	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Total
Insurance contracts	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities	1,368.3	176.7	740.7	1,893.7	4,179.4
Insurance contract assets	(3.1)	-	-	-	(3.1)
Net insurance contract liabilities	**1,365.2**	**176.7**	**740.7**	**1,893.7**	**4,176.3**
Reinsurance contracts					
Reinsurance contract assets	163.4	13.1	3.3	-	179.8
Reinsurance contract liabilities	(2.1)	-	-	(12.3)	(14.4)
Net reinsurance contract liabilities	**161.3**	**13.1**	**3.3**	**(12.3)**	**165.4**

(ii) Composition of the balance sheet as at 31 December 2023

	UK	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Total
Insurance contracts	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities	1,383.0	171.8	785.3	1,862.9	4,203.0
Insurance contract assets	(4.0)	-	-	-	(4.0)
Net insurance contract liabilities	**1,379.0**	**171.8**	**785.3**	**1,862.9**	**4,199.0**
Reinsurance contracts					
Reinsurance contract assets	166.8	14.5	4.4	-	185.7
Reinsurance contract liabilities	(2.2)	-	-	(14.9)	(17.1)
Net reinsurance contract liabilities	**164.6**	**14.5**	**4.4**	**(14.9)**	**168.6**

(iii) Composition of the balance sheet as at 30 June 2023 (restated)

Unaudited	UK	Movestic (Sweden)	Waard Group (Netherlands)	Scildon (Netherlands)	Total
Insurance contracts	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities	1,390.1	158.1	780.3	1,774.6	4,103.1
Insurance contract assets	(10.2)	-	-	-	(10.2)
Net insurance contract liabilities	**1,379.9**	**158.1**	**780.3**	**1,774.6**	**4,092.9**
Reinsurance contracts					
Reinsurance contract assets	164.5	12.1	2.7	-	179.3
Reinsurance contract liabilities	(2.0)	-	-	(14.2)	(16.2)
Net reinsurance contract liabilities	**162.5**	**12.1**	**2.7**	**(14.2)**	**163.1**

(b) Movements in insurance contract balances - Analysis by remaining coverage and incurred claims

(i) Movements in insurance contract balances for the period 1 January 2024 to 30 June 2024

	Liabilities for Remaining Coverage		Liabilities for Incurred Claims			
Unaudited	Excluding Loss Component	Loss component	For contracts not under PAA	PV of future cash flows	Risk adjustment	Total
	£m	£m	£m	£m	£m	£m
Insurance contract liabilities as at 1 January 2024	**3,957.9**	**89.4**	**113.4**	**37.1**	**1.2**	**4,199.0**
Changes in the statement of profit and loss						
Insurance revenue						
Contracts measured under the fair value approach	(37.2)	-	-	-	-	(37.2)
Contracts measured under the full retrospective approach	(98.9)	-	-	-	-	(98.9)
Insurance revenue total	**(136.1)**	**-**	**-**	**-**	**-**	**(136.1)**
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(25.3)	118.1	4.6	-	97.4
Adjustments to liabilities for incurred claims	-	-	-	(2.1)	(0.1)	(2.2)
Losses and reversals of losses on onerous contracts	-	41.1	-	-	-	41.1
Amortisation of insurance acquisition cash flows	1.9					1.9

Amortisation of insurance acquisition cash flows	1.9	-	-	-	-	1.9
Insurance service expense total	**1.9**	**15.8**	**118.1**	**2.5**	**(0.1)**	**138.2**
Insurance service result	**(134.2)**	**15.8**	**118.1**	**2.5**	**(0.1)**	**2.1**
Net finance expenses from insurance contracts	173.7	0.4	-	-	-	174.1
Effect of movements in exchange rates	(60.7)	(1.8)	(1.1)	(1.5)	-	(65.1)
Total amounts recognised in comprehensive income	**(21.2)**	**14.4**	**117.0**	**1.0**	**(0.1)**	**111.1**
Investment components	(167.6)	-	167.8	-	-	0.2
Cash flows						
Premiums received	151.5	-	-	-	-	151.5
Claims and other directly attributable expenses paid	-	-	(279.0)	(4.0)	-	(283.0)
Insurance acquisition cash flows	(2.5)	-	-	-	-	(2.5)
Total cash flows	**149.0**	**-**	**(279.0)**	**(4.0)**	**-**	**(134.0)**
Insurance contract liabilities as at 30 June 2024	**3,918.1**	**103.8**	**119.2**	**34.1**	**1.1**	**4,176.3**

(ii) Movements in insurance contract balances for the period 1 January 2023 to 30 June 2023 (restated)

	Liabilities for Remaining Coverage		Liabilities for Incurred Claims			
Unaudited	**Excluding Loss Component**	**Loss component**	**For contracts not under PAA**	**PV of future cash flows**	**Risk adjustment**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities as at 1 January 2023	**3,582.2**	**83.6**	**116.0**	**38.2**	**1.6**	**3,821.6**
Changes in the statement of profit and loss						
Insurance revenue						
Contracts measured under the fair value approach	(30.0)	-	-	-	-	(30.0)
Contracts measured under the full retrospective approach	(88.5)	-	-	-	-	(88.5)
Insurance revenue total	**(118.5)**	**-**	**-**	**-**	**-**	**(118.5)**
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(33.1)	106.2	5.9	0.1	79.1
Adjustments to liabilities for incurred claims	-	-	(0.1)	(2.9)	(0.2)	(3.2)
Losses and reversals of losses on onerous contracts	-	25.1	-	-	-	25.1
Amortisation of insurance acquisition cash flows	1.7	-	-	-	-	1.7
Insurance service expense total	**1.7**	**(8.0)**	**106.1**	**3.0**	**(0.1)**	**102.7**
Insurance service result	**(116.8)**	**(8.0)**	**106.1**	**3.0**	**(0.1)**	**(15.8)**
Net finance expenses from insurance contracts	146.9	0.2	-	(0.1)	-	147.0
Effect of movements in exchange rates	(88.3)	(2.4)	(1.5)	(3.3)	(0.1)	(95.6)
Total amounts recognised in comprehensive income	**(58.2)**	**(10.2)**	**104.6**	**(0.4)**	**(0.2)**	**35.6**
Investment components	(140.7)	-	140.7	-	-	-
Cash flows						
Premiums received	505.1	-	-	-	-	505.1
Claims and other directly attributable expenses paid	-	-	(261.7)	(4.5)	-	(266.2)
Insurance acquisition cash flows	(3.2)	-	-	-	-	(3.2)
Total cash flows	**501.9**	**-**	**(261.7)**	**(4.5)**	**-**	**235.7**
Insurance contract liabilities as at 30 June 2023	**3,885.2**	**73.4**	**99.6**	**33.3**	**1.4**	**4,092.9**

(c) Movements in insurance contract balances - Analysis by measurement component - contracts not measured under the PAA

(i) Movements in insurance contract balances for the period 1 January 2024 to 30 June 2024

Unaudited	**Present value of future cash flows**	**Risk Adjustment**	**CSM(new contracts and contracts measured under FRA)**	**CSM(contracts measured under FVA)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities as at 1 January 2024	**3,908.0**	**52.5**	**170.7**	**27.5**	**4,158.7**
Changes that relate to current service					
CSM recognised for services provided	-	-	(8.8)	(1.8)	(10.6)
Change in risk adjustment for non-financial risk for risk expired	-	(3.3)	-	-	(3.3)
Experience adjustments	(22.8)	-	-	-	(22.8)
Total changes in estimates that relate to current service	**(22.8)**	**(3.3)**	**(8.8)**	**(1.8)**	**(36.7)**
Changes that relate to future service					
Contracts initially recognised in the period	(4.3)	0.3	5.5	-	1.5
Changes in estimates that adjust the CSM	(7.5)	2.0	1.1	4.4	-
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	39.0	0.8	-	-	39.8
Total changes in estimates that relate to future service	**27.2**	**3.1**	**6.6**	**4.4**	**41.3**
Insurance service result	**4.4**	**(0.2)**	**(2.2)**	**2.6**	**4.6**
Net finance expenses from insurance contracts	172.4	(0.7)	2.0	0.3	174.0
Effect of movements in exchange rates	(58.9)	(0.9)	(3.5)	(0.2)	(63.5)
Total amounts recognised in comprehensive income	**117.9**	**(1.8)**	**(3.7)**	**2.7**	**115.1**
Cash flows					
Premiums received	146.8	-	-	-	146.8
Claims and other directly attributable expenses paid	(279.0)	-	-	-	(279.0)
Insurance acquisition cash flows	(2.3)	-	-	-	(2.3)
Total cash flows	**(134.5)**	**-**	**-**	**-**	**(134.5)**
Insurance contract liabilities as at 30 June 2024	**3,891.4**	**50.7**	**167.0**	**30.2**	**4,139.3**

(ii) Movements in insurance contract balances for the period 1 January 2023 to 30 June 2023 (restated)

Unaudited	Present value of future cash flows	Risk Adjustment	CSM(new contracts and contracts measured under FRA)	CSM (contracts measured under FVA)	Total
	£m	£m	£m	£m	£m
Insurance contract liabilities as at 1 January 2023	**3,587.3**	**46.0**	**105.7**	**40.7**	**3,779.7**
Changes that relate to current service					
CSM recognised for services provided	-	-	(9.4)	(2.7)	(12.1)
Change in risk adjustment for non-financial risk for risk expired	-	(3.4)	-	-	(3.4)
Experience adjustments	(22.7)	-	-	-	(22.7)
Total changes in estimates that relate to current service	**(22.7)**	**(3.4)**	**(9.4)**	**(2.7)**	**(38.2)**
Changes that relate to future service					
Contracts initially recognised in the period	(69.6)	9.0	62.6	-	2.0
Changes in estimates that adjust the CSM	(14.3)	12.2	1.1	1.0	-
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	27.8	(5.2)	0.5	-	23.1
Total changes in estimates that relate to future service	**(56.1)**	**16.0**	**64.2**	**1.0**	**25.1**
Changes that relate to past service					
Adjustments to liabilities for incurred claims	(0.1)	-	-	-	(0.1)
Total changes in estimates that relate to past service	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Insurance service result	**(78.9)**	**12.6**	**54.8**	**(1.7)**	**(13.2)**
Net finance expenses from insurance contracts	144.4	0.4	1.7	0.5	147.0
Effect of movements in exchange rates	(85.7)	(1.3)	(4.3)	(0.5)	(91.8)
Total amounts recognised in comprehensive income	**(20.2)**	**11.7**	**52.2**	**(1.7)**	**42.0**
Cash flows					
Premiums received	499.6	-	-	-	499.6
Claims and other directly attributable expenses paid	(261.7)	-	-	-	(261.7)
Insurance acquisition cash flows	(3.2)	-	-	-	(3.2)
Total cash flows	**234.7**	**-**	**-**	**-**	**234.7**
Insurance contract liabilities as at 30 June 2023	**3,801.8**	**57.7**	**157.9**	**39.0**	**4,056.4**

(d) Movements in reinsurance contract balances - Analysis by remaining coverage and incurred claims

(i) Movements in reinsurance contract balances for the period 1 January 2024 to 30 June 2024

	Assets for Remaining Coverage		Assets for Incurred Claims			
Unaudited	**Excluding Loss-Recovery Component**	**Loss-Recovery component**	**For contracts not under PAA**	**Future cash flows**	**Risk adjustment**	**Total**
	£m	£m	£m	£m	£m	£m
Reinsurance contract assets as at 1 January 2024	**124.0**	**6.2**	**23.3**	**14.9**	**0.2**	**168.6**
Reinsurance expenses - allocation of reinsurance	(27.3)	-	-	-	-	(27.3)
Amounts recoverable from reinsurers:						
Recoveries of incurred claims and other directly attributable expenses	-	-	25.8	1.2	-	27.0
Changes in the expected recoveries for past claims	-	-	-	(0.8)	-	(0.8)
Changes in the loss recovery component	-	(0.1)	-	-	-	(0.1)
Net (expenses)/income from reinsurance contracts held	**(27.3)**	**(0.1)**	**25.8**	**0.4**	**-**	**(1.2)**
Net Finance expenses from reinsurance contracts	2.5	-	-	-	-	2.5
Effect of movements in exchange rates	0.5	(0.1)	(0.2)	(0.6)	-	(0.4)
Total amounts recognised in comprehensive income	**(24.3)**	**(0.2)**	**25.6**	**(0.2)**	**-**	**0.9**
Investment components	(1.0)	-	1.0	-	-	-
Cash flows	27.0	-	-	-	-	27.0
Premiums paid net of ceding commission	-	-	(30.0)	(1.1)	-	(31.1)
Total cash flows	**27.0**	**-**	**(30.0)**	**(1.1)**	**-**	**(4.1)**
Reinsurance contract assets as at 30 June 2024	**125.7**	**6.0**	**19.9**	**13.6**	**0.2**	**165.4**

(ii) Movements in reinsurance contract balances for the period 1 January 2023 to 30 June 2023 (restated)

	Assets for Remaining Coverage		Assets for Incurred Claims			
Unaudited	**Excluding Loss-Recovery Component**	**Loss-Recovery component**	**For contracts not under PAA**	**Future cash flows**	**Risk adjustment**	**Total**
	£m	£m	£m	£m	£m	£m
Reinsurance contract assets as at 1 January 2023	**130.1**	**4.5**	**26.6**	**15.2**	**0.3**	**176.7**
Reinsurance expenses - allocation of reinsurance	(27.5)	-	-	-	-	(27.5)
Amounts recoverable from reinsurers:						
Recoveries of incurred claims and other directly attributable expenses	-	-	21.5	1.6	-	23.1
Changes in the expected recoveries for past claims				(1.4)	(0.1)	(1.5)

Changes in the expected recoveries for past claims	-	-	-	(1.4)	(0.1)	(1.5)
Changes in the loss recovery component	-	0.6	-	-	-	0.6
Net (expenses)/income from reinsurance contracts held	**(27.5)**	**0.6**	**21.5**	**0.2**	**(0.1)**	**(5.3)**
Net Finance expenses fromreinsurance contracts	(2.9)	-	-	(0.1)	-	(3.0)
Effect ofmovements in exchange rates	0.9	(0.2)	(0.4)	(1.3)	-	(1.0)
Total amounts recognised in comprehensive income	**(29.5)**	**0.4**	**21.1**	**(1.2)**	**(0.1)**	**(9.3)**
Investment components	(1.3)	-	1.3	-	-	-
Cash flows						
Premiums paid net ofceding commission	20.4	-	-	-	-	20.4
Recoveries fromreinsurance contracts held	-	-	(23.3)	(1.4)	-	(24.7)
Total cash flows	**20.4**	**-**	**(23.3)**	**(1.4)**	**-**	**(4.3)**
Reinsurance contract assets as at 30 June 2023	**119.7**	**4.9**	**25.7**	**12.6**	**0.2**	**163.1**

(e) Movements in reinsurance contract balances - Analysis by measurement component - contracts not measured under the PAA

(i) Movements in reinsurance contract balances for the period 1 January 2024 to 30 June 2024

Unaudited	**Present value of future cash flows**	**Risk Adjustment**	**CSM(new contracts and contracts measured under FRA)**	**CSM(contracts measured under FVA)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Reinsurance contract assets as at 1 January 2024	**106.9**	**15.2**	**26.4**	**5.6**	**154.1**
Changes that relate to current service					
CSM recognised for services received	-	-	(1.4)	(0.2)	(1.6)
Change in risk adjustment for non-financial risk for risk expired	-	(1.1)	-	-	(1.1)
Experience adjustments	2.4	-	-	-	2.4
Total changes that relate to current service	**2.4**	**(1.1)**	**(1.4)**	**(0.2)**	**(0.3)**
Changes that relate to future service					
Contracts initially recognised in the period	(2.6)	0.1	2.5	-	-
Changes in estimates that adjust the CSM	0.4	2.0	(1.0)	(1.3)	0.1
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	0.1	-	0.1
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	-
Total changes that relate to future service	**(2.2)**	**2.1**	**1.6**	**(1.3)**	**0.2**
Net (expense)/income from reinsurance contracts held	**0.2**	**1.0**	**0.2**	**(1.5)**	**(0.1)**
Net finance income fromreinsurance contracts held	2.7	(0.4)	0.2	-	2.5
Effect ofmovements in exchange rates	0.9	(0.1)	(0.5)	-	0.3
Total amounts recognised in comprehensive income	**3.8**	**0.5**	**(0.1)**	**(1.5)**	**2.7**
Cash flows					
Premiums paid net ofceding commission	25.6	-	-	-	25.6
Recoveries fromreinsurance contracts held	(30.0)	-	-	-	(30.0)
Total cash flows	**(4.4)**	**-**	**-**	**-**	**(4.4)**
Reinsurance contract assets as at 30 June 2024	**106.3**	**15.7**	**26.3**	**4.1**	**152.4**

(ii) Movements in reinsurance contract balances for the period 1 January 2023 to 30 June 2023 (restated)

Unaudited

	Present value of future cash flows	**Risk Adjustment**	**CSM(new contracts and contracts measured under FRA)**	**CSM(contracts measured under FVA)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Reinsurance contract assets as at 1 January 2023	**112.6**	**14.3**	**26.1**	**7.9**	**160.9**
Changes that relate to current service					
CSM recognised for services received	-	-	(1.7)	(0.3)	(2.0)
Change in risk adjustment for non-financial risk for risk expired	-	(1.1)	-	-	(1.1)
Experience adjustments	(2.2)	-	-	-	(2.2)
Total changes that relate to current service	**(2.2)**	**(1.1)**	**(1.7)**	**(0.3)**	**(5.3)**
Changes that relate to future service					
Contracts initially recognised in the period	(1.7)	0.5	1.2	-	-
Changes in estimates that adjust the CSM	3.1	0.7	(2.2)	(1.6)	-
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	0.3	-	0.3
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	0.7	-	0.7
Total changes that relate to future service	**1.4**	**1.2**	**-**	**(1.6)**	**1.0**
Net (expense)/income from reinsurance contracts held	**(0.8)**	**0.1**	**(1.7)**	**(1.9)**	**(4.3)**
Net finance income fromreinsurance contracts held	(3.1)	-	0.1	0.1	(2.9)
Effect ofmovements in exchange rates	1.5	(0.4)	(0.8)	-	0.3
Total amounts recognised in comprehensive income	**(2.4)**	**(0.3)**	**(2.4)**	**(1.8)**	**(6.9)**
Cash flows					
Premiums paid net ofceding commission	20.3	-	-	-	20.3
Recoveries fromreinsurance contracts held	(23.3)	-	-	-	(23.3)
Total cash flows	**(3.0)**	**-**	**-**	**-**	**(3.0)**
Reinsurance contract assets as at 30 June 2023	**107.2**	**14.0**	**23.7**	**6.1**	**151.0**

11 Borrowings

	Unaudited 30 June 2024 £m	31 December 2023 £m
Tier 2 Debt	200.7	200.6
Amount due in relation to financial reinsurance	3.6	5.3
Term finance	1.8	2.0
Total	**206.1**	**207.9**

The fair value of amounts due in relation to Tier 2 debt at 30 June 2024 was £168.4m (31 December 2023: £148.4m).

The fair value of amounts due in relation to financial reinsurance at 30 June 2024 was £3.0m (31 December 2023: £5.1m).

Term finance comprises capital amounts outstanding on mortgage bonds taken out over properties held in the unit-linked policyholder funds in the UK. The mortgage over each such property is negotiated separately, varies in term from 5 to 20 years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. The fair value of the term finance is not materially different to the carrying value shown above.

12 Approval of consolidated report for the six months ended 30 June 2024

This condensed set of consolidated financial statements has been approved by the Board of Directors on 9 September 2024. A copy of this report will be available to the public at the Company's registered office, 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, PR1 8UY and at **www.chesnara.co.uk**

FINANCIAL CALENDAR

10 September 2024
Results for the six months ended 30 June 2024 announced

19 September 2024
Interim ex-dividend date

20 September 2024
Interim dividend record date

11 October 2024
Last date for dividend reinvestment plan elections

01 November 2024
Interim dividend payment date

31 December 2024
End of financial year

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ALTERNATIVE PERFORMANCE MEASURES

Throughout this report we use alternative performance measures (APMs) to supplement the assessment and reporting of the performance of the group. These measures are those that are not defined by statutory reporting frameworks, such as IFRS or Solvency II.

The APMs aim to assess performance from the perspective of all stakeholders, providing additional insight into the financial position and performance of the group and should be considered in conjunction with the statutory reporting measures such as IFRS and Solvency II.

The following table identifies the key APMs used in this report, how each is defined and why we use them.

APM	What is it?	Why do we use it?
Group cash generation	Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Group cash generation is calculated as the movement in the group's surplus own funds above the group's internally required capital, as determined by applying the group's capital management policy, which has Solvency II rules at its heart.	Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'.
Divisional 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. 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.	It is an important indicator of the underlying operating performance of the business before the impact of group level operations and consolidation adjustments.
Commercial 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. Commercial cash generation excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the underlying commercial cash generated by the business.	Commercial cash generation aims to provide stakeholders with enhanced insight into cash generation, drawing out components of the result relating to technical complexities or exceptional items. The result is deemed to better reflect the underlying commercial performance, show key drivers within that.
Economic Value (EcV)	EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group. We define EcV as being the Own Funds adjusted for contract boundaries, risk margin and restricted with-profit surpluses. As such, EcV and Own Funds have many common characteristics and tend to be impacted by the same factors.	EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time. The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives.
Economic Value (EcV) earnings	The principal underlying components of the Economic Value earnings are: - The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force); - Value added by the writing of new business; - Variations in actual experience from that assumed in the opening valuation; - The impact of restating assumptions underlying the determination of expected cash flows; and - The impact of acquisitions.	By recognising the market-related value of in-force business (in-force value), a different perspective is provided in the performance of the group and on the valuation of the business. Economic Value earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The Economic Value earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives.
EcV operating	This is the element of EcV earnings (see above) that are generated from the company's ongoing core	EcV operating earnings are important as they provide an indication of the

earnings	business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.	underlying value generated by the business. It can help identify profitable activities and also inefficient processes and potential management actions.
EcV economic earnings	This is the element of EcV earnings (see above) that are derived from investment market conditions in the period and any economic assumption changes in the future.	EcV economic earnings are important in order to measure the additional value generated from investment market factors.
Commercial new business profit	A more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business.	This provides a fair commercial reflection of the value added by new business operations and is more comparable with how new business is reported by our peers, improving market consistency.
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.
Funds under management (FuM)	FuM reflects the value of the financial assets that the business manages, as reported in the IFRS Consolidated Balance Sheet.	FuM are important as it provides an indication of the scale of the business, and the potential future returns that can be generated from the assets that are being managed.
Acquisition value gain (incremental value)	Acquisition value gains reflect the incremental Economic Value added by a transaction, exclusive of any additional risk margin associated with absorbing the additional business.	The EcV gain from acquisition will be net of any associated increase in risk margin. The risk margin is a temporary Solvency II dynamic which will run off over time.
Leverage / gearing	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, as measured under IFRS.	It is an important measure as it indicates the overall level of indebtedness of Chesnara, and it is also a key component of the bank covenant arrangements held by Chesnara.
IFRS capital base	This is the IFRS net equity for the group plus the consolidated CSM net of reinsurance and tax.	It is a better measure of the value of the business than net equity as it takes into account the store of deferred profits held in the balance sheet, as represented by the CSM, including those as yet unrecognised profits from writing new business and acquisitions.
Policies / policy count	Policy count is the number of policies that the group manages on behalf of customers.	This is important to show the scale of the business, particularly to provide context to the rate at which the closed book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.

GLOSSARY

AGM	Annual General Meeting.
ALM	Asset Liability Management - management of risks that arise due to mismatches between assets and liabilities.
APE	Annual Premium Equivalent - an industry wide measure that is used for measuring the annual equivalent of regular and single premium policies.
CA	Countrywide Assured plc.
CALH	Countrywide Assured Life Holdings Limited and its subsidiary companies.
CASLP	CASLP Ltd (formerly Sanlam Life & Pensions UK)(.
BAU cash generation	This represents divisional cash generation plus the impact of non-exceptional group activity.
BLAGAB	Basic life assurance and general annuity business
Cash generation	This represents the operational cash that has been generated in the period. The cash generating capacity of the group is largely a function of the movement in the solvency position of the insurance subsidiaries within the group and takes

account of the buffers that management has set to hold over and above the solvency requirements imposed by our regulators. Cash generation is reported at a group level and also at an underlying divisional level reflective of the collective performance of each of the divisions prior to any group level activity.

Commercial cash generation	Cash generation excluding the impact of technical adjustments, modelling changes and exceptional corporate activity; the inherent commercial cash generated by the business.
Core surplus emergence	Absolute surplus movement of the divisions including Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends as deemed appropriate. Note: Any adjustments will be subject to Board approval (and Remco approval if they impact remuneration) and will be transparently reported.
Divisional cash generation	This represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.
CSM	Contractual Service Margin (CSM) represents the unearned profit that an entity expects to earn on its insurance contracts as it provides services.
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiaries.
DPF	Discretionary Participation Feature - A contractual right under an insurance contract to receive, as a supplement to guaranteed benefits, additional benefits whose amount or timing is contractually at the discretion of the issuer.
Dutch business	Scildon and the Waard Group, consisting of Waard Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.
Economic profit	A measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance measure - APM).
EcV	Economic Value is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.
FCA	Financial Conduct Authority.
FI	Finansinspektionen, being the Swedish Financial Supervisory Authority.
Form of proxy	The form of proxy relating to the General Meeting being sent to shareholders with this document.
FSMA	The Financial Services and Markets Act 2000 of England and Wales, as amended.
GMM	General measurement model - the default measurement model which applies to insurance contracts with limited or no pass-through of investment risks to policyholders.
Group	Chesnara plc and its existing subsidiary undertakings.
Group cash generation	This represents the absolute cash generation for the period at total group level, comprising divisional cash generation as well as both exceptional and non-exceptional group activity.
Group Own Funds	In accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the group in those capital resources.
Group SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Group solvency	Group solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold in accordance with Solvency II regulations.
HCL	HCL Insurance BPO Services Limited.
IFRS	International Financial Reporting Standards.
IFA	Independent Financial Advisor.
KPI	Key performance indicator.
LACDT	Loss Absorbing Capacity of Deferred Tax
Leverage (gearing)	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, usually presented as a ratio, defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS
London Stock Exchange	London Stock Exchange plc.
LTIP	Long-Term Incentive Plan - A reward system designed to incentivise executive directors' long-term performance.
Movestic	Movestic Livförsäkring AB.
Modernac	Modernac SA, a previously associated company 49% owned by Movestic.
New business	The present value of the expected future cash inflows arising from business written in the reporting period.
Official List	The Official List of the Financial Conduct Authority

Official List	The Official List of the Financial Conduct Authority.
Operating profit	A measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance metric - APM).
Ordinary shares	Ordinary shares of 5 pence each in the capital of the company.
ORSA	Own Risk and Solvency Assessment.
Own Funds	Own Funds - in accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the company in those capital resources.
PAA	Premium allocation approach - a simplified measurement model which can be applied to short term contracts.
PRA	Prudential Regulation Authority.
QRT	Quantitative Reporting Template.
RA	Risk adjustment is the additional reserve held for non-financial risks.
RCF	3 year Revolving Credit Facility of £150m (currently unutilised) renewed in July 2024.
Resolution	The resolution set out in the notice of General Meeting set out in the FY23 accounts.
RMF	Risk Management Framework.
Robein Leven	Robein Leven N.V.
Scildon	Scildon N.V.
Shareholder(s)	Holder(s) of ordinary shares.
Solvency II	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
Solvency (absolute) surplus	A measure of how much the value of the company (Own Funds) exceeds the level of capital it is required to hold
Standard Formula	The set of prescribed rules used to calculate the regulatory SCR where an internal model is not being used.
STIS	Short-Term Incentive Scheme - A reward system designed to incentivise executive directors' short-term performance.
SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Swedish business	Movestic and its subsidiaries and associated companies.
S&P	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
SS&C	SS&C Technologies
TCF	Treating Customers Fairly - a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
Tier 2	Term debt capital (Tier 2 Subordinated Notes) issued in February 2022 with a 10.5 year maturity and 4.75% coupon rate.
Transfer ratio	The proportion of new policies transferred into the business in relation to those transferred out.
TSR	Total Shareholder Return, measured with reference to both dividends and capital growth.
UK or United Kingdom	The United Kingdom of Great Britain and Northern Ireland.
UK business	CA, S&P,CASLP and Canada Life.
VA	The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. It represents an adjustment to the rate used to discount liabilities to mitigate the effect of short-term volatility bond returns.
VFA	Variable fee approach - the measurement model that is applied to insurance contracts with significant investment-related pass-through elements.
Waard	The Waard Group.

NOTE ON TERMINOLOGY

As explained in the IFRS financial statements, the principal reporting segments of the group are:

UK	which comprises the original business of Countrywide Assured plc, the group's original UK operating subsidiary: City of Westminster Assurance Company Limited (which was acquired by the group in 2005) the long-term business of which was transferred to Countrywide Assured plc during 2006; S&P which was acquired on 20 December 2010. This business was transferred from Save & Prosper Insurance Limited and Save & Prosper Pensions Limited to Countrywide Assured plc during 2011; Protection Life Company Limited which was acquired by the group in 2013, the long-term business of which was transferred into Countrywide Assured plc in 2014, as well as the portfolio of policies acquired from Canada Life on 16 May 2023 and reinsured into Countrywide Assured plc. The business of CASLP Ltd (formerly Sanlam Life & Pensions (UK) Limited) which was acquired on 28 April 2022 was transferred to Countrywide Assured plc on 31 December 2023, using the Court approved scheme under Part VII of the Financial Services and Markets Act 2000.
Movestic	which was purchased on 23 July 2009 and comprises the group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
The Waard Group	which was acquired on 19 May 2015 and comprises two insurance companies; Waard Leven N.V. and Waard Schade N.V.; and a service company, Waard Verzekeringen; Robein Leven NV acquired on 28 April 2022; and the insurance portfolio of Conservatrix acquired on 1 January 2023
Scildon	which was acquired on 5 April 2017; and
Other group activities	which represents the functions performed by the parent company, Chesnara plc. Also included in this segment are consolidation adjustments.