

Chesnara PLC - Interim Management Statement

Chesnara plc

Interim Management Statement for the period from
1 January 2008 to 16 May 2008

19 May 2008

This statement relates primarily to the financial position of Chesnara plc (the 'Group') as at 31 March 2008 and to its financial performance during the first quarter. Where events and transactions have occurred since the first quarter end, which are estimated to have a material impact on management's core expectation of the financial position and/or financial performance of the Group, then these are identified together with a broad indication of their impact.

The key determinant of Group performance in the first quarter was the decline in global equity markets with the leading UK market indices showing an 11% decline over that period. The effect of this was a £5m net of tax reduction to European Embedded Value ('EEV'). However subsequent recovery, particularly in the UK where markets have gained some 9% since the quarter end (to 16 May), implies a net of tax reduction in EEV over the whole period, due to investment market fluctuations, of some £0.9m.

Apart from the impact of poor equity market performance in the first quarter the business is, based on fundamentals, performing slightly ahead of expectations. Key contributors are:

- * Continuing favourable lapse experience across both our key protection and endowment products, offset by slightly higher mortality experience, which led to a net of tax EEV increase of some £1m in the first quarter;

- * Endowment misselling complaints continue at relatively low levels with no significant change in uphold rates. Therefore the provision we hold continues to prove adequate; and

- * Expenses continue to be in line with management expectations.

The expected return from in-force business is also in line with expectations. The overall position at the quarter end is a reduction in EEV of some £1.7m (net of tax) from £187.3m to £185.6m - both amounts are stated before adjustment for the proposed final dividend of £10.3m. As indicated earlier, the market recovery since the quarter end has increased the EEV by some £4.1m.

In contrast to the current volatility of the EEV, the IFRS result, which is impacted less by short-term market movements, of £5.6m pre-tax (£4.7m net of tax) for the quarter has proved more resilient, and is broadly in line with management expectations.

The emergence of surplus from the life business has remained strong so that the ratio of regulatory capital resources to regulatory capital requirements in the life company has improved from 179% as at year-end to 206% at quarter end.

Whilst investment market performance has negatively affected the result to date this has been wholly mitigated by positive returns from other areas of the business.

The information in this release is based on management information.

Enquiries

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Notes to editors:

Chesnara plc, which listed on the London Stock Exchange in May 2004, is the owner of Countrywide Assured plc ('CA'). CA is a life assurance subsidiary that is substantially closed to new business. In June 2005 Chesnara acquired City of Westminster Assurance ('CWA') for £47.8m. With effect from 30 June 2006, CWA's policies and assets were transferred into CA plc. Chesnara's operating model is to maintain a relatively small governance team and outsource the majority of its back office functions. Chesnara continues to seek acquisition opportunities in the financial services sector.

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