

Strong results underpinned by equity market growth with continued operational recovery in Movestic.

- Increase in EEV to £344.8m at 31 March 2013 from £311.1m at 31 December 2012 primarily driven by net of tax profit of £27.1m together with a £7.2m gain arising from appreciation of the Swedish Krona against Sterling over the period.
- EEV pre-tax profit (excluding modelling adjustments and exchange rate impacts) for the quarter ended 31 March 2013 of £28.5m (quarter ended 31 March 2012: £22.6m), predominantly due to £26.1m of pre-tax profit emerging as a direct result of investment market performance.
- Strong net cash generation of £12.2m for the quarter ended 31 March 2013 (full year 2012: £41.0m).
- Profit on an IFRS basis before tax for the quarter ended 31 March 2013 of £8.7m (quarter ended 31 March 2012: £13.0m) is underpinned by UK product-based surpluses which remain strong.
- A £5.7m release in the provision for S&P policy guarantees has contributed to the IFRS result, reflecting the positive impact of equity market growth.
- Solvency ratios remain strong, with Group (IGD) at 245% (31 December 2012: 244%), CA at 229% (31 December 2012: 199%) and Movestic 289% (31 December 2012: 280%).
- Movestic generated £8.2m of EEV pre-tax profit (excluding modelling adjustments and exchange rate impacts) in the quarter ended 31 March 2013 (quarter ended 31 March 2012: profit of £6.0m), primarily due to a recovery in Swedish equity markets.
- Continued return of IFA support for the Movestic business has resulted in a 42% increase in Pensions and Savings new contract premium income compared with the first quarter of 2012. The recovery in IFA support has continued post 31 March 2013.
- Shareholder equity on EEV basis of 300.2p per share (31 December 2012: 270.9p per share), both before allowance for the 2012 final dividend of 11.25p to be paid in May.
- Acquisition opportunities continue to be examined and there are signs of a general upturn in M&A activity.

This statement relates primarily to the financial position of Chesnara plc (the 'Group') as at 31 March 2013 and to its financial performance during the first three months of the financial year. Where events and transactions have occurred since the end of the first quarter, 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.

Background

Investment Markets

During the first quarter global investment market performance has continued to have a significant influence on the Group's results. The effects of these influences were generally positive, reflecting improving equity markets, with the leading UK and Swedish indices both increasing by 8.7%. While there have been marginal movements in UK bond yields during the quarter this has not had a significant effect on the results. The impact of these market movements is explained more fully in the EEV and IFRS sections below.

Insofar as equity and bond capital growth performance has had a favourable impact on Group earnings during the first quarter, a note of caution is necessary as markets clearly have the potential to continue to be volatile.

European Embedded Value (EEV)

	Quarter ended 31 March 2013	Quarter ended 31 March 2012	Year ended 31 December 2012
	£m	£m	£m
EEV at beginning of period	311.1	294.5	294.5
Net of tax profit arising in period	27.1	17.7	31.2
Effect of modelling adjustments	(0.6)	-	3.6
Foreign exchange reserve movements	7.2	0.5	1.3
Dividends paid	-	-	(19.5)
EEV at end of period	344.8	312.7	311.1

Overall the European Embedded Value has increased by £33.7m when compared with 31 December 2012. This is primarily driven by the net of tax profit during the quarter of £27.1m, which is analysed further below.

In addition to this the EEV has benefited from a foreign exchange gain of £7.2m, arising from the effect of translating the SEK-denominated EEV of the Swedish Business into Sterling, which depreciated against the Swedish Krona during the three months ended 31 March 2013. Subsequent to the quarter end Sterling has strengthened against the Swedish Krona with an estimated adverse EEV impact of c. £3.5m.

EEV earnings, net of tax

Analysis of the EEV result by business segment

	Quarter ended 31 March 2013	Quarter ended 31 March 2012	Year ended 31 December 2012
	£m	£m	£m
CA	10.0	1.2	13.1
S&P	11.0	15.8	15.7
Movestic	8.2	6.0	13.0
Chesnara	(0.7)	(0.4)	(5.7)
Total pre-tax profit	28.5	22.6	36.1
Tax	(1.4)	(4.9)	(4.9)
Profit after tax	27.1	17.7	31.2

Analysis of the EEV result by earnings source

	Quarter ended 31 March 2013 £m	Quarter ended 31 March 2012 £m	Year ended 31 December 2012 £m
New business contribution	1.0	0.3	2.9
Return from in-force business			
Expected return	1.2	1.1	5.8
Experience variances	(0.5)	1.2	0.4
Operating assumption changes	0.9	(1.2)	2.0
Return on shareholder net worth	0.8	2.2	7.9
Operating profit on covered business	3.4	3.6	19.0
Variation from longer term investment return	23.0	15.3	28.0
Effect of economic assumption changes	2.8	4.6	(6.5)
Profit on covered business before tax	29.2	23.5	40.5
Tax	(1.3)	(4.9)	(6.0)
Profit on covered business after tax	27.9	18.6	34.5
Uncovered business and other Group activities	(0.7)	(0.9)	(4.4)
Tax on uncovered business	(0.1)	-	1.1
Profit after tax	27.1	17.7	31.2

Overall, the net of tax EEV result for the first quarter of 2013 was ahead of expectations due in the main to the impact of the increase in UK and Swedish equity markets over the quarter. Investment market impacts of £26.1m compare with equivalent investment market impact of £19.9m for the first quarter of 2012.

Investment market impacts by business unit are analysed as follows:

CA	£8.8m
S&P	£10.4m
Movestic	£6.6m

Other significant pre-tax influences on the EEV result are:

UK Businesses

CA - Despite a general weakening of lapse assumptions at the 2012 year end, actual experience continues to be better than the levels assumed resulting in a positive lapse experience variance of £1.7m.

Swedish Business

(all amounts stated are pre-tax, tax effects for the period being immaterial)

- (i) Movestic has posted a new business profit of £0.9m in the quarter compared to a profit of £0.4m for quarter ended 31 March 2012. The new business result has benefited from a significant increase in new contract volumes achieved without a corresponding increase in the cost base.
- (ii) In general, lapse experience continues to be adverse, although the variance of £1.9m for the period compares positively with the adverse variance of £2.8m for the first quarter of 2012.
- (iii) Changes to policyholder asset allocations have resulted in a £0.8m positive experience variance.
- (iv) Revenue relating to changes in fund rebates has resulted in an EEV assumption change increase of £1.5m.

IFRS earnings

The IFRS result for the quarter ended 31 March 2013 is set out in the following table:

	Quarter ended 31 March 2013 £m	Quarter ended 31 March 2012 £m	Year ended 31 December 2012 £m
Pre-tax earnings:			
UK Businesses			
Countrywide Assured ('CA')	1.6	1.9	18.5
Save & Prosper ('S&P')	9.0	13.7	14.6
Swedish Business			
Movestic	(0.2)	(0.8)	1.4
Chesnara	(0.7)	(0.6)	(5.8)
Consolidation adjustments	(1.0)	(1.2)	(4.2)
Total profit before tax and exceptional item	8.7	13.0	24.5
Exceptional item	-	-	(4.8)
Total profit before tax	8.7	13.0	19.7
Tax	(2.6)	(4.7)	8.2
Total profit after tax	6.1	8.3	27.9

The underlying UK product-based surpluses from which the core earnings arise have remained strong during the first quarter, continuing the experience of 2012.

During the first quarter S&P has generated a significant pre-tax profit of £9.0m. A reduction in the provision for policy guarantees, arising principally from strong equity market performance, has contributed £5.7m to this IFRS surplus. The remainder of the profit is primarily due to product-based surpluses.

The Movestic result has benefited from the continued recovery in Swedish equity markets. The positive impact on profits arises from both direct investment income and from the impact of an increased investment asset base on asset-based fees within the core Pensions and Savings business. The operating profits of £0.9m are offset by a £1.1m increase in the valuation of financial reinsurance arrangements which are sensitive to the interest rate environment.

The first quarter pre-tax profit of £8.7m compares with a profit of £13.0m in the equivalent three month period for 2012. Whilst equity market performance has been similar, bond yields have not improved, as they did last year, resulting in a more muted result.

Movestic KPI's

The following key performance indicators relate to Movestic:

	Quarter ended 31 March 2013 £m	Quarter ended 31 March 2012 £m	Year ended 31 December 2012 £m
Total premium income*			
Pensions and savings	58.6	50.5	209.4
Risk insurance	10.9	10.0	40.4
Total	69.5	60.5	249.8

	Quarter ended 31 March 2013 £m	Quarter ended 31 March 2012 £m	Year ended 31 December 2012 £m
New business premium income*			

Pensions and savings	13.8	10.4	39.2
Risk insurance	0.5	0.4	1.5
Total	14.3	10.8	40.7

*Translated into £ at constant rate of SEK 9.99 = £1 (Average from 1 January 2013 to 31 March 2013)

The improvement in new business premium income, compared with the first quarter of 2012, reflects the general recovery in IFA support, the initial signs of which were evident towards the end of 2012. This increase in new business premiums is a primary driver of the increase in total premium income reported above.

Market share of unit-linked pensions business	Q1 2012	Q2 2012	Q3 2012	Q4 2012
	%	%	%	%
Total business	4.6	5.5	5.7	5.5
Company-paid contribution business	7.6	7.9	9.1	8.2

Market share data for Q1 2013 are not available at the date of the IMS release.

Policy attrition	Quarter ended 31 March 2013	Quarter ended 31 March 2012	Year ended 31 December 2012
	%	%	%
Transfers	5.6	5.1	5.4
Lapses	21.1	24.2	17.6

The improved level of IFA sentiment towards Movestic evident in the new business results has not resulted in a corresponding reduction in policy attrition. Policy transfers and switching remain prevalent in the Swedish IFA market and whilst this is the case the level of attrition remains a general dynamic of the industry. However, it should be noted that EEV assumptions as at 31 March 2013 better recognise current levels of attrition than those applied as at 31 March 2012.

On a positive note, assets under management, the main driver of profitability, continue to grow, increasing by 5.4% since the end of the year.

	31 March 2013	31 March 2012	31 December 2012
	£m	£m	£m
Assets under management*	1,528.8	1,412.6	1,451.1

*Translated at a constant rate of SEK 9.87 = £1 (31 March 2013 closing rate).

Furthermore, fund performance has demonstrated strong signs of improvement since the turn of the year.

Fund performance	Quarter ended 31 March 2013	Quarter ended 31 March 2012	Year ended 31 December 2012
	No. of funds	No. of funds	No. of funds
Outperformed against relevant index	38	26	26
Underperformed against relevant index	24	25	30
No relevant index	2	2	5

Cash Generation

Net cash generation, representing the net change in funds to service debt and equity, for the three months ended 31 March 2013 was £12.2m compared with £41.0m for the year ended 31 December 2012.

Solvency

The underlying emergence of surplus in the UK businesses remains strong. This is reflected in the ratio of regulatory capital resources to regulatory capital requirements in CA, which has improved

from 199% at 31 December 2012 to 229% at 31 March 2013. The Swedish life business solvency ratio as at 31 March 2013 is estimated to be 289%, compared with 280% as at 31 December 2012. As at 31 March 2013, the corresponding Group (IGD) position remains strong at an estimated 245% compared with 244% as at 31 December 2012.

Market Opportunity

We continue to see a number of potential acquisition opportunities and we will readily progress these if we see value and a clear strategic fit. While we remain open-minded as to location in the UK and Western Europe, we will continue to apply strict financial and risk criteria in assessing them.

Analyst/Institutional Investor Briefing

A presentation on Chesnara's Swedish subsidiary, Movestic, will be made by its Management on 20 May 2013 in London.

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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") and Movestic Livförsäkringar AB ('Movestic').

CA is a UK life assurance subsidiary that is substantially closed to new business. In June 2005 Chesnara acquired a further closed life insurance company - City of Westminster Assurance ('CWA') and with effect from 30 June 2006, CWA's policies and assets were transferred into CA. Save & Prosper Insurance Limited and its subsidiary Save & Prosper Pensions Limited (together 'S&P') were acquired on 20 December 2010. S&P was closed to new business prior to acquisition and it operated an outsourced business model which is complementary to Chesnara's existing UK operations. With effect from 31 December 2011, the business of S&P was transferred into CA.

Movestic, a Swedish life assurance company which originally focused on pensions and savings, was acquired on 23 July 2009. The company is open to new business and seeks to grow its position in the Swedish unit-linked market. Its proposition was strengthened in February 2010 with the acquisition of the operations of Aspis Försäkringar Liv AB which has a risk and health product bias.