

Strong Embedded Value Growth

We stated in November 2014 that following regulatory changes aimed at discouraging investor short-termism we would review our options regarding the issuing of Interim Management Statements. Following feedback from shareholders we now intend to continue with a short Interim Management Statement covering Movestic new business results and any other material business developments of particular interest to investors.

- Strong embedded value growth in the quarter of £19.5m (5% increase compared to 31 December 2014), predominantly due to investment market economic profits (particularly in Sweden) offset in part by further exchange rate losses.
- The embedded value continues to benefit from the new business profits in Sweden although total new business APE during the quarter of £14.9m^{Note 1} has reduced compared with the prior year equivalent (Q1 2014: £16.9m^{Note 1}).

The general shift in the market preference in Sweden from unit-linked savings towards traditional savings contracts with guaranteed returns, that we saw in the second half of 2014, has continued during the first quarter of 2015. Indeed the attractiveness of the guaranteed returns has increased as Swedish government bond yields have become negative. This has had a dampening effect on total new business volumes in the unit-linked market, particularly higher margin single premium transfer-in business.

In line with the Chesnara strategy, Movestic retains its pricing discipline and will not compromise its long term profit margins. We remain of the view that the level of guarantees being offered in the traditional market is not sustainable and recent guarantee reductions support this view.

We do however expect the unit-linked total market to remain somewhat suppressed throughout the rest of 2015.

- Operationally the business has performed broadly in line with the underlying assumptions.
- During the first quarter we successfully completed the migration of the Protection Life book from the systems of its previous owner onto HCL systems.
- Having now received regulatory approval, the acquisition of the Waard Group in the Netherlands is expected to complete by 29 May 2015.

Note 1 - Translated at a constant rate of SEK 12.68 = £1 (31 March 15 closing rate).

Enquiries

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Notes to Editors

Chesnara plc ('Chesnara'), which listed on the London Stock Exchange in May 2004, is the owner of Countrywide Assured plc ('CA plc'), Protection Life Company Limited ('PL') and Movestic Livförsäkringar AB ('Movestic').

CA plc is a UK life assurance subsidiary that is closed to new business. In June 2005 Chesnara acquired a further closed life insurance company - City of Westminster Assurance - for £47.8m. With effect from 30 June 2006, CWA's policies and assets were transferred into CA plc. Save & Prosper Insurance Limited and its subsidiary, Save & Prosper Pensions Limited, were acquired on 20 December 2010 for £63.5 million. With effect from 31 December 2011, the business of Save & Prosper was transferred into CA plc. On 28 November 2013 Chesnara acquired Direct Line Life Insurance Company Limited (subsequently renamed Protection Life Company Limited) from Direct Line Group plc for £39.3m. A process to transfer the PL business into CA plc was completed during 2014. CA plc operates an outsourced business model.

Movestic, a Swedish life assurance company which originally focused on pensions and savings, was acquired on 23 July 2009 for £20 million. 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.

Furthermore, the Company announced on 3 December 2014 its intention to purchase the Waard Group in the Netherlands for an initial consideration of £55.1m, financed by a successful share placing of £35.7m (£34.5m after costs) and cash reserves. Further details are available on the Company's website (www.chesnara.co.uk).