

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

17 February 2026

## **Chesnara plc**

### **Acquisition of Scottish Widows Europe SA**

Chesnara plc ("Chesnara" or the "Company" and, together with its subsidiaries, the "Group") is pleased to announce that it has entered into an agreement to acquire 100% of the issued share capital of Scottish Widows Europe SA ("Scottish Widows Europe"), a Luxembourg based closed life insurance business, from Scottish Widows Limited ("Scottish Widows") (a subsidiary of Lloyds Banking Group plc ("Lloyds Banking Group")) for total cash consideration of €110 million<sup>(1)</sup> (the "Acquisition").

#### **Acquisition Highlights**

- Cash generation of ~€250 million over the lifetime of the policies held in the Scottish Widows Europe portfolio, with ~€100 million of this cash generation occurring in the first five years.
- Adds €1.7 billion of assets under administration ("AuA") and approximately 46,000 in-force policies.
- €110 million<sup>(1)</sup> consideration fully financed with available cash, representing an attractive multiple of 0.64x FY24 Own Funds of Scottish Widows Europe of €173 million.
- Entrance into Luxembourg, an additional attractive market, and the addition of new policyholders (based in Germany, Austria and Italy) provides a platform for increased consolidation and scale across Europe.
- Pro-forma Group Solvency II ratio to remain robust and above normal operating range at 173%<sup>(2)</sup> and pro-forma leverage ratio expected to remain in line with investment grade rating.
- Completion of the Acquisition expected around end 2026, subject to customary regulatory approvals.

#### **Commenting on the Acquisition, Chesnara CEO, Steve Murray stated:**

*"We are delighted to announce Chesnara's second significant acquisition in the past twelve months. Scottish Widows Europe is another material and value-accretive transaction with a product set that we know well. It marks our entry into Luxembourg, providing a new platform for in-market and wider European consolidation and expansion. We are pleased that another major financial institution, Lloyds Banking Group, has chosen us to look after their policyholders. We look forward to welcoming Scottish Widows Europe policyholders and new colleagues to Chesnara."*

## Summary of Strategic Rationale and Financial Benefits of the Acquisition

Chesnara's primary focus is consolidating life and pensions books in the UK and Europe, complemented by profitable new business written across the Group's businesses in Sweden, the Netherlands and the UK. The Group's business model is to identify and deliver value-enhancing acquisitions which can be efficiently integrated into the Group to grow future cash generation. This transaction further enhances the sustainability of the Group's cash and capital generation following the recently completed transformative acquisition of HSBC Life (UK) Limited in January 2026. Chesnara diligently assesses deals on a regular basis by applying well-established criteria and a robust risk-based due diligence process. The board of directors of the Company (the "Board") unanimously considers the Acquisition to be in the best interests of the shareholders of the Company ("Shareholders") as a whole. The Acquisition is considered to be strategically attractive and offers significant financial benefits:

- **Enhanced cash generation:** The Acquisition is expected to deliver ~€250m of incremental cash generation over the lifetime of the policies held in the Scottish Widows Europe portfolio, with ~€100m of this cash generation occurring in the first five years. This will be achieved through capital surplus generation from future profits and by applying our efficient and prudent approach to capital management.
- **Attractive transaction pricing:** Total consideration for the Acquisition of €110 million<sup>(1)</sup> represents 64% of Scottish Widows Europe's Eligible Solvency II Own Funds as at 31 December 2024.
- **Broadens the future consolidation opportunity:** Luxembourg is a large life insurance market which broadens the opportunity set for future cross-border consolidation, further supporting the Group's strategy of being a leading European life and pensions consolidator.
- **Scalable platform that provides value creation opportunities and facilitates further expansion:** Scottish Widows Europe is a standalone operating business which will continue to be led by an experienced, local management team post-Acquisition. It has a largely outsourced model with modern technology and policy administration powered by Lifeware SA, a leading European third-party technology provider.
- **Efficient financing structure:** Chesnara will fund the Acquisition from internal cash resources, utilising some of the proceeds from its £150 million RT1 bond issue, which was issued in August 2025.
- **Maintains balance sheet strength:** The Group's Solvency II capital coverage ratio is estimated to be 173%<sup>(2)</sup> on a pro-forma basis as at 31 December 2024 taking into account the Acquisition and the issuance of the RT1 bond (compared to 169% on a pro-forma basis as at 31 December 2024 reflecting only the acquisition of HSBC Life (UK)) which is well above the Group's normal operating range of 140% - 160%. Leverage is estimated to remain below longer-term target of <30% with significant financial firepower remaining to pursue further M&A opportunities.

The Acquisition, due to its size relative to the Group, constitutes a "significant transaction" for the purposes of the UK Listing Rules made by the Financial Conduct Authority (the "FCA"), and is therefore notifiable in accordance with UK Listing Rules 7.3.1R and 7.3.2R. Additional details as required under the UK Listing Rules are included in the Appendix.

### **Webcast and Conference Call**

A presentation for analysts and investors will be held today, 17<sup>th</sup> February 2026, at 8.30 am (GMT).

A link to a live webcast of the presentation and a copy of the presentation will be available at [www.chesnara.co.uk](http://www.chesnara.co.uk).

To join the webcast, please register using the following link [here](#).

The person responsible for arranging for the release of this announcement on behalf of Chesnara is Al Lonie, Company Secretary.

### **Notes:**

- (1)** Subject to adjustment in accordance with the provisions of the Sale and Purchase Agreement (including via a "locked box" mechanism)
- (2)** This information was derived from Scottish Widows Europe's and Chesnara's audited management accounts for the year ended 31 December 2024 and associated calculations provided by Chesnara's management, and Chesnara's estimates of forecast Scottish Widows Europe accounts using business plan assumptions. All estimated pro-forma metrics shown pro-forma of the acquisitions of HSBC Life (UK) and Scottish Widows Europe as well as the issuance of the £150 million RT1 Bond in August 2025.

### **Enquiries**

#### **Investors/Analysts:**

##### **Chesnara**

Steve Murray, Group CEO

Tom Howard, Group CFO

Sam Perowne, Head of Strategic Development & Investor Relations

E - [sam.perowne@chesnara.co.uk](mailto:sam.perowne@chesnara.co.uk)

#### **RBC Capital Markets (Sole Financial Adviser and Joint Corporate Broker)**

James Agnew

Ezzedine Ben Frej

Jamil Miah

T - +44 (0) 20 7653 4000

#### **Panmure Liberum (Joint Corporate Broker)**

Stephen Jones

David Watkins

Atholl Tweedie

T - + 44 (0) 20 3100 2000

#### **Media:**

Misha Bayliss - +44 20 7427 5465

Oscar Burnett - +44 20 7427 5435

Teneo  
E - chesnara@teneo.com

## Notes to Editors

**LEI Number: 213800VFRMBRTSZ3SJ06**

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (as it forms part of domestic law as defined in the European Union (Withdrawal) Act 2018).

## About Chesnara plc

Chesnara (CSN.L) is a European life and pensions consolidator listed on the London Stock Exchange. It administers around 1.4 million policies and operates as Countrywide Assured and Chesnara Life (UK) in the UK, as 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 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 over 20 years in succession.

Further details are available on the Company's website ([www.chesnara.co.uk](http://www.chesnara.co.uk)).

## APPENDIX

### KEY TERMS OF THE ACQUISITION

#### Financial Information and Impact of the Acquisition<sup>(2)</sup>

As at 31 December 2024, Scottish Widows Europe's balance sheet reflected total assets and total liabilities of €3,805 million and €3,709 million respectively, while loss after tax for the year was €39 million. This information was extracted from audited accounts prepared in accordance with Lux GAAP.

The Acquisition will bring to the Group approximately an additional €1.7 billion of assets under administration ("AuA") and approximately 46,000 policies.

The Acquisition is expected to lead to incremental lifetime cash generation of ~€250 million with ~€100 million of incremental cash generation occurring in the first five years post-Acquisition.

The proposed use of internal cash resources raised through the issuance of the RT1 bond in 2025 will maintain the Group's balance sheet strength, with the leverage ratio of the enlarged Group expected to be in line with the Group's investment grade rating.

The estimated Solvency II Surplus of the enlarged Group is expected to be £454 million as if the Acquisition had occurred on 31 December 2024, with the Solvency Coverage Ratio 173%, continuing to be above our target operating range of 140% - 160%.

The Company expects that the Acquisition will unlock significant value for Shareholders over time.

#### Information on Scottish Widows Europe

Scottish Widows Europe is a standalone, Commissariat aux Assurances (the "**CAA**") regulated, closed life business managing approximately 46,000 life policies.

The policies are split across three product lines: Endowments, which make up the majority of products; Pensions, the majority of which have an annuity benefit; and Post-Vesting Annuities. Policyholders are primarily invested in Unitised With-Profits funds, with the remainder invested in Unit-Linked funds and annuities post-vesting.

Scottish Widows Europe is the European life insurance arm, and a wholly-owned subsidiary, of Scottish Widows. Lloyds Banking Group, one of the UK's largest banking and financial services organisations, is currently the ultimate parent company of Scottish Widows and Scottish Widows Europe.

Scottish Widows Europe was established to receive the EEA business of Scottish Widows before the UK exited the European Union. That business was transferred to Scottish Widows Europe by a UK scheme of transfer under Part VII of the Financial Services and Markets Act 2000 (as amended) which became effective on 29 March 2019 (the "**2019 Scheme**"). At the same time, the Investment Reassurance Agreement and the Annuity Reassurance Agreement (as defined below) were entered into so that in particular there could be continuity of with-profits benefits for policyholders whose with-profits policies were transferred to Scottish

Widows Europe. Through this reinsurance, those policies continue to be invested in the Clerical Medical With-Profits Fund in Scottish Widows. Also at the same time, the Existing Deed of Indemnity (as defined below) was entered into so that Scottish Widows Europe was protected from ongoing costs from legacy issues relating to the policies transferred to Scottish Widows Europe. In the context of the Acquisition: (i) each reinsurance agreement is to be amended and restated; and (ii) the Existing Deed of Indemnity is to be replaced by the Deed of Indemnity and the Project Indemnity (each as defined below) which will together cover the matters which are currently covered by the Existing Deed of Indemnity (see *Other Information, Part A - Material Contracts* section, below).

Scottish Widows Europe has partnered with a single outsource provider (Lifeware) to create a modern platform capable of operating throughout Continental Europe, providing an opportunity to consolidate other platforms and potentially reopen to new business.

Operations of Scottish Widows Europe are based in Luxembourg with the majority of policyholders based in Germany. Further policyholders are then based in Austria with the remainder in Italy.

## **Key Individuals**

The key individuals important to Scottish Widows Europe are Rose-Marie Arcanger, Chief Executive Officer, and Bruno Durieux, Chief Financial Officer, who will both continue to be employed by Scottish Widows Europe following completion of the Acquisition.

## **Key Terms of the Acquisition**

### *Sale and Purchase Agreement*

The Company (as the buyer) and Scottish Widows (as the seller) have entered into a Sale and Purchase Agreement to acquire the entire issued share capital of Scottish Widows Europe (the "**Sale and Purchase Agreement**").

Completion of the Acquisition under the Sale and Purchase Agreement is subject to certain conditions being satisfied, including: (i) the CAA having not objected to, or being treated as having approved, the acquisition of a qualifying holding in Scottish Widows Europe by Chesnara; and (ii) a non-objection or deemed consent from the CAA, the Prudential Regulatory Authority ("**PRA**") and the FCA to the amendment of the Investment Reassurance Agreement and the Annuity Reassurance Agreement ((i) and (ii) together, the "**Conditions**"). Both Chesnara and Scottish Widows have agreed to use all reasonable endeavours to undertake certain actions in connection with the satisfaction of the Conditions. If both Conditions have not been satisfied by the date falling twelve months after the date of the Sale and Purchase Agreement (or such later date as may be adopted by the parties pursuant to the terms therein), the Sale and Purchase Agreement can be terminated by either Chesnara or Scottish Widows and the Acquisition will not complete.

Subject to adjustment in accordance with the provisions of the Sale and Purchase Agreement (including via a "locked box" mechanism), the total consideration for the Acquisition comprises an amount equal to €110 million

Under the terms of the Sale and Purchase Agreement, both Chesnara and Scottish Widows give customary warranties to each other for a transaction of this nature. Scottish Widows'

liability in respect of claims made pursuant to the Sale and Purchase Agreement is subject to certain customary terms.

*Documents between Scottish Widows and Scottish Widows Europe to be modified on completion of the Transaction*

The Investment Reassurance Agreement and the Annuity Reassurance Agreement are to be amended and restated with effect from completion of the Acquisition. The Project Indemnity and the Deed of Indemnity are to supersede the Existing Indemnity Deed with effect from completion of the Acquisition.

Each of these contracts is described under the *Other Information, Part A - Material Contracts* section below.

### **Advisers**

RBC is acting as Sole Financial Adviser and Corporate Broker and Linklaters is acting as Legal Adviser to Chesnara in connection with the Acquisition.

## OTHER INFORMATION

### Part A – Material Contracts

#### 1. *Group*

The following is a summary of contracts which have been entered into by Chesnara or another member of the Group (not being contracts entered into in the ordinary course of business): (i) within the period of two years immediately preceding the date of this announcement that are, or may be, material to the Group; or (ii) that contain any provisions under which Chesnara or any other member of the Group has any obligation or entitlement that is, or may be, material to the Group.

#### *Sale and Purchase Agreement*

Details of the Sale and Purchase Agreement are set out above.

#### *Other material contracts*

Further details of other material contracts which Chesnara or another member of the Group has entered into (not being contracts entered into in the ordinary course of business): (i) within the period of two years immediately preceding the date of this announcement that are, or may be, material to the Group; or (ii) that contain any provisions under which Chesnara or any other member of the Group has any obligation or entitlement that is, or may be, material to the Group can be found in the recent Prospectus the Company published on 3 July 2025, paragraph 9, Part XVII of which is incorporated by reference in this announcement. Shareholders can access the Prospectus at [www.chesnara.co.uk/investors](http://www.chesnara.co.uk/investors).

#### 2. *Scottish Widows Europe*

The following is a summary of contracts which have been entered into by Scottish Widows Europe (not being contracts entered into in the ordinary course of business): (i) within the period of two years immediately preceding the date of this announcement that are, or may be, material to Scottish Widows Europe; or (ii) that contain any provisions under which Scottish Widows Europe has any obligation or entitlement that is, or may be, material to Scottish Widows Europe.

#### *Annuity Reassurance Agreement*

Chesnara and Scottish Widows have agreed the terms of an amendment and restatement of the existing annuity reinsurance agreement in force between Scottish Widows and Scottish Widows Europe, to take effect on completion of the Acquisition, relating to with-profits annuities payable under the terms and conditions of policies transferred to Scottish Widows Europe under the 2019 Scheme and annuities issued by Scottish Widows Europe after that date to the holder of a policy transferred to Scottish Widows Europe under the 2019 Scheme (the “**Annuity Reassurance Agreement**”).

Under the Annuity Reassurance Agreement, Scottish Widows Europe cedes to Scottish Widows the liability to make guaranteed annuity payments and to share a portion of the longevity profits arising on those policies with the holders of those policies. To provide security under the Annuity Reassurance Agreement, the parties operate a funds withheld arrangement whereby assets structured to closely cover the liabilities under the Annuity Reassurance Agreement are held by Scottish Widows Europe in Luxembourg under a

custody arrangement. These assets are rebalanced based on the value of those liabilities on a quarterly basis.

Scottish Widows Europe can only terminate the Annuity Reassurance Agreement and recapture the liabilities under it, in restricted circumstances which mainly relate to the financial difficulties or default of Scottish Widows. On termination, Scottish Widows Europe is entitled to receive an amount equal to Scottish Widows' best estimate of the reassured liabilities and its risk margin in respect of the reassured liabilities. This amount shall also reflect any accounting provisions in respect of the reassured liabilities.

Scottish Widows Europe is entitled to cease the agreement in respect of new annuity business at any time.

#### *Investment Reassurance Agreement*

Chesnara and Scottish Widows have agreed the terms of an amendment and restatement of the existing investment reassurance agreement in force between Scottish Widows and Scottish Widows Europe, to take effect on completion of the Acquisition, relating to the with-profits elements of certain policies that were originally issued by Scottish Widows (or its predecessor companies) and transferred to Scottish Widows Europe pursuant to the 2019 Scheme and the with-profits elements of the annuities reinsured under the Annuity Reassurance Agreement (the "**Investment Reassurance Agreement**").

Under the Investment Reassurance Agreement, Scottish Widows Europe cedes to Scottish Widows the liability of Scottish Widows Europe to pay with-profits benefits under its with-profits policies and with-profits annuities. As well as paying the value of reassured units in Scottish Widows unitised with-profits funds including the value of relevant bonuses, Scottish Widows pays any sums required to cover guarantees on the reassured policies (including guaranteed annuity conversion terms, return of premium guarantees, and minimum bonus guarantees), and the value of relevant bonuses payable under the reassured with-profits annuities.

To provide security under the Investment Reassurance Agreement, the parties operate a funds withheld arrangement whereby assets structured to closely cover the liabilities under the Investment Reassurance Agreement are held by Scottish Widows Europe in Luxembourg. These assets are rebalanced based on the value of those liabilities on a quarterly basis. As the reassurer under the Investment Reassurance Agreement, Scottish Widows determines the amounts payable to Scottish Widows Europe. Scottish Widows Europe then uses those amounts to fund payments to its policyholders under their policies. Management charges in accordance with the policy terms of Scottish Widows Europe policies are deducted by Scottish Widows from the assets backing those policy benefits and paid to Scottish Widows Europe. Scottish Widows is entitled to deduct from these amounts an investment management charge equal to the underlying investment management costs of Scottish Widows.

Scottish Widows Europe can only terminate the Investment Reassurance Agreement and recapture the liabilities under it, in restricted circumstances which mainly relate to the financial difficulties or default of Scottish Widows. Scottish Widows Europe can opt to terminate each of the Annuity Reassurance Agreement and the Investment Reassurance Agreement if Scottish Widows decides to close the Clerical Medical With-Profits Fund (when that fund is small enough to entitle Scottish Widows to close it under the terms of a previous Part VII transfer scheme effective in 2015).

On termination, Scottish Widows Europe is to receive an amount equal to Scottish Widows' best estimate of the liabilities reassured under the Investment Reassurance Agreement, a proportion of the estate of the Clerical Medical With-Profits Fund (the "estate" being any part of the Clerical Medical With Profits Fund that is in excess of the obligation to pay guaranteed benefits to Scottish Widows' policyholders (which includes Scottish Widows Europe)), as well as its share of any other assets and accounting provisions in respect of the Clerical Medical With-Profits Fund.

#### *Deed of Indemnity*

Scottish Widows Europe and Scottish Widows entered into a deed of indemnity in respect of certain liabilities at the time of the 2019 Scheme (the "**Existing Deed of Indemnity**"), which will be superseded by a replacement deed of indemnity with effect from completion of the Acquisition (the "**Deed of Indemnity**").

The Deed of Indemnity covers certain liabilities, costs, expenses and other losses incurred by Scottish Widows Europe as a result of claims by customers of Scottish Widows Europe relating to past actions and omissions of Scottish Widows (and other predecessor companies) (the "**Indemnity Claims**").

Under the Deed of Indemnity, Scottish Widows will continue to indemnify Scottish Widows Europe for 90% of the amount by which the amount paid by Scottish Widows Europe in respect of an Indemnity Claim exceeds: (a) for policies which are reinsured to Scottish Widows under the Investment Reassurance Agreement or the Annuity Reassurance Agreement (see above): (i) the amount which Scottish Widows Europe is entitled to receive under those reinsurance contracts; or (ii) if those reinsurance contracts have been terminated, the amount that would have been paid under the policy had the Indemnity Claim not been made; and (b) for Indemnity Claims involving a unit-linked policy, the bid value of the units of the relevant Scottish Widows Europe linked funds allocated to the relevant policy (minus applicable charges) (together, the "**Excess Liabilities**").

In addition, Scottish Widows will indemnify Scottish Widows Europe for 90% of the expenses incurred by Scottish Widows Europe in managing the Indemnity Claims, subject to certain restrictions which may be imposed by Scottish Widows (the "**Indemnified Expenses**").

From the point at which the aggregate amount of the retained 10% of each of the Excess Liabilities and the Indemnified Expenses incurred by Scottish Widows Europe since 29 March 2019 exceeds €60 million, Scottish Widows will be liable for the full 100% of the Excess Liabilities and the Indemnified Expenses. This position is currently not expected to be reached: as at the end of December 2025, Scottish Widows Europe had incurred €7.75 million of the original €60 million threshold since 29 March 2019, while Scottish Widows Europe's gross provision for the Indemnity Claims as at 31 December 2024 was €60.4 million.

#### *Project Indemnity*

Scottish Widows Europe and Scottish Widows have also entered into a deed of indemnity, to come into force with effect from completion of the Acquisition, in respect of certain costs associated with rectifying certain more recent errors in the administration of Scottish Widows Europe's policies and reinsurance agreements, some of which are currently indemnified under the Existing Deed of Indemnity (the "**Project Indemnity**").

In addition, Scottish Widows has agreed to indemnify Chesnara in respect of certain losses that may arise from a customary audit that is currently being conducted by one regulatory

authority (the “**Regulatory Audit Liabilities**”). The indemnity under the Regulatory Audit Liabilities is divided between the Sale and Purchase Agreement and the Project Indemnity. The indemnity for the Regulatory Audit Liabilities under the Project Indemnity is limited to 20% of the base consideration, to losses incurred in the two years following completion of the Acquisition and also subject to certain customary terms.

The costs of rectifying administrative errors mainly relate to the rectification of Scottish Widows Europe’s administration systems (identified as part of the migration of such systems to its current third-party outsource provider), and (in certain instances) the costs associated with ensuring that affected policyholders are in the same position as they would have been in had the relevant error not occurred (the “**Project Liabilities**”). Under the Project Indemnity, Scottish Widows will indemnify Scottish Widows Europe for up to €20 million in Project Liabilities.

Under the terms of the Project Indemnity, within three years after completion of the Acquisition, both Scottish Widows and Scottish Widows Europe will be entitled to seek termination of the Project Indemnity by means of a lump sum payment from Scottish Widows to Scottish Widows Europe, representing the estimated value of the outstanding Project Liabilities at that time.

#### *Outsourcing Agreement*

Lifeware S.A. (“**Lifeware**”) is a Luxembourg professional provider of insurance services subject to authorisation and supervision by the CAA.

Scottish Widows Europe and Lifeware entered into an outsourcing agreement, with effect from 1 January 2023, pursuant to which Lifeware provides business processing outsourcing services and hosted services to Scottish Widows Europe, including for the benefit of Scottish Widows Europe’s customers (the “**Outsourcing Agreement**”).

The Outsourcing Agreement has an initial term of 10 years from November 2023 and will subsequently continue until terminated in accordance with its terms. Lifeware also provides certain services associated with the Indemnified Claims and Project Liabilities.

#### *Investment Management Agreements*

Scottish Widows Europe and Scottish Widows have entered into Investment Management Agreements with the following asset managers in respect of unit-linked funds accessible to Scottish Widows Europe’s policyholders: (i) Fundsight (formerly Lemanik Asset Management), which manages seven unit-linked funds; (ii) Hauck and Aufhauser, which manages three unit-linked funds; (iii) Schroder Asset Management (Europe) S.A., which provides access to seven funds; and (iv) BNY Mellon, which provides access to a global multi asset fund.

### **Part B - Risk Factors**

The Acquisition is subject to a number of risks. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Acquisition, material new risks to the Group as a result of the Acquisition or existing material risks to the Group which will be impacted by the Acquisition. If any, or a combination of, these risks actually materialise, the business, results of operations, financial condition, cash-flows or prospects of the enlarged Group (post completion of the Acquisition) could be materially and adversely affected.

The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group. The information given is as at the date of this announcement

and, except as required by the FCA, the London Stock Exchange, the UK Listing Rules, the UK Market Abuse Regulation and/or any regulatory requirements or applicable law, will not be updated. Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, results of operations, financial condition, cash-flows or prospects of the Group. If this occurs, the price of the Company's shares may decline and Shareholders could lose all or part of their investment.

### **Completion of the Acquisition is subject to the satisfaction of certain conditions**

Completion of the Acquisition is subject to the satisfaction of the Conditions set out above in the *Key Terms of the Acquisition – Sale and Purchase Agreement* section above.

There is no guarantee that these Conditions will be satisfied. Failure to satisfy any of these Conditions may result in the Acquisition not completing. If the Acquisition does not complete, the Group will not benefit from the expected benefits of the Acquisition, and such failure could adversely impact the Group's reputation as a successful consolidator leading to difficulty in acquiring future targets and an adverse effect on the business and financial condition of the Group. Both Chesnara and Scottish Widows have agreed to use all reasonable endeavours to undertake certain actions in connection with the satisfaction of the Conditions. As a result, there is a risk that Chesnara may incur significant expenditure in connection with, or to satisfy, such Conditions which will be in addition to the actual costs of the Acquisition and the integration process.

### **Capped warranties are provided by Scottish Widows which may not cover all of the potential liabilities associated with Scottish Widows Europe**

The Group would be dependent on the financial position of Scottish Widows in the event that it sought to recover amounts in respect of any breach of warranty claims for which Scottish Widows is liable. If claims arose but losses could not be recovered, this could adversely affect the Group's business, prospects, financial condition and results of operations.

### **Under the Investment Reassurance Agreement, Scottish Widows determines the benefits for policyholders of Scottish Widows Europe but Scottish Widows Europe will be responsible to its policyholders for those benefits**

Under the Investment Reassurance Agreement, Scottish Widows determines discretionary benefits funded from the Clerical Medical With-Profits Fund in Scottish Widows which Scottish Widows Europe will pay on to its policyholders. In doing so, Scottish Widows must comply with UK regulation in relation to with-profits businesses. Scottish Widows Europe passes on those benefits to its policyholders. Despite its reliance on Scottish Widows in relation to those benefits, Scottish Widows Europe is nonetheless responsible to its policyholders for those benefits and may face claims and complaints from those policyholders. Any losses incurred by Scottish Widows Europe could adversely affect the Group's business, prospects, financial condition and results of operations.

Scottish Widows Europe has the right to receive regular information from, and to attend regular meetings with, Scottish Widows in relation to the running of the Clerical Medical With-Profits Fund in order to seek to mitigate this risk. However, Scottish Widows is not under any obligation to act on any representation made by Scottish Widows Europe on behalf of its policyholders. Scottish Widows Europe would have to take other steps if it felt that Scottish Widows' approach was not in compliance with UK regulation.

**Under the Investment Reassurance Agreement, Scottish Widows manages the financial position of the Clerical Medical With-Profits Fund, part of which Scottish Widows Europe will inherit on termination of that agreement**

Under the Investment Reassurance Agreement, Scottish Widows manages the financial position of the Clerical Medical With-Profits Fund. On termination of the Investment Reassurance Agreement, Scottish Widows Europe would inherit its proportion of the Clerical Medical With-Profits Fund including its liabilities. When Scottish Widows closes that fund (at the time when that fund has sufficiently reduced in size such that Scottish Widow is entitled to do so under the provisions of its previous 2015 Part VII transfer scheme) Scottish Widows Europe may choose to inherit what is expected to be the greater proportion of that fund. The result of termination and recapture by Scottish Widows Europe of the business reassured under the Investment Reassurance Agreement could include Scottish Widows Europe needing to find additional capital to support that business. Depending on the financial position of the Clerical Medical With-Profits Fund at the point of termination, this could adversely affect the Group's business, prospects, financial condition and results of operations.

**On termination of the Annuity Reassurance Agreement, Scottish Widows Europe would need to find additional capital to support that business or take other steps**

On termination of the Annuity Reassurance Agreement, Scottish Widows Europe would recapture the liabilities for the reassured annuities. Regulatory capital rules for annuity businesses currently differ between the UK and Luxembourg. Scottish Widows can utilise a matching adjustment under the rules of the PRA which reduces the amount of its technical provisions in relation to that business. Scottish Widows Europe is unlikely to use a matching adjustment so it would have to set higher technical provisions for the same annuity business.

On termination of the Annuity Reassurance Agreement, the termination amount includes Scottish Widows' technical provisions. Accordingly Scottish Widows Europe would need to set a higher technical provision and to find the additional capital to support that business. This also applies if Scottish Widows Europe terminates the Annuity Reassurance Agreement in relation to new business, as it is entitled to do (for example if it is concerned about pricing offered to its customers). An alternative approach for Scottish Widows Europe following termination of the Annuity Reassurance Agreement would be to enter into a new reinsurance agreement with a reinsurer that has the benefit of matching adjustment and would price that reinsurance arrangement accordingly. Depending on matters such as the regulatory capital rules in the UK and Luxembourg and market for reinsurance at the time of termination, this could adversely affect the Group's business, prospects, financial condition and results of operations.

**Scottish Widows may get into financial difficulties meaning that it is unable to fund payments on the reinsurance agreements and the deeds of indemnity**

If Scottish Widows gets into financial difficulties this may delay or reduce the amount of payments received by its contractual counterparties. Failure of Scottish Widows Europe to receive the amounts due from Scottish Widows under the Investment Reassurance Agreement, the Annuity Reassurance Agreement, the Deed of Indemnity and the Project Indemnity could adversely affect the Group's business, prospects, financial condition and results of operations.

The largest credit exposure is under the two reinsurance agreements (currently the Investment Reassurance Agreement is the largest exposure but this will transition to the Annuity Reassurance Agreement over time). A funds withheld arrangement has been put in place under each reinsurance agreement whereby assets structured to closely cover the liabilities under the reinsurance agreements are held by Scottish Widows Europe. That

amount approximates to the termination payment due under the reinsurance agreements. Those funds withheld assets would be set off against the termination payment due from Scottish Widows (and therefore retained by Scottish Widows Europe to pay the termination payment) if the reinsurance agreements are terminated in circumstances where Scottish Widows is in financial difficulties or it defaults.

For the Deed of Indemnity, a floating charge has been put in place in favour of Scottish Widows Europe which will ensure that Scottish Widows Europe is treated *pari passu* with direct insurance customers of Scottish Widows on an insolvency of Scottish Widows.

Scottish Widows Europe has a right to terminate the Deed of Indemnity and the Project Indemnity in advance of Scottish Widows' insolvency and to receive an amount equal to the present value of expected future payments under the Deed of Indemnity and the Project Indemnity at the point in time of termination.

There is not a floating charge in favour of Scottish Widows Europe in relation to the Project Indemnity.

**The indemnification provided by Scottish Widows under the Deed of Indemnity and the Project Indemnity may not cover all potential liabilities incurred by Scottish Widows Europe**

Under the Deed of Indemnity, Scottish Widows will only indemnify Scottish Widows Europe for 90% of the Excess Liabilities and the Indemnified Expenses until the aggregate amount of the 10% of Excess Liabilities and Indemnities Expenses borne by Scottish Widows Europe exceeds €60 million. Therefore, Scottish Widows Europe will be liable for 10% of these amounts until a cap of approximately €52 million as at the date of signing is exceeded, following which all such amounts will be indemnified.

In addition, under the Deed of Indemnity, the claims management process will remain under the control of Scottish Widows and Scottish Widows Europe will have to satisfy detailed requirements relating to the management of claims. If Scottish Widows Europe fails to do so, this may result in Scottish Widows reducing the amount of payments or suspending payments under the Deed of Indemnity.

The Project Indemnity only covers Project Liabilities associated with certain projects. The cap of €20 million for the Project Liabilities in the Project Indemnity is based on Scottish Widows' estimate of the total amount of Project Liabilities. If these estimates are materially incorrect, the Project Liabilities may be greater than €20 million. Under the Project Indemnity, the indemnification in respect of the Regulatory Audit Liabilities is capped at 20% of the purchase price. If these losses exceed that amount, they will not be covered by the Project Indemnity.

In addition, under the Project Indemnity, the management of the remediation process for both Project Liabilities and Regulatory Audit Liabilities will remain under the control of Scottish Widows and Scottish Widows Europe will have to comply with certain procedural requirements in respect of each project. If Scottish Widows Europe fails to do so, this may result in Scottish Widows reducing the amount of payments or suspending payments in respect of each project under the Project Indemnity.

In the circumstance mentioned above, if losses could not be recovered, this could adversely affect the Group's business, prospects, financial condition and results of operations.

**The Group has limited management resources which may impact the process of integrating and managing the Group. There may be unforeseen integration difficulties**

**which could mean that, following completion of the Acquisition, the implementation of the Group's strategy may not proceed as expected**

The Group has been, and will be, required to devote significant management attention and resources to executing the Acquisition and subsequently integrating Scottish Widows Europe into the Group's business. While the Group has carried out significant planning in respect of the Acquisition, there is a risk that the Group may encounter difficulties when seeking to integrate Scottish Widows Europe, as a result of differences in management and operation of Scottish Widows Europe prior to the Acquisition. If such integration difficulties are significant, this could result in management distraction or overstretch and the deferral of certain planned management actions and adversely affect the Group's business, prospects, financial condition and results of operations. Should any of these integration difficulties occur, Scottish Widows Europe's businesses may not perform in line with management or shareholder expectations, which could have an adverse effect on the Group's business, results, financial condition and prospects.

**The Group may face challenges operating under a new regulatory regime in a market it does not currently operate in**

Chesnara does not have existing operations in Luxembourg, where Scottish Widows Europe is based. As a result, the Group may face unforeseen challenges in this market. Although a European Union jurisdiction, Luxembourg has a distinct regulatory framework which differs from the UK and other regions the Group operates in. This could lead to compliance challenges, particularly in areas such as solvency requirements, governance expectations, and reporting obligations. The Group may also face challenges in integrating the Luxembourg business into its existing governance and risk management structures, ensuring consistency across jurisdictions. Furthermore, as Scottish Widows Europe engages in cross-border activities, the Group will need to manage the complexities of EU regulations alongside local requirements.

**The Group may incur higher than expected Acquisition-related costs and integration costs**

The Group has incurred and will continue to incur legal, accounting and transaction fees and other costs related to the Acquisition. Some of these costs are payable regardless of whether the Acquisition is completed. The actual costs associated with the Acquisition or the separation and integration processes may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition or the separation and integration process.

In addition, in connection with the Acquisition, Scottish Widows and Scottish Widows Europe will enter into various arrangements relating to services to be provided by Scottish Widows to Scottish Widows Europe and vice versa. Certain services will only be provided by Scottish Widows to Scottish Widows Europe for an agreed transitional period (which may be extended by Scottish Widows Europe) pursuant to a transitional services agreement. It has also been agreed that certain other services (to be provided by Scottish Widows Europe to Scottish Widows and vice versa) will continue beyond the completion of that transitional period.

If Scottish Widows fails to provide the transitional services in a timely manner, or to the standard required under the transitional services agreement, the parties may need to agree a further extension period which could result in additional costs for Scottish Widows Europe. As a result, there is a risk that the actual costs of the transitional services agreement could be higher than expected.

Any of the above factors could materially adversely affect the Group's results of operations.

## **The value of Scottish Widows Europe may be less than the consideration paid**

Prior to completion of the Acquisition, Chesnara has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Scottish Widows Europe or the value of Scottish Widows Europe otherwise declines prior to completion of the Acquisition (to the extent not protected by the transaction documents), the value of Scottish Widows Europe may be less than the consideration agreed to be paid and, accordingly, the net value to the Group could be reduced. There is no ability for Chesnara to renegotiate the consideration amount and Chesnara may therefore pay an amount in excess of market value for Scottish Widows Europe, which could have an adverse effect on the business and financial condition of the Group.

## **Risks of executing the Acquisition could cause the market price of Chesnara's shares to decline**

The market price of Chesnara's shares may decline as a result of the Acquisition if, among other reasons, the Group does not achieve the expected benefits of the Acquisition as rapidly or to the extent anticipated, or at all, or the effect of the Acquisition on Chesnara's financial results is not consistent with the expectations of investors, or Shareholders sell a significant number of Chesnara's shares after completion of the Acquisition.

## **Part C – Legal and Arbitration Proceedings**

### **1. Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Chesnara is aware) during a period covering at least the 12 months preceding the date of this announcement which may have, or have had in the recent past, a significant effect on Chesnara and/or the Group's financial position or profitability.

### **2. Scottish Widows Europe**

The following is a summary of governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Chesnara is aware) during a period covering at least the 12 months preceding the date of this announcement which may have, or have had in the recent past, a significant effect on Scottish Widows Europe's financial position or profitability.

- Policy Claims

Scottish Widows Europe faces potential claims arising from with-profits policies distributed by brokers predominantly between 1998 and 2008 which were transferred under the 2019 Scheme. These claims principally relate to policyholders' contractual rights and lack of disclosure, with late withdrawal from contract and regular encashments now representing the main issues raised in claims: (the "**Policy Claims**"). As at 31 January 2026, 37 cases in relation to the Policy Claims are pending.

## **Part D – Related Party Transactions**

## **1. Group**

There have been no additional related party transactions between the Group and its related parties which are relevant to the Acquisition during the period between 30 June 2025 (being the end of the last financial period for which interim financial information of the Group has been published) and the date of this announcement.

## **Part E – Significant Change in Chesnara's Financial Position**

### **1. Group**

Other than the increase in the cash position as a result of the fully underwritten £140 million rights issue announced by the Company on 3 July 2025 and the issue of £150 million of restricted Tier 1 convertible notes announced by the Company on 1 August 2025, there has been no significant change in the financial position of the Group during the period between 30 June 2025 (being the end of the last financial period for which interim financial information of the Group has been published) and the date of this announcement.