



Proposed acquisition of a Portfolio from ARGENTA ASSURANTIES NV

22 November 2019

Chesnara

AGENDA

1. Introduction

2. Overview of the portfolio from Argenta Assuranties NV

3. The investment case

4. Conclusion and timetable

1. Introduction

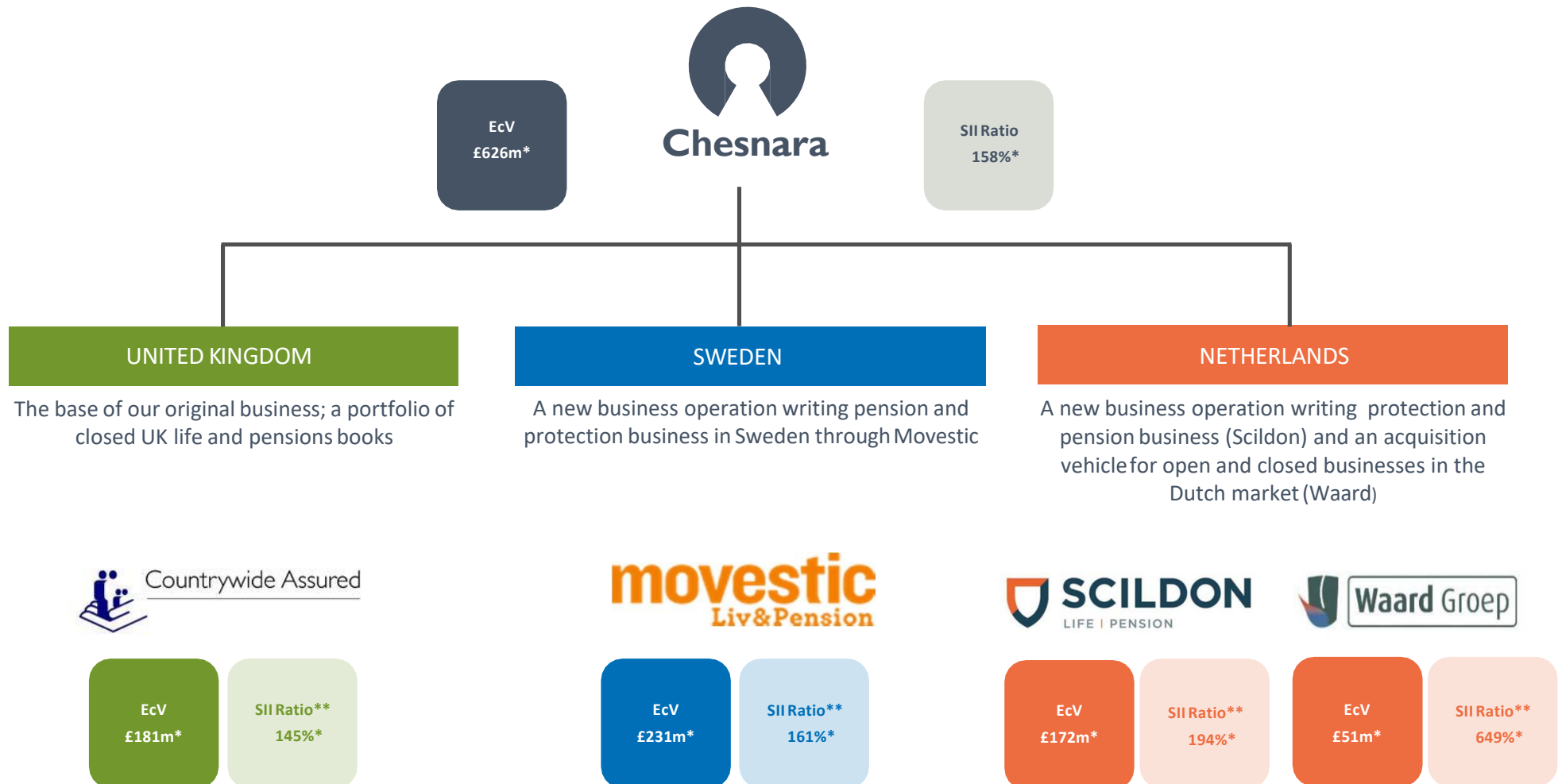
Chesnara has identified and negotiated an attractive acquisition opportunity within the Dutch life assurance market

Acquisition	<ul style="list-style-type: none"> — Purchase of a portfolio of business in the Netherlands — Portfolio consists of 44,000 term and savings products — Business to be transferred into existing Dutch business, Waard Group
Pricing	<ul style="list-style-type: none"> — Acquisition of a portfolio from Argenta Assuranties NV for £25.0m (€29.15m¹); a 17% discount of Own Funds on a Chesnara basis of preparation and a 22% discount to Economic Value ("EcV")
Key benefits of acquisition	<ul style="list-style-type: none"> — First deal in the Netherlands that creates material operating synergies with the existing business and the second deal (after Monuta²) that integrates into Waard — EcV day 1 gain of £6.9m (€8.0m¹) — Positive cash generation profile over the life of the book
Funding	<ul style="list-style-type: none"> — Funded from existing Waard surplus

Note 1: Based on an assumed exchange rate of €1.1667/ £1.0

Note 2: 6,500 policies acquired from Monuta and integrated into Waard in October 2019

The portfolio from Argenta Assuranties NV would be migrated into the Waard Group, the closed book operations of our Dutch division, following the same path as our successful integration of the 6,500 policies from Monuta



* 30 June 2019

**post dividend

Chesnara has a clear aim to provide a consistent and dependable dividend flow for our shareholders through the acquisition, restructuring, management and development of financial services companies domiciled in Western Europe. The acquisition of the portfolio from Argenta Assuranties NV is strongly aligned with Chesnara's strategic objectives

MAXIMISE VALUE FROM EXISTING BUSINESS	ACQUIRE LIFE AND PENSION BUSINESSES	ENHANCE VALUE THROUGH NEW BUSINESS
<ul style="list-style-type: none"> ✓ Cash generative ✓ Economic Value accretive ✓ Argenta Assuranties NV use the same systems as Waard reducing the risk on migration ✓ Represents the second Dutch deal that creates operational synergies with the existing business 	<ul style="list-style-type: none"> ✓ Preferred territory ✓ Products we understand ✓ Simple funding model and low overall deal and transition complexity are consistent with scale of the deal ✓ Strategic seller 	<ul style="list-style-type: none"> ✓ Consideration of entering into a strategic partnership with the seller to supply Scildon term products through Argenta Assuranties NV's existing network

2. Overview of the portfolio from Argenta Assuranties NV

2. OVERVIEW OF THE PORTFOLIO FROM ARGENTA ASSURANTIES NV

The portfolio is well aligned to our existing Waard Group

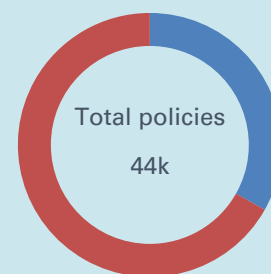
Business overview

Portfolio of business in run-off to be migrated into the existing Waard Leven entity. Profile of business and cover type in line with the primary products of the existing Waard book:

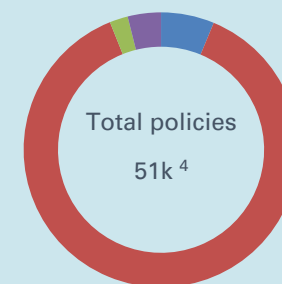
- 29,000 term life policies
- 15,000 savings-mortgage policies
- Business in run-off since 2013 for savings and 2018 for term
- Transaction is for the transfer of the policies only
- No staff would transfer as part of the transaction

■ Endowment ■ Mortality ■ Unit linked ■ Other

Acquisition portfolio



Waard



Economic value^{1,3}

£31.8m (€37.2m⁵)

Own funds^{2,3}

£30.2m (€35.2m⁵)

Policies³

44,000

Note 1: Estimate using Chesnara basis of preparation and assumptions

Note 2: Estimate using Chesnara basis of preparation, including adjustments to contract boundaries





Note 3: As of 30 June 2019

Note 4: Excluding c.60,000 policies administered on behalf of other parties as part of outsource arrangements

Note 5: Based on an assumed exchange rate of €1.1667/ £1.0

3. The investment case

The rationale for acquiring the portfolio from Argenta Assuranties is underpinned by our four key assessment pillars. The portfolio represents an attractive, value-enhancing prospect and a strong strategic fit with Waard

	Cash generation	Collectively, our future acquisitions must be suitably cash generative to continue to fund the Group dividend strategy
	Value enhancement	Acquisitions are required to have a positive impact on Economic Value per share
	Customer outcomes	Acquisitions must ensure we protect, and ideally enhance, customer interests
	Risk appetite	Acquisitions should align with the Group's documented risk appetite

The acquisition will enhance the EcV of the group and will be funded through existing surplus

Attractive price	<ul style="list-style-type: none"> — The portfolio is to be acquired for a cash consideration of £25.0m (€29.15m¹) — A 17% discount of Own Funds on a Chesnara basis of preparation at 30 June 2019 — A 22% discount to our estimate of EcV at 30 June 2019
Efficient funding	<ul style="list-style-type: none"> — Cash consideration is funded through existing cash reserves within the Waard business, which causes a modest initial cash strain which is expected to reverse out in short order and move to a positive cumulative position within 5 years. The acquisition is expected to create c.£11m (c.€13m) of incremental cash over the lifetime of the portfolio — No funding FX exposure — No funding expenses
Strong value enhancement	<ul style="list-style-type: none"> — Day 1 EcV gain of £6.9m (€8.0m¹) — Synergies with the existing Waard business enhance the wider sustainability of the Dutch operations

Note 1: Based on an assumed exchange rate of €1.1667/£1.0

The policyholders in the portfolio will benefit from the Chesnara customer model and governance structure

**Clear benefits
for existing
policyholders**

- Chesnara will apply its customer model and product governance to the acquired portfolio, in line with policy management of the existing book by the local management team
- The acquired policies will continue to benefit from robust corporate governance with a 2-tier independent supervisory and management board structure

Attractive risk profile aligned to our risk appetite

- A thorough DD process has identified that the portfolio sits within Chesnara's risk appetite
- The risks associated with the portfolio align closely to the pre-existing principal risks of the Chesnara Group
- The transaction would bring additional mortality, lapse and expense risk, though these would not be material at Group level

Any risks associated with the transaction and integration are within risk appetite due to:

- Migration of policies onto Waard systems
- Limited operational complexity in the migration
- Operational capacity within the Waard business
- Chesnara expertise and track record
- Existing Dutch management team and governance framework

4. Conclusion and timetable

4. CONCLUSION

Chesnara has a proven track record of purchasing and integrating insurance companies and books of business, and converting these into strong returns to our shareholders

Strong alignment with Chesnara's strategic objective to acquire life and pensions businesses within our target markets and value range

Attractive price and value accretive and will support our ongoing dividends

The portfolio will be migrated into our existing closed book Dutch operations

Efficiently funded through existing cash reserves

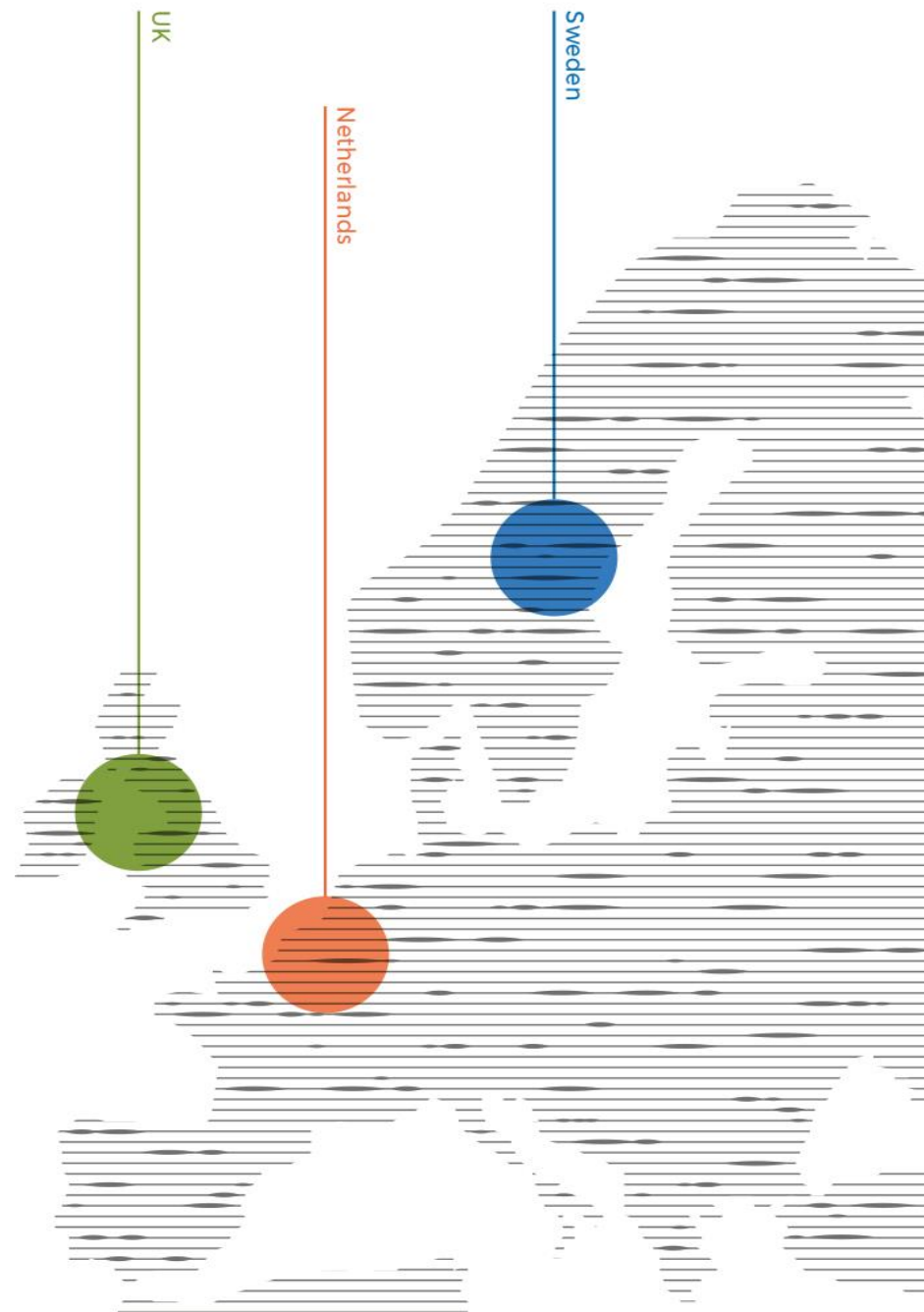
To be completed in Q2 2020

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