



LV= AGREES TRANSACTION WITH BAIN CAPITAL CREDIT

- *Delivers an excellent financial outcome for members with greater security and enhanced distributions for With-profits members*
- *Follows a Board-led, comprehensive and rigorous strategic review*
- *Maintains competition and choice for customers and IFAs in the UK market by supporting LV='s ambitions to grow its leading brand, distribution and products*
- *Bain Capital Credit offers an unrivalled commitment and experience to LV='s future prospects, business and people*

15 December 2020, London - Liverpool Victoria Financial Services Limited ("LV="), the savings, retirement and protection group, is pleased to announce that it has today reached an agreement on the terms of a transaction with funds advised by Bain Capital Credit LP ("Bain Capital"), a leading global private investment firm, to acquire LV=.

Bain Capital will pay £530m to acquire LV='s savings & retirement and protection businesses, representing a multiple of 0.9x for the Solvency II Own Funds¹ of £606m as at September 2020 and a multiple of 1.05x for Economic Own Funds² of £506m. Under the proposal LV='s With-profits business will be ring-fenced in a separate fund and closed to new business. The capital available for distribution is expected to increase by up to 40% as a result of the transaction and will be used to increase payments to With-profits members as their policies mature. Their long-term interests will continue to be protected by an experienced With-profits Committee.

The acquisition is subject to regulatory approval and approval from LV= members. It is expected to complete by the end of 2021, subject to the conclusion of the legal process.

Alan Cook, Chairman of LV=, commented: "As a newly standalone life and pensions business in an increasingly competitive market, the Board recognised that LV= required significant long-term investment to be sustainable. This transaction is the culmination of an extremely thorough and robust strategic review – followed by a structured sale process to secure the best long-term future for our members, employees, other stakeholders and the business. The Board is delighted to have secured an attractive price and unanimously agreed that the transaction with Bain Capital presents an excellent financial outcome for all our members, as well as offering an unrivalled commitment to LV='s future prospects, business and people. We look forward to engaging fully with our members in advance of a member vote in the first half of 2021."

Mark Hartigan, CEO of LV= said: "The partnership with Bain Capital recognises the opportunity to further invest to develop LV= at a time when it is well positioned, growing market share, expanding its products and trading resiliently, despite the pandemic. While our corporate structure will change, our culture and values remain the same. The Board is excited by the opportunities it creates for our people, partners and customers – enabling the LV= brand and business to further develop as a major force in the UK life insurance market."

Matt Popoli, Global Head of Insurance, Bain Capital Credit, commented: "We are delighted by the opportunity to provide long-term support to LV='s Board of directors and management team on this transaction, which delivers certainty and value to LV='s members. We are investing in a unique company with an impressive management team and employee base, that is already well positioned

¹ Unrestricted Tier 1 Own Funds

² Economic Own Funds reflect adjustments to remove the impacts of Transitional Measures for Technical Provisions and Risk Margin



in the market, with a clearly established product set, strong IFA relationships and a reputation for customer excellence. We have been impressed by LV='s initiatives to further improve its market position, the benefits of which are already emerging. Our principles and values are in direct alignment with those of LV= and we firmly believe in a shared vision for the future of the business. We look forward to working collaboratively to achieve these shared goals, which include delivering profitable growth, while preserving LV='s strong financial position, independence and rich heritage dating back to 1843."

Transaction details

As a result of this transaction all members are expected to benefit from a cash payment to compensate for loss of mutual membership upon full completion of the transaction.

Customers will also benefit from the increased investment that Bain Capital will provide. This will strengthen LV='s digital capability, enhance customer experience and broaden the products and services currently offered.

For With-profits members, the transaction delivers an excellent financial outcome and will give them greater security:

- Removing business risk for With-profits members by releasing capital required to finance future investment in new business activities;
- Increased pay-outs at policy exit – with the transaction providing up to a 40% uplift to the total capital available for distribution to With-profits members. This uplift will be subject to market performance and regulatory approval; and
- Fixing a schedule of administration and investment management charges.

The partnership with Bain Capital will provide LV= with the external investment needed to grow its leading brand and strong product set for the continued benefit of customers and IFAs. As a life and pensions company, LV= is a long-term investment for Bain Capital. It has identified a significant opportunity to leverage LV='s strong brand to expand its presence in its existing markets. Innovating and refreshing the customer experience and continuing to strengthen LV='s value proposition for financial advisors will be a core part of the future approach.

As a leading global private investment firm, Bain Capital is a compelling partner for LV= and will be able to support the business with its market expertise, investment capabilities, global perspective and scale. In addition, the Bain Capital Insurance team has a strong track record successfully growing and supporting similar businesses and is one of the most experienced demutualisation investors in the industry globally.

The transaction will be carried out in two stages with Bain Capital initially acquiring LV='s subsidiary LVLC together with the administration and new business infrastructure.

All eligible members will be invited to vote on the transaction at a Special General Meeting which is expected to be scheduled for the first half of 2021.

Subject to progressing as currently planned, the transaction is expected to complete by the end of 2021 with a transfer of the in-force non-profit business to LVLC (which will then be owned by Bain Capital) and a transfer of the With-profits business to a ring-fenced sub-fund of LVLC which will be run-off for the benefit of With-profits members. The transfer will be effected by way of a Part VII transfer under the Financial Services Markets Act 2000.



As part of the Part VII transfer LV='s existing subordinated debt then in issue will transfer with the business in accordance with its terms.

Background to the transaction

The transaction marks the outcome of a comprehensive and rigorous Board-led strategic review which attracted significant interest from leading strategic partners and financial investors from the UK and overseas.

Following the sale of the general insurance business at the end of 2019, it was clear to the Board that as a newly standalone life and pensions business - in an increasingly competitive market dominated by global, well-funded, shareholder owned insurers - LV= would require significant long-term investment to be sustainable.

The Board was faced with the challenge of identifying the most effective way to address the inherent tension between balancing the requirement to invest in the savings & retirement and protection businesses for the long-term while providing enhanced returns to With-profits policyholders.

A wide range of options and proposals were carefully considered by the Board supported by independent financial and legal advice and in consultation with the independent With-profits Committee to enable it to make an informed decision about which option to pursue.

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About LV=

LV= is a leading financial mutual and serves 1.3 million members (of which c340,000 are With-profits members) with a range of financial products. When we started in 1843 our goal was to give financial security to more than just a privileged few and for many decades, we were most commonly associated with providing a method of saving to people of modest means. Today we follow a similar purpose, helping people to protect and provide for the things they love, although on a much larger scale and through a wide range of financial services including insurance, investment and retirement products. We offer our services direct to consumers, as well as through IFAs.

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About Bain Capital Credit

Bain Capital Credit is a leading global credit specialist with approximately \$42 billion in assets under management. Bain Capital Credit invests up and down the capital structure and across the spectrum of credit strategies. Our team of more than 200 professionals creates value through rigorous, independent analysis of thousands of corporate issuers around the world. In addition to credit, Bain Capital invests across asset classes including private equity, public equity, venture capital and real estate, and leverages the firm's shared platform to capture opportunities in strategic areas of focus. For more information, visit www.baincapitalcredit.com.