



## STREAMLINING OF GROUP FRAMEWORK IN BANKING AND INSURANCE SECTORS

- Approval of the reorganization of Unipol Group's insurance unit
- Banking unit restructuring plan guidelines approved

Bologna, 30 June 2017

The Board of Directors of Unipol Gruppo S.p.A., having met yesterday under the chairmanship of Pierluigi Stefanini, has approved the transaction which looks to definitively reorganize the insurance units of Unipol Gruppo (the "Transaction"), through the disposal by UnipolSai Assicurazioni S.p.A. ("UnipolSai") of the following investments held by Unipol in:

- a) Unisalute S.p.A. ("Unisalute"), an health insurance company (number one in Italy in customer volume), equal to 98.53% of the share capital, for a total consideration of €715 million;
- b) Compagnia Assicuratrice Linear S.p.A. ("Linear"), an insurance company specializing in the direct sale of non-life insurance products, in particular motor insurance, equal to the entire share capital, for a total consideration of €160 million;

(hereinafter the "Disposals").

In the context of the Transaction, it is expected that should the necessary conditions exist, the controlling stake – equal to 63.39% of the share capital – held by Unipol in Arca Vita S.p.A. can also be transferred in the coming months to UnipolSai.

The Transaction looks to aggregate the entire insurance business of Unipol Gruppo under the control of UnipolSai, with numerous benefits in terms of coherence and effectiveness in the governance and coordination of all organizational and operational aspects of the insurance business.

Notably, the Transaction will allow the Group to ease the implementation of an integrated multichannel offering model, designed to take into account the ever-changing evolution of both consumer behavior and needs whilst maintaining the identity and corporate autonomy of the individual companies, which operate as market leaders in their respective sectors.

The respective values of the Disposals have been determined within the range of values identified with the support of Mediobanca – Banca di Credito Finanziario S.p.A. and JP Morgan Limited, as financial advisors, for Unipol and UnipolSai respectively, applying valuation methodologies widely used according to both Italian and international best practice.

In view of the fact that Unipol controls UnipolSai, both the Transaction in its entirety and the Disposals have been deemed:

- (i) by both parties as related-party transactions “of greater importance” according to *Article 8 of the Consob Regulation of 12 March, 2010 no. 17221* and of the procedures for related-party transactions adopted by Unipol and UnipolSai respectively;
- (ii) by Unipol, as transactions with affiliated parties, pursuant to the *Bank of Italy Circular no. 263 of 27 December, 2006, Title V, Chapter 5, and of the “Procedure for the management of transactions with affiliated parties”*, applicable to Unipol in its position as parent company of the Unipol Banking Group.

Unipol, having considered the features of the Transaction, with the aim of granting a more substantial and procedural fairness of the decision-making process, has decided to comply with, on a voluntary basis, the corporate and procedural controls required for related-party transactions of greater importance and for transactions with affiliated parties, although a specific exemption from the aforementioned procedure was applicable to Unipol.

The Transaction and the Disposals were therefore submitted, by both Unipol and UnipolSai, for assessment by the respective committees for related-party transactions, which have been assisted for the valuation aspects, by Towers Watson Italia S.r.l. and by Deloitte Financial Advisory S.r.l. Legal advisors were Chiomenti and BonelliErede.

In the valuation and the determination of the consideration of the Disposals, Unipol also sought the independent opinion of Colombo & Associati S.p.A., while UnipolSai sought the opinion of Studio Laghi S.r.l.

The Unipol Committee for related-party transactions has expressed its favorable opinion on (i) the Transaction and the Disposals, (ii) the interest and fairness of related economic, financial and legal conditions, and (iii) the correctness of the assessment and deliberative process followed by Unipol.

The completion of the Disposals is expected by the end of 2017, subject to required IVASS authorizations.

### Unipol Gruppo

*Media Relations*  
Fernando Vacarini  
T. +39 051 5077705  
pressoffice@unipol.it

*Investor Relations*  
Adriano Donati  
T. +39 051 5077933  
investor.relations@unipol.it

### Barabino & Partners

Massimiliano Parboni	Giovanni Vantaggi
T. +39 335 8304078	T. +39 328 8317379
m.parboni@barabino.it	g.vantaggi@barabino.it

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As the parent company of the Unipol Banking Group, Unipol would like to announce that the Board of Directors has also approved the guidelines for a restructuring plan of the banking business (the "Plan"). Under technical terms still to be defined, the Plan provides for the creation of a new company ("Newco"), owned by Unipol and UnipolSai, through the demerger of a portfolio of impaired loans belonging to Unipol Banca S.p.A. ("Bank" or "Unipol Banca") worth approximately €3bn which will be transferred to the Newco following (i) an adjustment of the value of the loans, according to the current prevailing market conditions for disposal purposes (which, at time of writing, is estimated to be around 20 cents on the euro), and (ii) strengthening the average coverage ratio for the "unlikely to pay" loans which will be retained by the Bank, at the highest levels in the Italian banking industry, currently estimated to be around 40%.

The other companies in the Group will be involved in implementing the Plan, namely Unipol Banca and UnipolSai, for the related valuations and determinations. Furthermore, along with the support of advisors entrusted therewith, further analyses will be carried out in defining the technical implementation methods of the Plan itself. The outcomes of such analyses and evaluations will be submitted to the competent decision-making bodies of the companies involved by the date of approval of the half-yearly report on 30 June, 2017. Unipol's goal is to implement the entire project by end of Q1 2018.

The Plan seeks to ring fence the entire portfolio of bad loans ("*sofferenze*") into a separate and distinct corporate vehicle with the specific aim to recover such positions in order to:

- 1) enable Unipol Banca to focus on its core business with a solid financial position and a low risk profile – prerequisite conditions required to ensure profit growth potential for the benefit of all stakeholders;
- 2) improve Unipol Banca's risk ratios (NPL ratio) to levels of excellence within the national banking system (gross and net ratios post-demerger currently estimated equal to approximately 10% and 7% respectively, with no *sofferenze* left within the Bank);
- 3) streamline the management process, maximizing the profitability of the loans being transferred from Unipol to Newco while maintaining the value linked to their future valorization within the Unipol Group;
- 4) facilitate the pursuit of any possible strategic options that should arise in the context of the rationalization and consolidation processes in the Italian banking system.

Preliminary estimate of the overall impacts of the above mentioned transactions on 31 December 2017, based on currently available information, would indicate a presumable negative effect on the Group's consolidated result equal to approximately €780 million, whose effect on Unipol Gruppo S.p.A.'s individual income statement will be offset by the capital gains stemming from the divestment

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pressoffice@unipol.it

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investor.relations@unipol.it

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Massimiliano Parboni T. +39 335 8304078 m.parboni@barabino.it	Giovanni Vantaggi T. +39 328 8317379 g.vantaggi@barabino.it
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of Linear and Unisalute, allowing Unipol to maintain its profitability perspective substantially untouched for the current fiscal year.

With regard to the potential effects on the regulatory capital ratios of the aforementioned transactions, a reduction of ten (10) percentage points in the consolidated Solvency II ratio and around 1% CET 1 Capital ratio of the Banking Group is estimated at the moment.

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A conference call will be held today, Friday 30 June 2017, at 8:00 am CEST during which financial analysts, institutional investors and journalists will be allowed to ask questions to the Group CEO, Carlo Cimbri. The dial-in numbers to participate in the event – as published on [www.unipol.it](http://www.unipol.it) – are the following: +39 02 8058811 (from Italy and all other countries), +1 718 7058794 (from the USA), +44 1212 818003 (from the UK).

### Unipol Gruppo S.p.A.

Unipol is one of the main insurance groups in Europe, with total premiums of roughly €14.8bn, of which €7.8bn in Non-Life and €7bn in Life (figures from 2016). Unipol adopts an integrated offer strategy and covers the entire range of insurance and financial products, operating primarily through the subsidiary UnipolSai Assicurazioni S.p.A., founded at the start of 2014 and a leader in Italy in the Non-Life business, particularly MV TPL. The Group is also active in direct MV insurance (Linear Assicurazioni), hull and cargo insurance (SIAT), health insurance (UniSalute) and supplementary pensions, and maintains a presence in the bancassurance channel (Arca Vita Group and Popolare Vita Group). Lastly, it also operates in the banking realm through the network of Unipol Banca branches and manages significant diversified assets in the real estate, hotel and agricultural (Tenute del Cerro) sectors. Unipol Gruppo S.p.A. is listed on the Italian Stock Exchange.

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*Media Relations*  
Fernando Vacarini  
T. +39 051 5077705  
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