

# Allianz Popular: a new platform in the asset gathering space in Spain



BANCO  
POPULAR

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2. Transaction Structure and rationale of the deal
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1. Background & Overview of the transaction

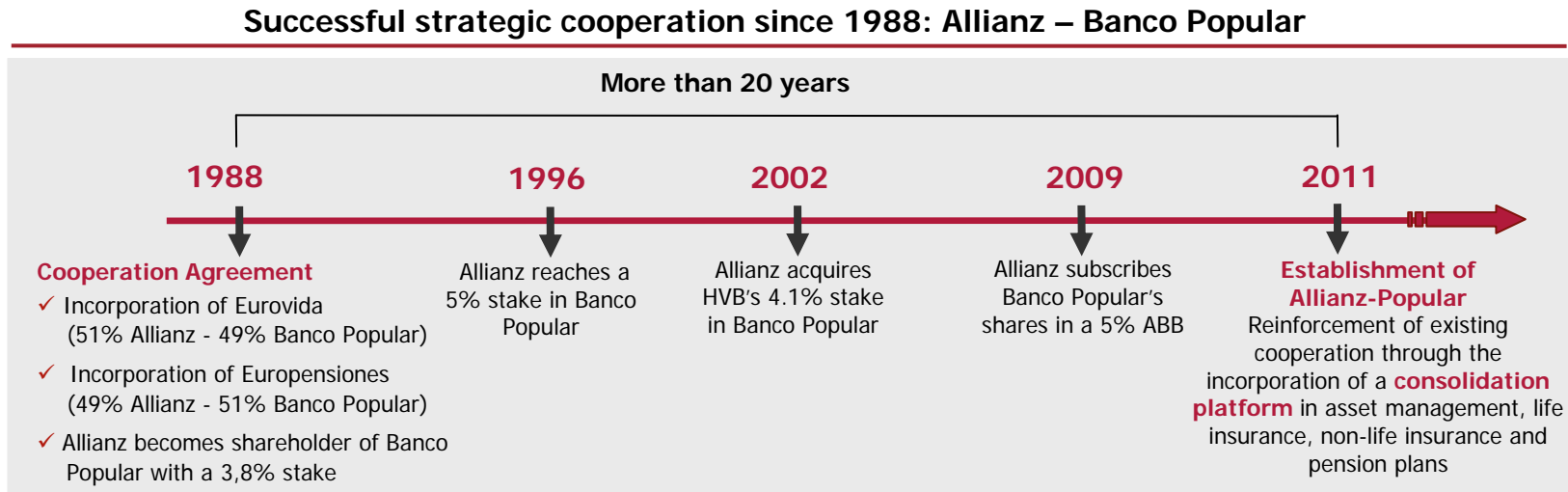
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## Background: A successful JV for over 20 years



- In 1988, Banco Popular and Allianz successfully captured the opportunity of developing a bancassurance business primarily focused on life insurance and pensions
- The transaction was implemented through the incorporation of two start-up joint-ventures, Eurovida and Europensiones that generate combined annual net profits in excess of €50m, representing one of the most profitable and efficient life&pension platforms in the Spanish market
- Over the past 22 years, this alliance has proven to be a clear success for both parties. This gives both Allianz and Popular the confidence required to set up a new consolidation platform aiming at taking advantage of the existing opportunities in the Spanish market at present
- The transaction reinforces the cooperation agreements signed in 1988 with the aim of maximising value creation for both entities

**2011: Historical opportunity in the Spanish market to build a platform to capture new business and create value for our shareholders**



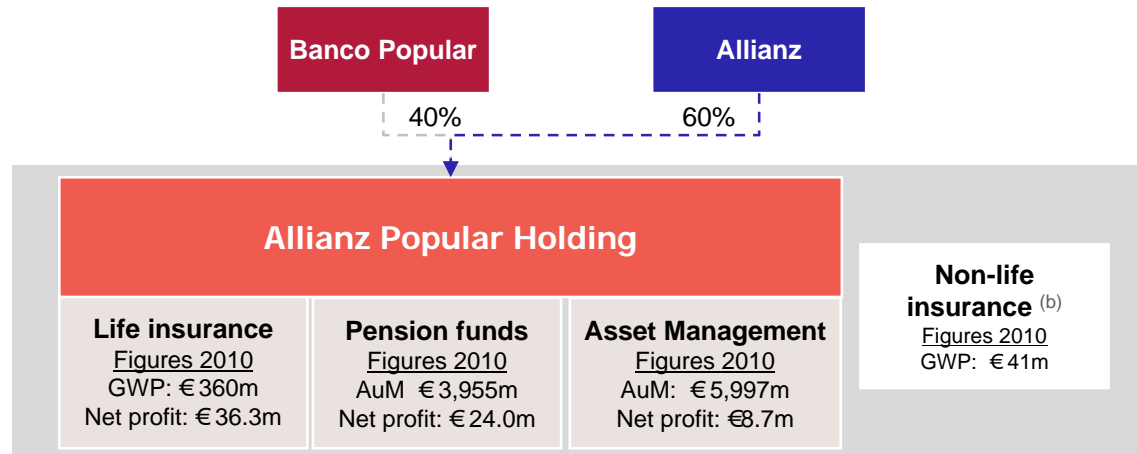
## Overview of the transaction

### Transaction perimeter <sup>(a)</sup>

*Reinforcing our JV with Allianz...*

*...Banco Popular will hold a 40% stake in the newly created Allianz Popular Holding*

*The transaction represents a unique opportunity to enlarge a long standing and successful partnership that is in place since 1988*



(a) The distribution networks of Banco Popular Hipotecario, S.A.U. (50/50 joint venture with Credit Mutuel) and of Popular Banca Privada, S.A. (Popular Banca Privada) are excluded of the perimeter

(b) Long-term exclusive distribution agreement without JV company. Allianz Spain underwrites 100% of the risk

### Allianz Popular will integrate all the asset gathering businesses from Banco Popular <sup>(1)</sup> (insurance, asset management and pension funds)

- All businesses are highly complementary and synergetic
- Involves BPE's "Best medium size Asset Manager in Spain" <sup>(2)</sup>
- Represents a good proposition to Popular by partnering with one of the largest asset managers globally
- Allows a simplified governance and decision taking by consolidating companies belonging to the same area
- Strengthen Banco Popular's relationship with Allianz, one of Banco Popular's core shareholders
- Reflects the high intrinsic value of Banco Popular's franchise in this area
- Strengthen Banco Popular's Balance sheet with €490 <sup>(3)</sup> m gross capital gains in a complex macroeconomic environment
- Allows for a better alignment of both partners' interests maximising future revenues



(1) Transaction pending of regulatory approvals

(2) As recently recognised by the 2011 Fundclass awards for sustainable performance over the past 4 years

(3) Not including potential capital gains from earn outs

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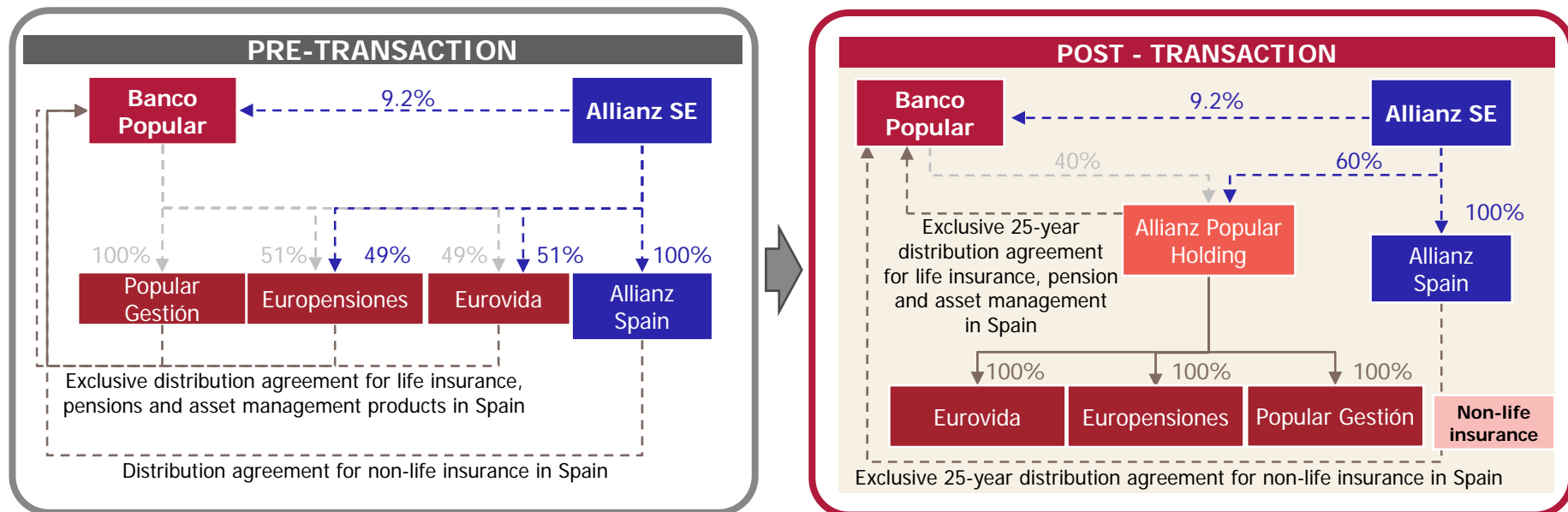
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## Transaction structure

The transaction encompasses the following:

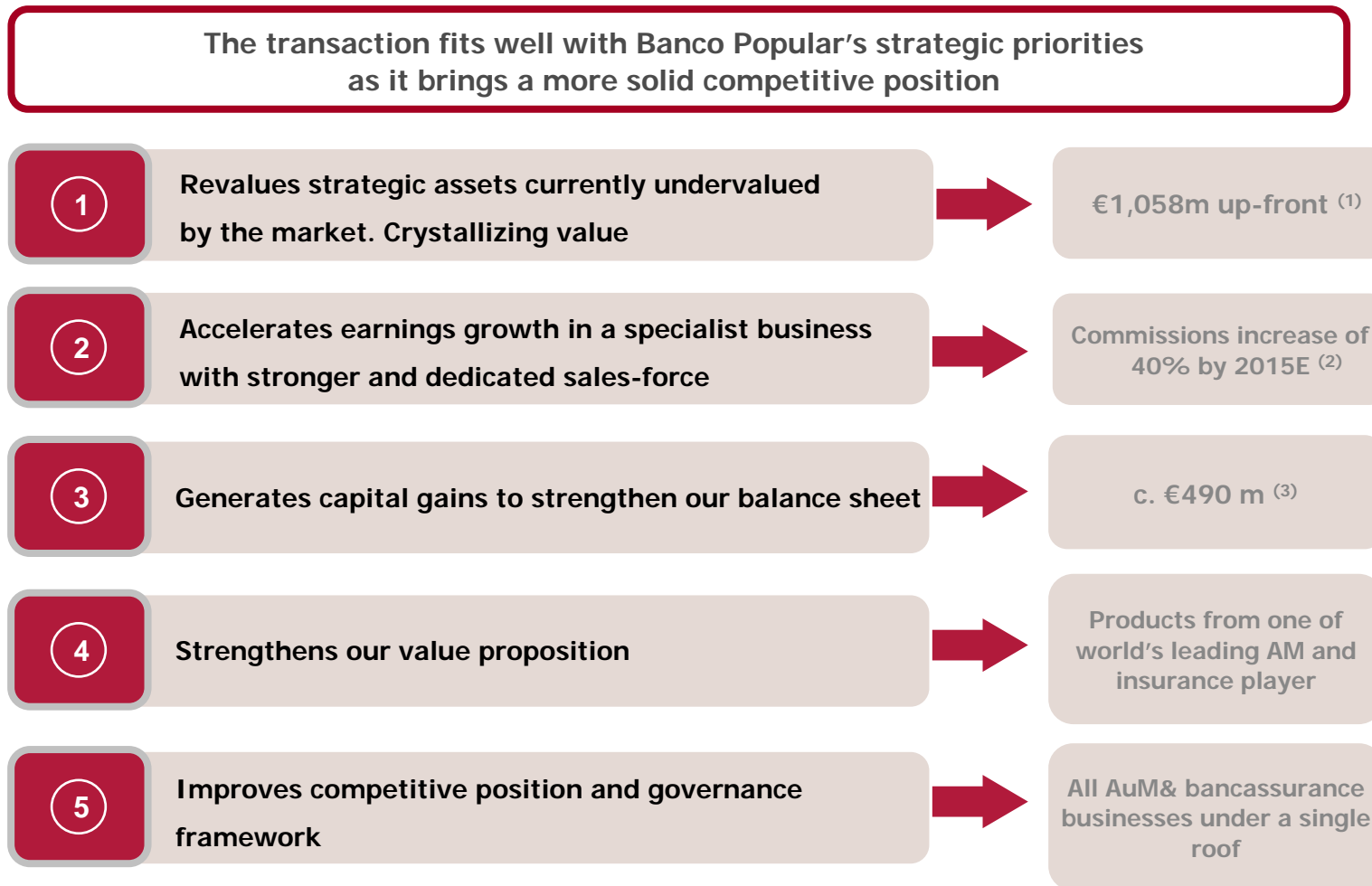
- i. Creation of a company holding (Allianz Popular Holding) to which both partners will contribute its respective stakes in the subsidiaries that distribute life insurance products, pension funds and asset management products in Banco Popular's network (not including Popular Banca Privada and Banco Popular Hipotecario)
- ii. Allianz will hold a 60% stake in Allianz Popular Holding and Banco Popular a 40% stake
- iii. Partnership for an initial term of 15 years renewable to 25 years
- iv. Launch of a new commercial plan for the life insurance, pension funds and asset management businesses



← - - - Banco Popular's stakes  
 ← - - - Allianz 's stakes  
 ← - - - Distribution agreements



## Strategic rationale for Banco Popular



<sup>1</sup> Implied valuation of Allianz Popular and the Non Life Distribution contract not including the potential value upside from future cash earn-out payments.

<sup>2</sup> Banco Popular estimate from 2009.

<sup>3</sup> Reflects gross gains from the up-front cash payments and the 40% stake retained in Allianz Popular not including the potential value upside derived from future cash earn out payments

## Allianz, best partner to accelerate next step into a new development phase



**Nr. 1 P&C insurer globally and Top 5 life insurer with revenues of €106.5bn**



**Superior financial strength: shareholders equity of €44.5bn (2010) & rated Aa3 by Moody's**



**Allianz Global Investors, a leading world class asset manager with € 1.5 trillion AuM supported by PIMCO, the leading fixed income asset manager worldwide by AuM**



**Strong commitment towards the Spanish market and Banco Popular with €3bn in GWP and a market share in excess of 5% in 2010**



**Superior bancassurance capabilities**



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## Financial Impact

**Cash payment (1)**  
**€185m**  
 (implying €1,058m for 100% of the businesses involved)

**Capital Gains**  
**€490m**

**EPS impact**  
**Accretive from year 1**

**Implied multiples (2)**



**Capital gains will be devoted to increase provisioning coverage**

Tangible Shareholders Equity 2010 **6.7x**

Net profit after tax 2010 **13.8x**



<sup>1</sup> The transaction contemplates a fixed non adjustable cash up-front payment of €185m to BPE for 9% of Eurovida, 11% of Europensiones, 60% of Popular Gestión and the non life distribution agreement as well as several deferred payments (Earn-out)

<sup>2</sup> Multiples reflect Audited Net profits 2010 unadjusted. BPE will receive €156m extraordinary dividend pre-closing. Multiples only take into account the implied valuation for the up-front element therefore not including the potential value upside from future cash earn-out payments.

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## Summary

1

A way to crystalize value and to **generate significant capital gains** for Banco Popular, both up-front and in the future through the earn-out agreement

2

A growth story through a **new platform** integrating all the long-term asset gathering businesses

3

A formidable **value proposition** for our customers in association with the Europe's largest insurance company and world's leading asset manager

4

Good for **customer**, good for **both shareholders** and good for **staff**





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