

INTESA SANPAOLO - UBI, WHAT CAN HAPPEN

What will happen to shareholders and bond holders? The risk of bail-ins tumbles. Repercussions at Piazza Affari

Existing customers unaffected

Focus on a wider range of products

Q&A

Intesa Sanpaolo is set to buy UBI. This move will transform the Italian banking scene. But what will change for holders of current and savings accounts?

Current accounts and mortgages held by the two banking entities will be unaffected by the changes. Doubts like these can be dispelled immediately. Moves like the one announced yesterday are "industrial" in scope and won't affect existing customer relationships. Nothing will change in terms of the everyday activities of households and savers. However, there are some positive factors which may benefit customers. Current account holders with the new entity will find themselves in a group with the advantage of better credit.

Put simply, this means that for the new institution, the risk of collapse and bail-ins will effectively be zeroed. "The new bank will be stronger and more profitable," summarised Robert Russo, CEO of Assetica Sim. Utilisations will amount to approximately € 460 billion. The savings that Italians will entrust to the new bank will total over € 1,100 billion, with revenues of around € 21 billion.

According to analysts' early estimates, the new group could have a total market share of 20%. Will this affect competition between banks and, as a result, consumers' wallets?

The new group will have access to over 3 million customers. Greater concentration means less choice and, therefore, conditions that could be less favourable for consumers. The doubt comes from the fact that, after the merger, mortgage rates could rise, although this would only affect loans taken out in the future, rather than those already in existence. On this point, experts are looking at the increased efficiency the merger will provide. Looking ahead, the commercial offer should improve rather than worsen, both in terms of quality and when it comes to prices and rates.

What will happen to the shareholders and bond holders of the two banks?

The merger has been welcomed by the financial operators who, yesterday, traded both of the banks on the Stock Exchange, as well as by the sector as a whole. The fact that, yesterday, Intesa Sanpaolo actually traded higher at Piazza Affari (+2.36%), despite being the buyer which, in these situations

usually negatively impacts stocks, highlights the positive reaction to this move. This means that the merger could also generate value in terms of the stock exchange. Bond holders of the two institutions will also benefit.

"UBI bond holders in particular will benefit from this strategy," added Russo. "In fact, they will acquire the Intesa Sanpaolo rating and stand to gain in terms of price."

What does this major merger mean for Piazza Affari?

Yesterday's news will provoke a positive surge in investor confidence in the Italian banking system which, at this stage, is trading at very low prices, far below the actual values, and those of foreign competitors, but which, in fact, has improved greatly in recent years.

However, while this improvement can already be seen in the last few quarters among Italian banks, operators are not yet convinced. The takeover bid will pique interest across the banking sector, which, in any case, mostly consists of the main Milan stock exchange.

What will happen to Italy as a whole?

"This merger will create value for everyone, including the

country," stated Lando Maria Sileoni, secretary of FABI, the Autonomous Federation of Italian Banking. "While UniCredit has downsized its operations in Italy, most likely to prepare for a major international transaction, Intesa Sanpaolo has made a significant move within our borders."

Will there be social repercussions?

Carlo Messina, who has worked hard to turn his group into a major bank, emphasised this point yesterday very clearly. "When it comes to ESG foundations and investors, or rather those focused on social and environmental issues," noted Francesco Castelli, bond manager at Banor Capital, "the merger will essentially provide more credit to the country in general, and this includes initiatives focused on social targets."

Indeed, Carlo Messina did cite these themes yesterday in the first announcements of the takeover bid: "We want to unite two major players of our banking system, Intesa Sanpaolo and UBI, to create a new entity that will lead the way in sustainable and inclusive growth." S. RIC. —

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A UBI Banca branch. The institution will change its name upon completion of the merger.

