Accelerated Share Repurchase ("ASR") - Process Flow

Cash

Cash collateral at inception

Cash as shares returned

Allstate — You're in good hands.

Investment Bank

Stock Lenders

Shares returned

Shares

Shares at inception
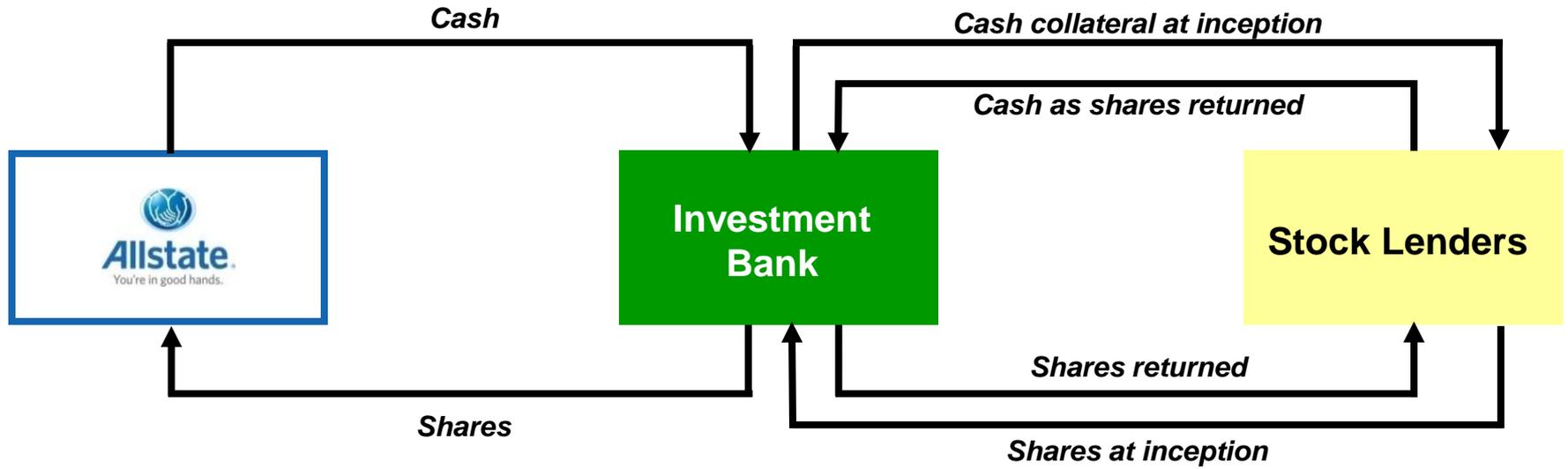
Drivers of Economic Value

Allstate
- *Receives shares at discount to the volume-weighted average price ("VWAP")*
- *Reduces shares outstanding immediately for shares totaling 85% of ASR amount*

Investment Bank
- *Executes open market transactions (buy and sell shares)*
- *Executes hedges*
- *Earns returns from outperforming VWAP*

Stock Lenders
- *Earns return on posted collateral*

- Allstate enters into an ASR agreement with an Investment Bank and pays the full cash amount upfront
- The Bank borrows shares from stock lenders, using the proceeds from Allstate as collateral for the borrowed shares
- Allstate receives the number of shares with total market price equal to 85% of the initial payment, reducing our outstanding share count immediately
- Over the term of the ASR, the Bank executes open market transactions (buys and sells shares) and may execute hedges to cover their borrowed share position and acquires the additional shares they will owe Allstate at the completion of the ASR
- Allstate may continue its own open market share repurchasing with the same Bank using a 10b-5 plan, at the same time the Bank is executing the ASR
- As the ASR is executed, the Bank returns shares to the stock lenders. When the ASR is complete the Bank settles with Allstate the net remaining number of shares owed, reducing outstanding shares at that time
- The total shares owed to Allstate is calculated as the cash paid up front divided by the arithmetic average of the daily volume-weighted average price ("VWAP") over the entire ASR period less a predetermined per share discount. The difference between this calculation and the initial number of shares delivered is the shares they will owe Allstate at completion of the ASR
- The total amount of shares received depends on the daily VWAP. Since the dollar amount of the ASR is determined at the beginning, the actual number of shares ultimately received is higher if the VWAP decreases than it would be if the VWAP increases