



Banca Popolare di Sondrio

Co-operative Society by shares - founded in 1871
Head office and general management: I - 23100 Sondrio So - Piazza Garibaldi 16
Registered in the Register of Companies of Sondrio at no. 00053810149
Registered in the Register of Banks under no. 842.
Parent Bank of the Banca Popolare di Sondrio Banking Group, registered in the Register of Banking Groups under no. 5696.0
Registered in the Register of Cooperative Societies under no. A160536
Member of the Interbank Deposit Protection Fund
Tax code and VAT number: 00053810149
Share Capital € 1,360,157,331 - Reserves € 1,157,414,409
(data approved by the Shareholders' Meeting of 12/6/2020)

PRESS RELEASE

The massive transfer of a bad loans portfolio was completed in the context of the project "DIANA". The transaction was carried out through a securitization for a gross book value of € 1 billion and for which the guarantee of the Italian State ("GACS") will be requested on the Senior tranche.

Sondrio, 17 June 2020 – As part of a wider program of interventions on impaired loans, on 17 June, Banca Popolare di Sondrio completed the securitization transaction of bad loans called "DIANA", in line with the provisions of the wider strategy to implement derisking and to improve the quality of the assets.

In particular, a portfolio of bad loans of € 999.7 million (consisting of 74% secured loans) was sold to the securitization vehicle called "DIANA" with effect from 1 April 2019, which in turn issued three tranches of ABS notes for a total of € 274 million (27.4% of the gross value of the assigned loans):

- a senior tranche, which is expected to be rated BBB / Baa2 / BBB by the DBRS Morningstar, Moody's and Scope Ratings agencies, respectively, equal to € 235 million, corresponding to 23.5% of the gross value of the assigned credits. The tranche in question has structural characteristics of eligibility for GACS;
- a mezzanine tranche, equal to € 35 million, corresponding to 3.5% of the gross value of the assigned loans;
- a junior tranche, equal to € 4 million.

All notes were underwritten by Banca Popolare di Sondrio at closing.

The senior securities will be retained by the Bank. For the same, the process for requesting the GACS state guarantee is being activated.

In order to obtain the deconsolidation of the assigned loans in accordance with the applicable sector regulations, 95% of the mezzanine and junior tranches will be placed

with institutional investors. At the end of this process (currently underway), the Bank will be able to derecognize the portfolio of bad loans transferred.

Following the accounting deconsolidation of the portfolio, the Bank's gross pro-forma NPE ratio, at 31 March 2020 of 12.3%, is estimated at 9.5%, down 2.8 percentage points.

The transaction was structured by Banca Popolare di Sondrio with the support of Banca IMI (Intesa Sanpaolo Group) and Société Générale who acted as arranger and placement agent. Prelios Credit Servicing has been nominated servicer of the securitized portfolio and, within this role, the Prelios Group will be responsible for the master and special servicing activities of the assigned loans. The Chiomenti and RCCD studios also participated as legal advisors for the arrangers and the Bank, respectively. KPMG Advisory acted as the Bank's industrial advisor. Finally, the Bank of New York Mellon and Securitization Services worked as agents of the securitization vehicle.

This transfer is an integral part of the wider derisking strategy defined by the Bank, which will also include a second assignment of non-performing loans within the year, made possible by the important capital buffers available to the Bank (approx. 580 bps on the total capital ratio, as shown by the transparency exercise conducted by the European Banking Authority) without sacrificing business development and support for the territories.

*"We are particularly satisfied with this result and above all with "how" we achieved it, says **Chief Executive Officer Mario Alberto Pedranzini**. We have kept our promises and what we had - in due course - indicated to Analysts, the Market and the Authorities. The impact of the sale is largely manageable and allows the Bank to continue its growth trajectory, preserving the profitability and, likewise, the current and prospective capital capacity that will allow us to further continue the derisking process, such as from NPL strategic plan presented to the European Supervisor.*

Thanks to the operational capacity in terms of personnel, resources and skills, we have completed, despite a moment of great complexity and uncertainty, a significant sale, in fact strengthening the ambitious goal of reducing the stock of impaired loans already in 2020".

Company contacts:

Investor Relations

Dr. Michele Minelli
0342-528.745
michele.minelli@popso.it

External relations

Rag. Paolo Lorenzini
0342-528.212
paolo.lorenzini@popso.it

Sondrio, 17 June 2020

The English translation is provided solely for the benefit of the reader and in the case of discrepancies the Italian version will prevail.