



# Banca Popolare di Sondrio

Società cooperativa per azioni - fondata nel 1871  
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## Press Release

### **BANCA POPOLARE DI SONDRIO ANNOUNCES THE SIGNING OF A SHARE PURCHASE AGREEMENT FOR THE ACQUISITION OF A MAJORITY OF THE SHARE CAPITAL OF CASSA DI RISPARMIO DI CENTO S.P.A.**

Banca Popolare di Sondrio ("**BPS**") announces that today it has been signed with Fondazione Cassa di Risparmio di Cento ("**Fondazione**") and Holding CR Cento S.p.A. ("**Holding CRC**"), a subsidiary of Fondazione, a definitive contract for the acquisition ("**Acquisition**" or "**Transaction**") of the majority of the share capital of Cassa di Risparmio di Cento S.p.A. ("**CRC**"), following the negotiations mentioned in the previous BPS press releases of March 25<sup>th</sup> 2018, November 17<sup>th</sup> 2017 and October 14<sup>th</sup> 2017.

Cassa di Risparmio di Cento is a credit institution founded in 1844 that has been operating for over 150 years in the Cento area and, today, serves its customers through a network of 47 branches located in the provinces of Ferrara, Bologna, Ravenna and Modena and 435 employees.

Over the years, CRC has demonstrated that it has a solid and resilient business model that has enabled it to generate continuous profits even in the challenging economic environment of the last decade, ensuring over the last three years a return on equity in line with the values recorded for banks with a comparable business model and size.

At June 30<sup>th</sup>, 2018, CRC shows individual total assets of approximately 3,090 million euro, with net loans to customers of 2,018 million euro, direct deposits of 2,101 million euro and indirect deposits of 1,964 million euro. In addition, CRC has an equity of approximately 185 million euro with a CET1 ratio of 12.7%.

Finally, the ratio of impaired loans to total loans from customers, which on June 30<sup>th</sup>, 2018 was 12.4% in gross terms and 6.7% in net terms, will benefit from the sale of a portfolio of non-performing loans completed in the second half of the year, bringing these indicators to 8.8% and 5.7% respectively.

The share purchase agreement between BPS, Fondazione and Holding CRC provides for the Transaction to be carried out in two phases.

In a first phase, BPS will acquire from Fondazione and Holding CRC, for mixed consideration (partly in cash and partly in BPS shares), the majority of CRC's capital. At a later stage, as further described below, BPS will acquire the remaining shares of Fondazione and Holding CRC and will propose to all other shareholders of CRC the purchase, according to technical forms to be defined, of their respective CRC shares.

In particular, the first phase ("**First Phase**") of the Acquisition involves the purchase by BPS of 1,000,000 CRC shares, half of which are sold by Holding CRC and half by Fondazione, for a total amount of 6.5 million euros, and the simultaneous exchange of 6,624,467 CRC shares owned by Fondazione for 9,274,254 BPS shares (equal to approximately 2% of the share capital). The total number of CRC shares that will be acquired by BPS, in the manner described above, as a result of First Phase, amounts to 7,624,467 shares, representing 51% of the share capital of CRC. The exchange between BPS shares and CRC shares in this First Phase will take place on the basis of a share-exchange ratio agreed between the parties for the purposes of the Transaction, equal to 1.4 newly issued BPS shares for each CRC share, assuming a conventional value per BPS share of Euro 3,41 and a conventional value per CRC share of Euro 4.774. As reported in the press release of March 25<sup>th</sup>, the share exchange will be supported by an issue of new capital of BPS to service the transaction, for which the Extraordinary Shareholders' Meeting of April 28<sup>th</sup> 2018 granted the Board of Directors the power to increase the share capital for cash for a maximum amount of € 40 million including share premium, excluding option rights, pursuant to Articles 2443 and 2441, paragraph 4, first sentence, of the Italian Civil Code.

It should be noted that the share purchase agreement provides for the possibility, to comply with the provisions of Article 30 of the Consolidated Banking Act, that the number of BPS shares that Fondazione will receive in exchange for the 6,624,467 CRC shares may vary, against a related payment in cash.

The second phase of the Transaction will be implemented after the completion of the First Phase and by December 31<sup>st</sup>, 2020. In this second phase, it is envisaged that BPS will purchase the remaining 2,404,437 CRC shares held by Fondazione and by Holding CRC (which have undertaken to transfer them) and that BPS will propose to all other minority shareholders to acquire the remaining 4,921,031 CRC shares, in the technical forms that BPS reserves the right to identify (which may include cash purchase and/or exchange for BPS shares). It is expected that the share-exchange ratio to be offered to

minority shareholders of CRC in the second phase of the Transaction will be the same as that used in the first phase, unless there is an adjustment of practice in the mid-term presence of capital transactions or other extraordinary transactions.

In addition, in the context of the completion of First Phase of the Transaction, it is envisaged that (i) a shareholders' agreement will be entered into between BPS, Fondazione and Holding CRC, concerning the respective shares that will be held in CRC, aimed at ensuring uniformity and consistency of policy on the part of BPS in the management of the same CRC, as well as (ii) a lock-up commitment by Fondazione relating to BPS shares that will be received at the closing of First Phase, for a period of 12 months starting from the date of the closing, at the expiration of which an orderly market agreement will apply for the regulation of the sale of the said shares on the market during the following 12 months.

The closing of First Phase of the Transaction is subject to the usual conditions precedent for similar transactions, including the necessary legal authorizations by the competent authorities, and is expected to take place during the first quarter of 2019.

The activities of verification and due diligence on the CRC, which involved the two institutions over several months and which were carried out in full collaboration between the parties, have confirmed and strengthened the mutual belief that the BPS Group is a banking reality able to enhance the business model of the CRC, preserving the relationship with the areas of historical belonging.

CRC, which already shows a high geographical and industrial complementarity and a particular cultural compatibility with the BPS Group, is a local reality rooted and recognized in a territory - that of Cento - where the BPS Group is only marginally present. CRC has been able to differentiate itself for the high loyalty of its customers, the quality of its management and its staff.

Moreover, CRC's profitability and capital strength indices are substantially comparable with those of BPS, so that it is believed that the process of integrating CRC into the BPS Group will require limited investments, reduced implementation risks and limited timeframes.

In view of the above, we believe that CRC's entry into the BPS Group represents an opportunity for growth for both institutions, which aims to substantially create value, in particular through the implementation of some strategic levers that will allow CRC to activate synergies and increase its profitability within a similar bank, but with significantly larger dimensions.

Sondrio, October 30<sup>th</sup>, 2018

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