



Banca Popolare di Sondrio

Joint-stock company - 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 € 1,253,388,214
(data approved by the Shareholders' Meeting of 11/5/2021)

Registration in the Companies Register of the resolution to convert into a joint-stock company.

Procedures and time limits for exercising the right of withdrawal.

Banca Popolare di Sondrio spa (or the "**Bank**") announces that on **5 January 2022** (the "**Registration Date**") the resolution with which the Extraordinary Shareholders' Meeting held on 29 December 2021 in second call (the "Extraordinary Shareholders' Meeting") approved the transformation of the Bank from a "cooperative society" into a "joint-stock company" was registered with the Sondrio Companies Register.

On the same date, the minutes of the Extraordinary Shareholders' Meeting and the updated version of the Articles of Association were made available to the public at the registered office, published on the Bank's website at <https://istituzionale.popso.it/it/investor-relations/assemblea-dei-soci> and on the authorised eMarket STORAGE mechanism (www.emarketstorage.com).

WITHDRAWAL RIGHT

The shareholders of Banca Popolare di Sondrio, including members who did not participate in the approval of the resolution of transformation and therefore absent, dissenting or abstaining shareholders (together, the "**Entitled Subjects**"), are entitled to exercise the right of withdrawal pursuant to Article 2437 of the Italian Civil Code (the "**Right of Withdrawal**").

LIQUIDATION VALUE

As disclosed to the market on 27 November 2021, the Liquidation Value of the shares in relation to which the Right of Withdrawal is exercised was determined by the Bank in euro 3.7548 per Banca Popolare di Sondrio share (the "**Liquidation Value**"). The Liquidation Value was calculated, in accordance with the provisions of Article 2437-ter, paragraph 3, of the Civil Code, by making exclusive reference to the arithmetic average of the closing prices in the six months preceding 27 November 2021, the date of publication of the notice of call of the Extraordinary Shareholders' Meeting.

WITHDRAWAL DECLARATION

The Right of Withdrawal may be exercised by each Entitled Person, for all or part of the shares held, pursuant to Article 2437-bis of the Italian Civil Code, by sending a registered letter with advice of receipt (the "**Declaration of Withdrawal**"), to be sent, with the minimum contents and according to the procedures indicated below in accordance with the law, within fifteen calendar days from the Registration Date and therefore not later than **20 January 2022** ("**Withdrawal Exercise Period**").

The Declaration of Withdrawal must be addressed only to "**Banca Popolare di Sondrio spa – Ufficio Soci, piazza Garibaldi, 16 – 23100 Sondrio**", and must be received in a sealed envelope with the external wording "Exercise of the Right of Withdrawal".

The Declaration of Withdrawal shall be irrevocable and shall contain:

- (i) the personal data (name, surname, place and date of birth in the case of a natural person or name and registered office in the case of a legal person) and the tax code/VAT number of the Entitled Subject exercising the right of withdrawal (the "**Withdrawing Subject**"), his/her domicile (and, where possible, a telephone number and/or an e-mail address) to which any communication regarding the withdrawal procedure should be addressed;
- (ii) the number of shares for which the Withdrawal Right is exercised (the "**Withdrawal Shares**");
- (iii) the name of the intermediary with which the Withdrawal Shares are deposited and through which the transaction will be settled.

Pursuant to Article 43 of the joint Bank of Italy - Consob Provision of 13 August 2018, the entitlement to exercise the Right of Withdrawal, under penalty of inadmissibility of the Declaration of Withdrawal, must be attested by a specific notification (the "**Notification**") issued in accordance with the provisions on dematerialised financial instruments entered into the centralised management system of Monte Titoli S. p. A. by the intermediary with whom the Withdrawal Shares are deposited and sent to Banca Popolare Sondrio in the manner provided for by applicable provisions of law and regulations. It will therefore be the responsibility of the Withdrawing Party to request that the Notification is sent to Banca Popolare di Sondrio. The intermediary appointed by the withdrawing party

must transmit the Notification, within the Withdrawal Exercise Deadline, directly to Banca Popolare di Sondrio via PEC at the address ufficio.soci@pec.popso.it.

The Notification must state:

(i) the uninterrupted ownership, by the Withdrawing Party, of the Withdrawal Shares from a date prior to the Extraordinary Shareholders' Meeting until the date of the actual exercise of the Withdrawal Right itself. For the purposes of this requirement, any person who, having purchased the shares on the Stock Exchange, has received them as a result of their liquidation before the start of the Extraordinary Shareholders' Meeting shall be deemed entitled to exercise the Right of Withdrawal;

(ii) the absence of any pledge or other encumbrance on the Withdrawal Shares; if this is not the case, the Withdrawing Party shall send to the Bank, in the same manner and at the same time as the Withdrawal Notice, as a condition for the admissibility of the same, an affidavit issued by the pledgee, or by the person in whose favor there is another encumbrance on the Withdrawal Shares, in which such person irrevocably consents to exercise the Withdrawal Right in accordance with the instructions provided by the Withdrawal Party.

The above declarations and the Notification must also be made by the Receding Parties owning Banca Popolare di Sondrio shares which may not yet have been dematerialised. In this case, they must: (i) first deliver the certificates representing the Withdrawal Shares to an intermediary authorised to centralise them in Monte Titoli S.p.A. and request their dematerialisation and centralisation; and (ii) request the subsequent issue of the aforementioned Notification for the exercise of the Withdrawal Right.

It is the responsibility of the Withdrawal Parties to ensure the accuracy of the information contained in the Withdrawal Notice and to send it to the Bank within the Withdrawal Period and in accordance with the procedures described above. Withdrawal declarations sent after the aforesaid deadline or in a manner different from that described above and/or without the necessary information and/or documents and/or without the relevant Notification in due time will be considered inadmissible.

Please note that a facsimile of the declaration of withdrawal, called "Form for the exercise of the right of withdrawal", will be published on the company's website at the address <https://istituzionale.popso.it/it/investor-relations/assemblea-dei-soci>.

UNAVAILABILITY OF THE SHARES SUBJECT TO WITHDRAWAL

Pursuant to Article 2437-bis, paragraph 2, of the Italian Civil Code, the Withdrawal Shares will be unavailable until the outcome of the liquidation procedure and, therefore, until the end of the liquidation procedure, the Withdrawal Shares may not be transferred by their respective holders, with the consequent temporary

impossibility of realising their investment. Pursuant to the applicable regulatory provisions, the issue of the Notification by the authorised intermediary will be accompanied by the freezing of the corresponding shares by the intermediary.

LIQUIDATION PROCEDURE

Should one or more Entitled Persons exercise their Right of Withdrawal, the liquidation procedure shall be carried out in accordance with the provisions of Article 2437-quater of the Italian Civil Code and applicable regulations, as well as with the rules on the redemption of Withdrawal Shares laid down for cooperative banks under Article 28, paragraph 2-ter, of Legislative Decree no. 385/1993, ("TUB") and the provisions relating to the authorisation required for the reduction of own funds for the redemption of primary tier 1 capital instruments. 28, paragraph 2-ter, of Legislative Decree no. 385/1993, ("TUB") and by the provisions relating to the authorisations required for the reduction of own funds for the redemption of primary tier 1 capital instruments pursuant to Articles 77 and 78 of Regulation (EU) no. 575/2013 (CRR), as further specified below.

1. Offer under option

Firstly, the Withdrawal Shares, pursuant to Article 2437-quater, paragraph 1, of the Civil Code will be offered as an option to the holders of Banca Popolare di Sondrio shares who have not exercised their Right of Withdrawal, in proportion to the number of Banca Popolare di Sondrio shares they hold (the "**Offer under option**"). The Offering will be filed by the Bank with the Sondrio Register of Companies and due notice will be given in the manner and time frame prescribed by law. For the exercise of the option right, a term of not less than thirty days will be granted from the date of the filing of the Offer at the Sondrio Companies' Register and will be communicated through a press release and a notice published in the daily newspaper "Il Sole 24 Ore". Those who exercise their option right, provided that they make a simultaneous request, will be granted, pursuant to Article 2437-quater, paragraph 3, of the Italian Civil Code, a right of pre-emption in the purchase of any shares which remain unexercised at the end of the Offer. If the number of shares for which the pre-emption right is requested exceeds the number of shares remaining unexercised as a result of the Offering, an allocation shall be made among all applicants in proportion to the number of shares held by each of them.

2. Offer on the regulated market

In the event that the Withdrawal Shares of the Withdrawal Parties have not been acquired, in whole or in part, by the other shareholders following the Offer, the Withdrawal Shares not acquired will be offered on the Euronext Milan market managed by Borsa Italiana S.p.A., in accordance with article 2437-quater, paragraph 4, of the Civil Code as well as other applicable provisions of law and regulations ("**Offer on the Stock Exchange**").

All necessary information regarding this phase of the procedure will be communicated by Banca Popolare di Sondrio in a timely manner, within the terms and in the manner prescribed by law.

3. Further steps in the liquidation procedure

In the event of failure to Fully place the Withdrawal Shares at the end of the Offer under Option and of the Offer on the Stock Exchange, the remaining shares (the "**Unopted and Unplaced Withdrawal Shares**") may possibly be purchased by Banca Popolare di Sondrio pursuant to Article 2437-quater, paragraph 5, of the Italian Civil Code, through the use of profits and available reserves, in compliance with the rules on the redemption of the Withdrawal Shares provided for cooperative banks pursuant to Article 28, paragraph 2-ter, TUB, taking into account, in this regard, what has already been illustrated in the " Report on the proposals concerning the agenda", extraordinary Part" (the "**Explanatory Report**") prepared pursuant to Article 125-ter of Legislative Decree no. 58/1998. Legislative Decree no. 58/1998 ("**TUF**") by the Board of Directors of Banca Popolare di Sondrio. For the purposes of the redemption of the Withdrawal Shares by Banca Popolare di Sondrio, the need for prior authorization of the European Central Bank for the reduction of own funds in accordance with the provisions of Article 77 of EU Regulation no. 575/2013 ("CRR") and Delegated Regulation (EU) no. 241/2014 remains unaffected.

With reference to the regulations on the reimbursement of shares subject to withdrawal provided for the cooperative banks, it should be noted that Article 1 of the Decree Law of 24 January 2015, no. 3 (the "**Decree**"), converted with Law no. 33, amended some provisions of the Consolidated Banking Act (Legislative Decree 385/1993, TUB) on cooperative banks by introducing, in particular, to art. 28 of the Consolidated Law on Banking, paragraph 2-ter which reads verbatim "*In people's banks and cooperative credit banks the right to reimbursement of shares in the event of withdrawal, even following transformation, death or exclusion of the shareholder, is limited in accordance with the provisions of the Bank of Italy, also by way of derogation from the law, where this is necessary to ensure the computability of the shares in the bank's primary quality regulatory capital. For the same purposes, the Bank of Italy may limit the right to reimbursement of other equity instruments issued* "

The regulatory framework dictated by the new Article 28, paragraph 2-ter, of the TUB was completed with the introduction of Chapter 4 of Part Three of Bank of Italy Circular no. 285 of 17 December 2013, with particular reference to Section III in which it is established that "*The articles of association of people's banks and cooperative credit banks grant the body with strategic supervision, on the proposal of the body with management functions, after consulting the body with control functions, the power to limit or defer, in whole or in part and without time limits, the redemption of shares and other capital instruments of outgoing shareholders due to withdrawal (including in the event of transformation), exclusion or death, in accordance with the applicable prudential rules. This power is granted, pursuant*

to Article 28, paragraph 2-ter, TUB, also in derogation of the relevant provisions of the Civil Code and other laws"

In compliance with the aforementioned provisions, Banca Popolare di Sondrio has adjusted its Articles of Association to the regulations in force, through the introduction of the provision set forth in Article 23, paragraph 2, also reported as a transitional provision in Article 53 of the Articles of Association approved with the transformation resolution, on the basis of which "*Pursuant to Article 28, paragraph 2-ter, of Legislative Decree 385/1993, in the event of withdrawal, including following the transformation of the bank into a joint-stock company, death or exclusion of a shareholder, the Board of Directors may, taking into account the bank's prudential situation in accordance with the provisions of the Supervisory Authority, after consulting the Board of Auditors limit or postpone, in whole or in part and for an unlimited period of time, the redemption to the outgoing shareholder of shares or capital instruments qualifying as primary capital of the bank, including by way of derogation from the provisions of the Civil Code and other legal provisions and without prejudice, however, to any authorisation required from the Supervisory Authority*".

The redemption of the Shares Subject to Withdrawal Unopted and Unplaced is therefore subject to the application of the above mentioned provisions of law and of the By-laws and, to the extent not derogated, of the relevant provisions of the Italian Civil Code. Consequently, once the procedure for the Offer under option has been completed, as well as the eventual Offer on the Stock Exchange, and the amount of the Shares Subject to Withdrawal Unopted and Unplaced and the corresponding amount of reimbursement potentially to be borne by Banca Popolare di Sondrio are known, the Board of Directors, having consulted with the Board of Statutory Auditors, will evaluate, upon the proposal of the Managing Director, whether to avail itself of the option provided by the Articles of Association in accordance with the provisions of Article 28, paragraph 2-ter TUB and the implementing provisions issued by the Bank of Italy.

The decision of the Board of Directors, as already disclosed in the Explanatory Report in order to allow a more informed exercise of the right of withdrawal, will be made on the basis of the criterion represented by compliance with the minimum threshold that will be set in relation to the ratios of (i) "fully loaded" primary tier 1 capital (CET1); (ii) "fully loaded" tier 1 capital (Tier1); (iii) "fully loaded" own funds; (iv) Minimum Requirement for own funds and Eligible Liabilities (MREL).

These thresholds will be determined on the basis of an overall assessment of the following elements:

(i) as of September 30, 2021, the Banca Popolare di Sondrio banking Group had a fully loaded Common Equity Tier 1 ratio of 16.44%, a fully loaded Tier 1 ratio of 16.48% and a fully loaded Total Capital ratio of 18.24%. The ratios on a transitional basis at the same date were 16.53% (CET1 ratio), 16.57% (Tier 1 ratio), 18.33% (Total capital ratio);

(ii) as of September 30, 2021, according to internal data the Banca Popolare di Sondrio banking Group had an MREL ratio, the new requirement for eligible liabilities introduced by the BRRD (Bank Recovery and Resolution Directive), equal to 29.1%. A new regulatory minimum has been set for this requirement, to be complied with continuously from 1 January 2022;

(iii) as of 30 June 2021, according to the EBA Risk Dashboard, the average fully loaded CET1 ratio of major European banks was 15.5%; at the same date, solvency ratios on a transitional ("phased in") basis were 15.8% (CET1 ratio), 17.1% (Tier 1 ratio) and 19.8% (Total capital ratio);

(iv) As of 31 March 2021, as published by the Single Resolution Board (SRB MREL Dashboard), the average MREL ratio of major European banks was 31.1%, compared to a minimum MREL target requirement of 22.8% on average (26.1% including the additional combined capital buffer);

(v) evidence from management and regulatory stress testing exercises on the capital position. With reference to the ECB/SSM stress test exercise conducted in 2021, the Group recorded in the adverse scenario a capital erosion at the end of the three-year period 2021-23 equal to 610 basis points, expressing a CET1 ratio of 10.1%;

(vi) in recent years, the supervisory authorities have introduced minimum provisioning levels for impaired exposures. In particular, prudential regulation (including EU Reg. 2019/680 and the Addendum to the ECB Impaired Credit Guidelines) has required banks to meet minimum provisioning thresholds for impaired exposures based on the "vintage" of the impaired loan and the year of origination (so-called "calendar provisioning"), with an expected impact that is certainly significant;

(vii) the regulatory innovations under discussion or announced by regulators, and in particular those under the acronym "Final Basel III" (in the EU also referred to as "Basel 3+" and traceable to the legislative proposal for the revision of Directive 2013/36/EU and Regulation (EU) 575/2013 adopted by the European Commission on 27 October 2021), are expected to have a non-negligible impact in the medium term;

(viii) the European Central Bank, upon completion of the 2021 Supervisory Review and Evaluation Process (SREP), is expected to notify the bank presumably this January of the new minimum capital ratios to be held on a consolidated basis as of 1 March 2022;

(ix) the new minimum MREL ratios, communicated by the Bank of Italy on the instructions of the Single Resolution Board at the conclusion of the annual solvency assessment process to be held on a consolidated basis over the three-year period 2022-2024.

The Board of Directors will therefore proceed to evaluate whether the redemption by Banca Popolare di Sondrio of the Shares Subject to Withdrawal Unopted and Unplaced is compatible with maintaining the minimum thresholds set in accordance with the previous paragraph for the ratios of (i) "fully loaded" primary tier 1 capital (CET1), (ii) "fully loaded" Tier 1 capital (Tier1), (iii) "fully loaded" shareholders' equity, (iv) "fully loaded" shareholders' equity and eligible liabilities (MREL).

This is without prejudice, in any case, to any further needs that may arise between now and the time the decision is taken, also taking into account any indications that may be given by the Supervisory Authority regarding the execution of the reimbursement, which is subject to authorisation by the European Central Bank.

Taking into account the elements illustrated above and the criteria outlined above, also in light of the uncertain outlook of the economic and financial scenario, it should be noted that the conditions may not exist for Banca Popolare di Sondrio to be in a position to make available its own funds for the total or partial redemption of the Shares Subject to Withdrawal Unopted and Unplaced.

In the event that the amount identified by the Administration on the basis of the elements indicated above is not sufficient to reimburse all the shares for which the withdrawal has been exercised and which remain after the completion of the offer under option and placement on the stock exchange, it is the Bank's intention to limit the reimbursement, according to the provisions of the specific provision of the Articles of Association adopted in compliance with Article 28, paragraph 2-ter, of the Consolidated Banking Act and the instructions of the Supervisory Authority.

In this case, in full respect of the equal treatment of all the Withdrawing Parties, the Bank will proportionally redeem the Shares Subject to Withdrawal Unopted and Unplaced, subject to obtaining the European Central Bank's authorisation for the reduction of own funds for the redemption of primary tier 1 capital instruments pursuant to art. 77 EU Regulation No. 575/2013 ("CRR") and Delegated Regulation (EU) No. 241/2014, up to the amount available, through the purchase of the same for a value corresponding to the Liquidation Value, while the remaining shares will be made available again to the withdrawing shareholders, releasing them from the unavailability obligation pursuant to Article 2437-bis of the Italian Civil Code.

More specifically, once the amount to be redeemed has been determined on the basis of the above criteria, it will be divided by the Liquidation Value, thus determining: (i) the total number of shares to be redeemed which, subject to the European Central Bank's authorisation, will be paid to the Withdrawing Subjects in proportion to the number of Withdrawal Shares of each Withdrawing Subjects; (ii) the total number of shares to be made available again and which will be made available to the Withdrawing Subjects in proportion to the number of Withdrawal Shares of each Withdrawing Subject.

All necessary information regarding this phase of the procedure will be communicated by Banca Popolare di Sondrio in a timely manner in accordance with the terms and procedures provided for by law.

This notice is also published on 6 January 2022 in the newspaper Il Sole 24 Ore.

BANCA POPOLARE DI SONDRIO

Sondrio, 5 January 2022

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