INTESA SANPAOLO

# PRESS RELEASE

## INTESA SANPAOLO SIGNS CONTRACT TO ACQUIRE CERTAIN ASSETS AND LIABILITIES OF BANCA POPOLARE DI VICENZA AND VENETO BANCA

*Turin - Milan, 26 June 2017* – Following the unanimous decision reached by its board of directors, Intesa Sanpaolo has signed a contract with the liquidators of Banca Popolare di Vicenza and Veneto Banca concerning the acquisition by Intesa Sanpaolo of certain assets and liabilities and certain legal relationships of the two banks, for a token price of €1.

The intervention of Intesa Sanpaolo makes it possible to avoid the serious social consequences that would have otherwise derived from compulsory administrative liquidation proceedings for the two banks. This intervention will safeguard the jobs at the banks involved, the savings of around two million households, the activities of around 200,000 businesses financially supported and, therefore, the jobs of three million people in the areas which record the Country's highest economic growth rate.

Intesa Sanpaolo will acquire a segregated scope which excludes NPLs (bad loans, unlikely-to-pay loans and past due exposures), subordinated bonds issued, as well as shareholdings and other legal relationships that the Bank does not consider functional to the acquisition. However, Intesa Sanpaolo will allocate €60 million in total as restitution to small savers who hold subordinated bonds issued by the two banks, which includes an amount as its own intervention in addition to its expected pro-rata contribution to the fund supplied by the banking system.

The scope of acquisition includes, in addition to the selected assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, the shareholdings in Banca Apulia S.p.A. and Banca Nuova S.p.A, SEC Servizi S.c.p.a., Servizi Bancari S.c.p.a. and, subject to approval of related authorisations, in banks operating in Moldavia, Croatia and Albania. Specifically, this scope includes:

- performing loans, other than high-risk loans, of around €26.1 billion,
- financial assets of around €8.9 billion,
- tax assets of around €1.9 billion,
- due to customers of around €25.8 billion,
- senior bonds of around €11.8 billion,
- indirect deposits of around €23 billion, of which assets under management of around €10.4 billion,
- around 900 branches in Italy and around 60 abroad including the bank network in Romania,
- around 9,960 people in Italy and around 880 abroad.

The scope of acquisition includes high-risk performing loans of around €4 billion. However, Intesa Sanpaolo will have the right to give these back to the banks in compulsory administrative liquidation, should conditions occur, during the period up to the approval of the financial statement as at 31 December 2020, requiring that these loans be classified as bad loans or unlikely-to-pay loans.

Terms and conditions of the contract, in the framework set by the decree law and the ministerial decrees issued in relation to the transaction, ensure that the acquisition by Intesa Sanpaolo is fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 ratio and dividend policy. Specifically, they provide for:

- a public cash contribution to cover the impact on the capital ratios. Its size leads to a phased-in Common Equity Tier 1 ratio of 12.5% to risk-weighted assets (RWA) acquired. This contribution will be recorded as income in the income statement, in accordance with the IAS 20 accounting principle, and is equal to an amount of €3.5 billion not subject to taxation
- an additional public cash contribution to cover integration and rationalisation charges in relation to the acquisition. These charges include those relating to the closure of around 600 branches and the use of the solidarity allowance mechanism in relation to the exit, on a voluntary basis, of around 3,900 people of the Group resulting from the acquisition. These charges also relate to other actions to be taken to safeguard jobs, such as redeploying and retraining people. This contribution, too, will be recorded as income in the income statement, in accordance with the IAS 20 accounting principle, and is equal to an amount of around €1.285 billion not subject to taxation. This amount will be set aside in a specific fund, considering the tax effects related to its use, and will therefore be neutral for the year's net income
- public guarantees equal to €1.5 billion after tax, in order to sterilise risks, obligations and claims against Intesa Sanpaolo due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred. In any case, the banks in compulsory administrative liquidation will be liable for damages that may derive from past disputes and from disputes relating to the rules regulating the purchase of own shares and/or investment services. This includes disputes brought by parties who participated/did not participate in, or were excluded from the so-called "Offers for Settlement" and from "Welfare Incentives"
- the fully eligibility of Intesa Sanpaolo to use the deferred tax assets of the banks acquired
- the right for Intesa Sanpaolo to change the scope of the transaction after the date of execution, where necessary, in order to obtain the unconditional approvals by antitrust authorities.

The contract includes a termination clause which establishes that the contract is ineffective and the assets/liabilities/legal relationships acquired can be given back to the banks in compulsory administrative liquidation. This refers, specifically, to the event that the decree law is not converted into law or is converted with amendments/integrations that make the transaction more expensive for Intesa Sanpaolo, and is not fully enacted within the terms provided by law.

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