

Dott. Alessandro Trotter (Chairman of the Board of Directors)  
Prof. Stefano Caselli (Vice-Chairman of the Board of Directors)  
Dott. Luigi Lovaglio (Chief Executive Officer)

Credito Valtellinese S.p.A.  
Piazza Quadrivio 8  
Sondrio 23100  
Italy

London, 25<sup>th</sup> November 2020

Dear Sirs,

As international shareholders of Credito Valtellinese, we would like to congratulate you on the recent restructuring efforts and renaissance of the share price, and at the same time encourage you to seek a fair valuation for the bank in case a sale went through.

We feel that it is our duty to express our concerns about the unsolicited offer launched by Crédit Agricole on 23<sup>rd</sup> November 2020. After conducting a range of different valuation scenarios, we believe that the offer of €10.50 per share is inadequate, as it is opportunistic in nature and significantly undervalues Credito Valtellinese:

**(i) The Offer Ignores Credito Valtellinese's Fair Value**

Since the 2018 capital increase, the management team has made significant efforts to revamp the commercial bank platform, cut costs and enhance the group's risk profile, while sustaining the growth of the territories and communities served by the bank. We believe that today the bank has best-in-class capital ratios and asset quality and is on the right track to successfully deliver on its 2019-2023 business plan.

At €10.50 per share and ~0.4x P/TBV 2020E<sup>1</sup>, the unsolicited offer by Crédit Agricole fails to reflect the fair value of Credito Valtellinese on a standalone basis, which we value in excess of €14.00 per share or only ~0.6x P/TBV 2020E<sup>1</sup>.

In October 2020, well ahead of the offer announcement, a research report by Kepler Cheuvreux<sup>2</sup> had even suggested that the M&A value of Credito Valtellinese could be €10-13 per share. Crédit Agricole's offer sits at the very bottom of this range.

**(ii) The Offer Fails to Adequately Reflect Any Control Premium**

The 21.4% undisturbed premium vs. the closing price on 20<sup>th</sup> November 2020, is significantly lower than the ~25-35% average premium historically observed for comparable public M&A transactions in Italy, including the recent cash-and-stock offer by Intesa Sanpaolo for UBI Banca (44.7% premium<sup>3</sup>).

The price offered by Crédit Agricole is, therefore, too low and fails to adequately reflect any premium for control.

**(iii) The Offer Affords Disproportionate Benefits to Crédit Agricole**

As Credito Valtellinese's exclusive partner for life insurance products in Italy since 2018, Crédit Agricole has benefitted from a privileged position to assess the value creation potential of a deal with Credito Valtellinese. A combination of the two companies would unlock substantial revenue, cost and funding synergies, which Crédit Agricole quantified as €150m p.a.<sup>4</sup>.

<sup>1</sup> Implied multiple as per Factset as of 23/11/2020.

<sup>2</sup> Kepler Cheuvreux, 'Marriage on the mind', 06/10/2020.

<sup>3</sup> As per Intesa Sanpaolo press release on 17/07/2020.

<sup>4</sup> Il Sole 24 Ore Radiocor Plus, 23/11/2020.

However, Crédit Agricole alone would reap the benefits of these synergies, which are conservatively valued at ~€1bn or ~1.7x of Credito Valtellinese's undisturbed market capitalisation<sup>5</sup>. An illustrative 50/50 split of the NPV of the post-tax synergies<sup>5</sup> would add some ~€7 per share of value, on top of our estimated standalone value in excess of €14.00 per share.

Crédit Agricole also expects the transaction to be EPS accretive by 2022, *the very first* full year of the envisaged integration plan<sup>6</sup>. In addition, sell-side analysts estimate that Credito Valtellinese's excess capital and off-balance sheet DTAs could be valued at over 80% of the offer price<sup>7</sup> and Crédit Agricole can "create an immense amount of value, vastly superior indeed to the initial >10% ROI guidance"<sup>8</sup>.

Considering all the benefits to Crédit Agricole, the offer price of €10.50 per share is by no means fair.

#### (iv) The Offer Was Not Welcomed by the Capital Markets

On the day of the offer announcement, Credito Valtellinese's share price closed at €10.76 per share<sup>9</sup>, well above the offer price, while Crédit Agricole stock price also closed higher by over 4%<sup>9</sup>. The share price reaction immediately following the announcement as well as the current share price of €11.35<sup>10</sup> imply that we are not alone in believing that Crédit Agricole's offer significantly undervalues Credito Valtellinese.

The capital markets are suggesting that the offer price is more attractive to Crédit Agricole's than Credito Valtellinese's shareholders.

Petrus Advisers believe that Credito Valtellinese on a standalone basis is a company with a bright future ahead. We equally recognise that a combination between Credito Valtellinese and a strategic partner could contribute to unlock substantial value. Any strategic partnership, however, should be pursued only under fair and reasonable terms and when value is maximised for all shareholders. Accordingly, Petrus Advisers do not plan to tender their shares at the proposed €10.50 per share price offered by Crédit Agricole.

We urge the Board to appoint financial advisers to support a careful review of all strategic alternatives, including the unsolicited offer from Crédit Agricole among others.

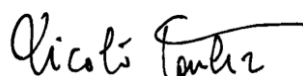
We also trust that the Board is aware of its fiduciary duties to act in the best interests of all shareholders and stakeholders, as clearly demonstrated by the bank's recent performance. We are equally confident that the Board will pursue a strategic combination only if the fundamental value of Credito Valtellinese were to be adequately reflected.

Finally, we hope to hear an independent opinion on the offer in due course and remain confident that, should a transaction be consummated, the Board will achieve a full valuation for the bank.

Sincerely,



Klaus Umek, Managing Partner



Nicolò Tamburi

<sup>5</sup> Illustrative NPV of announced €150m run-rate synergies p.a. post theoretical ~33% tax rate and capitalized at ~10x multiple.

<sup>6</sup> As per Crédit Agricole investor presentation on 23/11/2020.

<sup>7</sup> Kepler Cheuvreux, 24/11/2020.

<sup>8</sup> Kepler Cheuvreux, 23/11/2020.

<sup>9</sup> Share price as of November 23, 2020 as per Factset.

<sup>10</sup> Share price as of November 25, 2020 as per Factset.