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Informazione Regolamentata n. 0958-48-2016	Data/Ora Ricezione 01 Aprile 2016 19:24:01	MTA
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Societa' : BANCO POPOLARE

Identificativo : 71937

Informazione
Regolamentata

Nome utilizzatore : BCOPOPOLAREN01 - MARCONI

Tipologia : IRED 02; IROS 04

Data/Ora Ricezione : 01 Aprile 2016 19:24:01

Data/Ora Inizio : 01 Aprile 2016 19:39:02

Diffusione presunta

Oggetto : BoD of BP: capital strengthening action of 1 billion euro approved; Extraordinary Shareholders' Meeting convened on 6 and 7 May 2016

Testo del comunicato

Vedi allegato.

NEWS RELEASE

Verona, 1 April 2016

Board of Directors of Banco Popolare:

- ***capital strengthening action of 1 billion euro approved;***
- ***Extraordinary Shareholders' Meeting convened on 6 and 7 May 2016, on first and second call, respectively.***

The Board of Directors of Banco Popolare has approved a **capital strengthening** action of **1 billion euro** to be submitted for approval to the Shareholders convened at the **Extraordinary Shareholders' Meeting to be held on 6 and 7 May, on first and second call, respectively.**

The action refers to the proposal to grant the Board of Directors the necessary delegated powers - pursuant to articles 2443 and 2420-ter of the civil code, to be exercised in one or more steps – to carry out a divisible share capital increase in cash, for a total maximum amount of Euro 1,000,000,000.00 (one billion), including any share premium. The delegated powers are to be exercised within 18 months of the shareholders resolution date, by issuing ordinary shares and/or convertible bonds (with the possibility also of early redemption by the Company's Board of Directors), and/or mandatory convertible bonds having the same characteristics of those outstanding, and the attendant capital increase reserved for the conversion (the "**Bonds**") to be offered pre-emptively, in full or part, at the Board of Directors' discretion, to those entitled, and/or excluding the pre-emptive right pursuant to art. 2441, paragraph 5, of the civil code, with the Board of Directors retaining the right to sell the shares to qualified investors.


Hence, up to the total amount provided for under the above delegated powers, the Board of Directors will be entitled to identify the appropriate instruments to be used to exercise the above delegated powers, in one or more steps, by issuing shares, Bonds and/or a combination of the two, and establishing, on the eve of each offering, all the procedures, terms and conditions of the transaction.

The action is mainly connected with the prospective merger between Banco Popolare and Banca Popolare di Milano, whereby, in keeping with the role and the strategic positioning the group would cover on the Italian market, the Regulators pointed at the need for the group ensuing from the Merger to reach right from its inception not only a capital level in line with the European and Italian best practices, but

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also, in view of a plan to expedite the decrease of NPLs through their sale, an NPL coverage ratio in line with the highest standards across the domestic banking industry.

As already disclosed to the market on 23 March, the capital strengthening action, envisaged in the Memorandum of Understanding with Banca Popolare di Milano, will allow us to fulfill the requirements raised by the Regulators, enabling the new entity to achieve the target of a greater value creation for its shareholders.

In any case, the capital strengthening is compatible also with the second-choice prospect of Banco standing alone, as it would enable Banco to face a market scenario that promises to be particularly challenging, while retaining an adequate capability to invest and to support commercial activities, as well as to seize any opportunity that may arise from a prospective positive evolution of the macro-economic environment.

Based on currently available information, assuming that the capital increase is fully subscribed to cover the total amount of Euro 1 billion, and all other things being equal compared to the reference date of 31 December 2015, Banco Popolare would report the following capital ratios based on the rules effective at the end of the current phase-in period (i.e., fully-loaded Basel 3 ratios):

- CET1 ratio at approx. 14.9%
- Total capital ratio at approx. 18.3%.

Should market conditions be favorable, and subject to the issue of the required authorizations, the Board of Directors of Banco Popolare should shortly implement the Delegated powers, if granted, to roll out the capital strengthening action, even by the first half of 2016.

On 23 March 2016, Banco Popolare entered into a pre-underwriting agreement with Mediobanca – Banca di Credito Finanziario S.p.A. and Bank of America Merrill Lynch, under which Mediobanca and BAML, acting as sole Global Coordinators and Book-runners, have undertaken, under standard terms and conditions for this kind of transaction, to underwrite the capital increase to be offered pre-emptively to shareholders, should any offered shares remain unsubscribed at the end of the offering, up to euro 1,000,000,000.

To date Banco Popolare has not received any expressions of willingness by its shareholders to subscribe the newly issued shares and/or Bonds.

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Fine Comunicato n.0958-48

Numero di Pagine: 5