

Bit Market Services

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Oggetto : BPM AND BP MANTOVA APPROVE THE
SPIN-OFF PLANNED AS PART OF THE
MERGER BETWEEN BPM AND BANCO
POPOLARE

Testo del comunicato

Vedi allegato.



BANCA POPOLARE
DI MILANO



BANCA POPOLARE
DI MANTOVA

BPM AND BP MANTOVA APPROVE THE SPIN-OFF PLANNED AS PART OF THE MERGER BETWEEN BPM AND BANCO POPOLARE

Milan - Mantua, 22 September 2016 – As previously announced to the market on 23 March 2016, we would like to reiterate that, as part of a wider project initiated with the signing, on the same date, of a memorandum of understanding (the "**Memorandum of Understanding**") by Banco Popolare - Società Cooperativa ("**BP**") and Banca Popolare di Milano S.c. a r.l. ("**BPM**") regarding the merger between the two banks (the "**Merger**") with the setting up of a new banking joint-stock company that will take on the role of parent company of the new group arising from the Merger ("**New Parent Company**"), it was agreed that, subject to regulatory approvals and completion of the Merger, BPM would implement the transfer of certain assets, including BPM's branch network (the "**Transfer**") to a banking company that exists already. This provision was also confirmed in the Merger Plan signed by the two banks pursuant to the Memorandum of Understanding.

The company chosen as the recipient of the Transfer is Banca Popolare di Mantova S.p.A. ("**BP Mantova**"), a company belonging to the BPM Banking Group and subject to the management control and coordination of BPM, which currently holds 94.39% of the share capital.

The Transfer

In consideration of the foregoing, notice is hereby given that at the meeting held yesterday, 21 September 2016, the Management Board of BPM and the Board of Directors of BP Mantova, each within their respective areas of competence, approved the Transfer, which involves BPM transferring to its subsidiary BP Mantova a business unit consisting of the entire network of bank branches currently owned by BPM and, in particular, 637 branches and the assets and liabilities (with the exception of the bonds) closely linked to the relationships and operations of these branches with customers, including non-performing loans.

The Transfer will be made subject to obtaining regulatory approvals and completion of the Merger with Banco Popolare, even if it takes effect immediately prior to the effectiveness of the Merger itself, in accordance to what has been established in the Memorandum of Understanding and the Merger Plan between BPM and BP.

As a result of the Transfer and completion of the Merger, BP Mantova: (i) will take the name "Banca Popolare di Milano – Società per azioni"; (ii) will be controlled by the New Parent Company and be subject to its management control and coordination; and (iii) will perform the bank-network function and, therefore, will have a "light" organisational structure, so as to avoid duplication of costs and overlaps with the organisational structure of the new Parent Company.

Within a reasonable period of time from the date of completion of the Transfer and, in any case, from the third year following the effective date of the Merger, the company receiving the Transfer will be absorbed by the New Parent Company.

BP Mantova's increase in capital to service the Transfer

In particular, as regards the resolutions to be passed by BP Mantova, the Board meeting held today resolved to submit to an Extraordinary Shareholders' Meeting a proposal for a cash increase in capital to service the Transfer - i.e. excluding option rights pursuant to art. 2441, paragraph 4, first sentence, of the Italian Civil Code - for a total of Euro 4 billion (including share capital and share premium), to be paid for by BPM's contribution in kind of the aforementioned business unit ("**BP Mantova's Increase in Capital**"); BP Mantova's share capital will increase from Euro 2,968,290.00 to Euro 326,753,310.60 by issuing 125,498,070 ordinary shares of par value Euro 2.58 each with a total share premium of Euro 3,676,214,979.40.

As regards the value of the business unit involved in the Transfer, it was subject to an appraisal carried out by Ernst & Young S.p.A. in accordance with art. 2343-ter, paragraph 2, letter b) of the Italian Civil Code, in which the expert appraiser concluded that the economic value of the business unit involved in the Transfer, as of 30 June 2016, was not lower than the total value of BP Mantova's increase in capital, including any share premium reserve, to be paid up to service the Transfer.

BP Mantova's Board of Directors has therefore given a mandate to the Chairman of the Board to carry out the formalities and requirements for the calling of the said Extraordinary Shareholders' Meeting, which is currently expected to be held not later than the end of November or early December 2016.

As a result of BP Mantova's Increase in Capital being implemented in full, BPM, which as of today is already the holder of 94.39% of BP Mantova, would come to hold more than 99.95% of its share capital.

The procedure for related party transactions

As we said, BPM, which will carry out the Transfer after BP Mantova's Increase in Capital, controls BP Mantova.

The increase in capital by contribution in kind is therefore considered a related party transaction; taking into account the regulations adopted by Consob with resolution 17221 of 12 March 2010 and subsequent amendments, as well as the materiality ratios laid down in the rules on related party and related entity transactions of the BPM Banking Group, the Transfer qualifies as a "more material" related party transaction.

BPM considers the exemption provided for in art. 2.8 of its rules on related party and related entity transactions (as well as art. 14 of the regulations adopted by Consob with resolution 17221 of 12 March 2010) applicable in this case, as the transaction involves a subsidiary.

For its part, BP Mantova set up the investigation and decision-making process required by the regulatory and internal procedures for related party transactions and, only at the end of this process, the Board of Directors of BP Mantova decided to approve the transaction and submit it to the Extraordinary Shareholders' Meeting.

Note that BP Mantova's Board of Directors approved the resolutions after hearing the reasoned opinion of its Related Parties Committee. The Related Parties Committee voted in favour of the transaction, noting that the analysis carried out by the Committee reflected the fact that the interests of BP Mantova and the BPM Banking Group had been pursued and protected, without neglecting the fact that the transaction is functional to implementation of the Merger as envisaged in the Memorandum of Understanding. The Related Parties Committee also considered the transaction advantageous from an economic point of view and fair from a substantial point of view if BP Mantova's Increase in Capital to service the Transfer is implemented within the range of values identified by the advisor KPMG Advisory S.p.A., chosen by the Related Parties Committee and appointed to support the activities of the Committee and of the Board of Directors.

For the purposes of determining the number of new shares to be issued for BP Mantova's Increase in Capital, as we said, the Board of Directors was assisted by KPMG Advisory S.p.A. and also took account of the results of the expert appraisal prepared by an independent expert in accordance with article 2343-ter, paragraph 2, letter b) of the Italian Civil Code.

The information document required by art. 5 of Consob Regulation 17221 of 12 March 2010 will be prepared and made available to the public, as required by law.

Banca Popolare di Milano

Investor Relations and Research

Roberto Peronaglio
+39 02.77.00.2057

investor.relations@bpm.it

Communication

Matteo Cidda
+39 02.77.00.7438

matteo.cidda@bpm.it

Press Office

Monica Provini
+39 02.77.00.3515

monica.provini@bpm.it

Banca Popolare di Mantova

General Management

+39 0376.402311

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