

## PRESS RELEASE

### PARTIAL NON-PROPORTIONAL DEMERGER PROJECT WITH ASYMMETRIC OPTION OF A COMPENDIUM OF NON-PERFORMING EXPOSURES FROM MPS IN FAVOR OF AMCO

Siena, Milan, June 29<sup>th</sup>, 2020 – Today, having obtained the favourable opinion of the Related Parties Committee, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (“**MPS**” or the “**Demerged Company**”) and the Board of Directors of AMCO – Asset Management Company S.p.A. (“**AMCO**” or the “**Beneficiary Company**”), in which the Ministry of Economy and Finance (“**MEF**” or the “**MPS Majority Shareholder**”) respectively held a stake of 68.247% and 100%, have approved the project related to the partial, non-proportional demerger with asymmetric option from MPS in favor of AMCO (the “**Transaction**” or the “**Demerger**”) of a compendium consisting of non-performing exposures (“**NPE**”), deferred tax assets (“**DTA**”), other assets, financial debt, other liabilities and net equity (all together, the “**Compendium**”).

The project is subject to certain conditions, first of all the positive scrutiny by the European Central Bank (the “**ECB**”), that will also have to analyze the impacts and the worth sustainability of the Transaction for MPS.

In particular, the Transaction will entail:

(i) As for MPS

- to proceed with the de-risking plan: Gross NPE Ratio from 12.4% to 4.3% and Texas ratio from ca. 86% to ca. 43% (*pro-forma* in relation to data as of 31 December 2019);
- to reduce some equity ratio: CET1 *Phase-in* from 14.7% to 13.3%; CET1 *Fully Loaded* from 12.7% to 11.1 % (*pro-forma* in relation to data as of 31 December 2019);
- to recovery MPS’s profitability thanks to a lower cost of credit and an improved cost of funding.

(ii) As for AMCO

- to continue its growth path, gaining € 33.4 bn of Asset under Management adjusted as of June 2020<sup>1</sup>, spread out throughout the national territory;
- to consolidate its leadership position in the UTP (unlikely to pay) market in Italy, with a management aiming to corporate sustainability.

In the context of the Transaction, AMCO will issue new shares with an exchange ratio equal to no. 0.4000 of AMCO newly issued shares for each MPS share to be cancelled (the “**Exchange Ratio**”).

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<sup>1</sup> Management data as of June 2020, adjusted for the inclusion of €2.0 billion from Popolare di Bari and €8.1 billion from MPS.

The AMCO newly issued shares (class B shares – the “**AMCO Class B Shares**”), assigned as a result of the Demerger, will not grant the voting right and will not be traded on any regulated market or multilateral trading facility.

The AMCO Class B Shares will be assigned to the MPS shareholders and the corresponding MPS shares will be cancelled in a non-proportional measure (ca. 90% to the MPS Majority Shareholder and ca. 10% to the other shareholders).

According to the above-mentioned Exchange Ratio and distribution ratios:

- MEF will be assigned no. 0.0638 AMCO Class B Shares for each MPS share held and no. 0.1595 MPS shares for each MPS share held will be cancelled;
- each MPS minority shareholder will be assigned no. 0.0152 AMCO Class B Shares for each MPS share held and no. 0.0380 MPS shares for each MPS share held will be cancelled.

MPS minority shareholders (including MPS as holder of treasury shares) may elect to not receive any AMCO Class B Shares, to not have any of their MPS shares cancelled and, therefore, to remain exclusively MPS shareholders increasing, in percentage, their MPS shareholding (the “**Asymmetric Option**”).

The European Commission – Directorate General for Competition – deemed that the transaction is in line with market conditions.

Furthermore, it is pointed out that there are ongoing discussions with CONSOB regarding matters falling under the Authority’s competence.

### **Transaction Rationale**

MPS completes a significant de-risking plan far beyond the targets defined by DGComp in 2017 as a preparatory activity for new strategic options. AMCO will be able to consolidate its leadership in the servicing sector, in particular with regard to credits classified as UTP, confirming its strong vocation in such a specialized field.

### **The Demerged Compendium**

The Transaction envisages the Demerger, in continuity of accounting values, from MPS in favor of AMCO of a Compendium consisting of assets and liabilities, on the basis of data as of 31.12.2019<sup>2</sup>.

It follows below a brief description of the Compendium.

#### Assets:

- Non-performing exposures classified by MPS as bad debts for a net book value equal to Euro 2,313 million (gross book value equal to Euro 4,798 million);
- Non-performing exposures classified by MPS as UTP for a net book value equal to Euro 1,843 million (gross book value equal to Euro 3,345 million);
- Bond and equity securities for a book value equal to Euro 5 million;

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<sup>2</sup> Any potential changes in the size of the assets at the effective date of the Demerger with respect to the balance sheet as of 31.12.2019 will be settled through an adjustment of the equity resources of the demerged Compendium and in cash.

- Derivatives for a book value equal to Euro 1 million;
- DTA, transferred on the basis of the amount of the demerged net equity with respect to the total net equity of MPS, for a net book value of Euro 104 million.

Liabilities and net equity:

- Liabilities deriving from a bridge loan granted to MPS by JPMorgan Chase Bank, N.A., Milan Branch (“**JP Morgan**”) and UBS Europe SE (“**UBS**”) for an amount equal to Euro 3,179 million (the “**Bridge Loan**”);
- Derivatives for a book value equal to Euro 0.1 million;
- Net equity for an amount equal to Euro 1,087 million.

Part of the assets and liabilities (including part of the non-performing exposures), that will be transferred with the Compendium, are currently held by MPS Capital Services Banca per le Imprese S.p.A. (“**MPS CS**”), a company owned by MPS with a shareholding of 100%. These assets will be included in the Compendium by means of a demerger of MPS CS in favor of MPS (the “**MPS CS Demerger**”), which will become effective prior to the Demerger, representing itself a condition precedent to the Transaction.

JP Morgan and UBS undertook the commitment to execute and grant the Bridge Loan before the extraordinary shareholders’ meetings of MPS and AMCO convened to resolve upon the Demerger. The effectiveness and the issuance of the Bridge Loan are subject to certain conditions including, among others, the approval by the corporate bodies of the financing banks also in relation to the final contractual documentation and the absence of events that could have a significant and adverse effect on the Bank or the Compendium.

Simultaneously with the issuance of the Bridge Loan, it is envisaged that the Bridge Loan will be guaranteed by a cash or securities portfolio, at MPS’ discretion within certain fixed criteria, that will be released contextually at the effectiveness of the Demerger. The Demerger shall be executed by 1 December 2020: otherwise the Bridge Loan will be reimbursed, and the Transaction will not be carried out.

At the date of the Demerger, the Bridge Loan will be transferred to AMCO as part of the Compendium and will be partially reimbursed through the cash flows generated by the receivable portfolios and in part re-financed through access to the market. This transfer is in turn subject to certain conditions, including among other things, in particular, the absence of event of default or breaches by AMCO, also with respect to the re-financing of the Transaction.

The Demerger will take place in continuity of accounting values – as the involved companies are subject to common control – and therefore the transaction does not lead to any realization of value.

**Impacts for MPS**

- Significant improvement of its risk profile, with Gross NPE ratio from 12.4% to 4.3%, which is below the average of the Italian banking system and the threshold of 5%, indicated by the EBA guidance; improvement also of the Texas ratio from ca. 86% to ca. 43% (*pro-forma* in relation to the data as of 31 December 2019).
- Reduction of some equity ratio: CET1 *Phase-in* from 14.7% to 13.3%; CET1 *Fully Loaded* from 12.7% to 11.1% (*pro-forma* in relation to data as of 31 December 2019).

- Expected reduction of the cost of funding which could allow to have an improvement of the competitive positioning of MPS on the Italian market and an easier access to the institutional funding market, with a consequent potential strengthening of the Bank's liabilities structure.

### **Impacts for AMCO**

- Consolidation of its central role in the Italian NPE market, confirming its leadership position in the UTP sector and placing itself as partner of the banks in their de-risking process.
- Achievement of an optimal balance of the managed business as an investor and a servicer, thanks to the expertise acquired through the management of large portfolios.
- Increase of the effectiveness of the recoveries through:
  - i. a greater share of common debtors in the managed portfolios, that would allow an optimization of the recovery time;
  - ii. more standard debt collection strategies for common portfolio clusters (*i.e.* geographical areas).

### **Transaction Structure**

The Demerger will be implemented through the assignment to AMCO of the Compendium described above with:

- i. allocation to MPS shareholders of AMCO Class B Shares;
- ii. cancellation of MPS shares owned by MPS shareholders, in a non-proportional measure to their shareholding held in MPS before the effective date of the Demerger and with the right for MPS shareholders (and for MPS itself in relation to treasury shares), different from MEF (the "**MPS Minority Shareholders**"), to not receive any such AMCO Class B Shares, to not have any of their MPS shares cancelled, increasing (in percentage) their MPS' shareholding.

AMCO Class B Shares newly issued that will be allocated to MPS shareholders as a result of the Demerger, will be granted with the same rights of the AMCO ordinary shares already issued with the exception of the voting right in AMCO ordinary and extraordinary shareholders' meetings. AMCO Class B Shares, as the AMCO ordinary shares already issued, are not and will not be traded on any regulated market or multilateral trading facility.

### **Exchange Ratio, distribution criteria and Asymmetric Option**

#### *Exchange Ratio*

On the basis of the evaluations carried out, in relation to the Compendium, maximum no. 55,153,674 AMCO Class B Shares will be issued against cancellation of maximum no. 137,884,185 MPS shares. The Exchange Ratio is, therefore, equal to no. 0.4000 AMCO Class B Shares to be allocated for each MPS share to be cancelled, as better described below and according to the distribution ratio between MEF and MPS Minority Shareholders.

The reasons that justify the Exchange Ratio are illustrated in the report drafted by the Boards of Directors of MPS and AMCO pursuant to art. 2501-*quinquies* of the Italian Civil Code, as referred to under art. 2506-*ter* of the Italian Civil Code, that will be made available to the public in the manners and terms pursuant to the applicable law and regulation.

The Exchange Ratio has been subject to the fairness opinion of Covino&Partners, independent expert pursuant to art. 2501-*sexies* of the Italian Civil Code, appointed by the Court of Naples upon joint request of MPS and AMCO.

#### *Shares distribution criteria*

The Demerger will be implemented through the allocation of AMCO Class B Shares to MPS shareholders and the cancellation of MPS shares in a non-proportional measure in relation to the shareholdings held in the MPS share capital. In particular:

- (i) no. 49,650,138 AMCO Class B Shares will be assigned to MEF, corresponding to ca. 90% of the total AMCO Class B Shares to be issued, against the cancellation of no. 124,125,345 MPS shares held by MEF, corresponding to ca. 90% of the total amount of MPS shares to be cancelled; whereas
- (ii) no. 5,503,536 AMCO Class B Shares will be assigned to MPS Minority Shareholders, corresponding to ca. 10% of the total AMCO Class B Shares to be issued, against the cancellation of no. 13,758,840 MPS shares owned them, corresponding to ca. 10% of the total amount of MPS shares to be cancelled, without prejudice to the right to exercise the Asymmetric Option, as defined below.

Therefore, according to the Exchange Ratio and the distribution ratios described above, and without prejudice to the right to exercise of the Asymmetric Option by the MPS Minority Shareholders:

A. AMCO Class B Shares will be allocated as follows:

- no. 0.0638 AMCO Class B Shares to MEF for each no. 1 MPS share held;
- no. 0.0152 AMCO Class B Shares to each MPS Minority Shareholder for each no. 1 MPS share held;

B. MPS shares will be cancelled as follows:

- MEF will have no. 0.1595 MPS shares cancelled for each MPS share held; and
- each MPS Minority Shareholder will have no. 0.0380 MPS shares cancelled for each MPS share held.

The potential increases and corresponding decreases of AMCO Class B Shares to be allocated and MPS shares to be cancelled are allowed, respectively, to MEF and to MPS Minority Shareholders, as well as to MPS, in the context of exercise of the Asymmetric Option.

#### *The Asymmetric Option*

MPS Minority Shareholders (including MPS in relation to its treasury shares) may elect to not receive AMCO Class B Shares through the exercise of the Asymmetric Option.

In particular, MPS Minority Shareholders that will exercise the Asymmetric Option:

- (i) will not receive any AMCO Class B Shares; and
- (ii) will not have any of their MPS shares cancelled with consequent increase, in percentage, of their shareholding in MPS.

Conversely, the exercise of the Asymmetric Option, based on the Exchange Ratio and the distribution ratios, will entail:

- (a) the increase of AMCO Class B Shares to be allocated to MEF (corresponding to the amount of shares that would have been allocated to MPS Minority Shareholders in case they had not exercised the Asymmetric Option); and
- (b) the consequent increase of MPS shares held by MEF to be cancelled (corresponding to the amount of shares that would have been cancelled to MPS Minority Shareholders in case they had not exercised the Asymmetric Option).

Terms and conditions for the exercise of the Asymmetric Option will be communicated by MPS with a subsequent press release.

### Right of sale and right of withdrawal

Any MPS shareholder who will approve the Demerger will have the right to exercise:

- i. the right to sell (the “**Right of Sale**”), i.e. the right to have its MPS shares purchased in accordance with art. 2506-*bis*, para. 4, of the Italian Civil Code;
- ii. the right of withdrawal (the “**Right of Withdrawal**”), given that (a) AMCO corporate purpose is significantly different from the one of MPS; (b) AMCO Class B Shares will not have the voting right in AMCO ordinary and extraordinary shareholders’ meetings, and (c) AMCO Class B Shares are not and will not be traded on any regulated market or multilateral trading facility.

The Right of Sale and the Right of Withdrawal could be exercised for all, and not for part of, the MPS shares of the requesting shareholder.

Both for the purposes of the exercise of the Right of Sale and the Right of Withdrawal, the consideration of each MPS share will be determined applying the criteria set forth under art. 2437-*ter*, para. 3, of the Italian Civil Code, namely the arithmetical average of the closing prices of MPS share in the six months preceding the publication of the notice of call of the extraordinary shareholders’ meeting of MPS convened to approve the Demerger (the “**Liquidation Value**”). The Liquidation Value will be communicated through a specific press release available on MPS website ([www.gruppomps.it](http://www.gruppomps.it)) and through the publication of a notice on at least one national newspaper.

The procedure for the exercise of the Right of Sale and the Right of Withdrawal is the one provided for the exercise of the Right of Withdrawal under art. 2437-*bis* of the Italian Civil Code.

The effectiveness of the Transaction is subject to the condition precedent that MPS’ maximum disbursement for the potential purchase of MPS shares, in relation to which MPS shareholders have exercised the Right of Withdrawal or the Right of Sale, will not exceed Euro 150 million. This condition is set in the interest of MPS and MPS itself may waive it at its own discretion.

### Impacts of the Transaction for MPS and AMCO shareholders

#### MPS

As of today, MPS share capital is divided into no. 1,140,290,072 shares without nominal value (of which no. 36,280,748 treasury shares). The Transaction envisages the cancellation of no. 137,884,185 MPS shares.

The table below illustrates MPS simplified shareholders’ structure, before and after the Transaction (both in case of non-exercise of the Asymmetric Option and in case of full exercise of the Asymmetric Option).

Shareholder	% share capital before Transaction	% share capital after Transaction (non-exercise of the Asymmetric Option)	% share capital after Transaction (full exercise of the Asymmetric Option)

Ministry of Economy and Finance	68.247%	65.252%	63.879%
MPS Minority Shareholders	31.753%	34.748%	36.121%

### AMCO

As of today, AMCO share capital is divided into no. 600,000,000 ordinary shares without nominal value. The Transaction envisages the issuance of no. 55,153,674 AMCO Class B Shares.

The table below illustrates AMCO's simplified shareholders' structure, before and after the Transaction (both in case of non-exercise of the Asymmetric Option and in case of full exercise of the Asymmetric Option).

Shareholder	% share capital before Transaction	% share capital after Transaction (non-exercise of the Asymmetric Option)	% share capital after Transaction (full exercise of the Asymmetric Option)
Ministry of Economy and Finance	100%	99.2%	100%
MPS Minority Shareholders	-	0.8%	-

### **Conditions Precedent**

The completion of the Transaction is subject to the occurrence, among others, of the following conditions precedent:

- approval of the Transaction by the ECB;
- effectiveness of the MPS CS Demerger;
- positive execution by AMCO of the procedure before the Bank of Italy as set forth in Circular no. 288 of 3 April 2015;
- issuance of the Bridge Loan and following transfer of it to AMCO as a result of the Demerger as part of the Compendium, after having met the relevant conditions;
- MPS' maximum disbursement for the potential purchase of MPS shares from the shareholders exercising the Right of Sale and the Right of Withdrawal not exceeding Euro 150 million. This latter condition may be waived by MPS at its own discretion.

### **Timing of the Transaction**

The Demerger project will be filed with the registered office within June 30<sup>th</sup>, 2020, in accordance with art. 2501-*quater*, para. 2, of the Italian Civil Code, as referred to under art. 2506-*ter* of the Italian Civil Code, since the reference balance sheets consist of the 2019 financial statements, respectively, of MPS and AMCO.

Subject to the approval of the Transaction by the ECB, the demerger project will be made available to the public in the manners and within the terms pursuant to the applicable law together with the further documentation required by applicable law. According to the expected timetable, the extraordinary shareholders' meetings of MPS and AMCO, called to resolve upon the Demerger, will be held within September 2020, on the assumption that at least thirty days as from the issuance of ECB approval have passed, with the aim to executing the Demerger deed within November 15<sup>th</sup>, 2020 and that the Demerger may be effective as of December 1<sup>st</sup>, 2020.

### **Demerger Agreement**

As of today, MPS and AMCO executed an agreement containing representations and warranties in relation to the transfer of the portfolio of credits comprised in the Compendium and through which the parties intended to regulate and discipline, among others, the preliminary and functional activities to the realization of the Demerger.

### **The Demerger as a related-party transaction**

The Demerger is classified as a "major importance related-party transaction" in accordance with the Regulation of related parties transactions, adopted by CONSOB with Resolution no. 17221 of March 12<sup>th</sup>, 2010, as subsequently amended and modified (the "**Related Parties Regulation**") and in accordance with MPS internal regulations, since MPS and AMCO are subject to the common control of MEF.

The Related Parties Committee of MPS has been involved in the negotiations and preliminary investigation for the Transaction for the purposes of issuing a reasoned opinion on the bank's interest in carrying out the Transaction, as well as on the economic interest and substantive fairness of the relevant conditions. On June 29<sup>th</sup>, 2020 the Committee expressed unanimously a favourable opinion on MPS' interest in the execution of the Demerger and in signing the Framework Agreement, as well as on the economic interest and procedural and substantive fairness of the Transaction.

MPS will make available, in the manners and within the terms provided under applicable law, the information document pursuant to art. 5 of the Related Parties Regulation.

### **Advisors**

MPS is advised by Lazard for the economic and financial aspects and by BonelliErede with Lombardi and Gatti Pavesi Bianchi for the legal aspects. AMCO is advised by Equita SIM for the economic and financial aspects and by Clifford Chance for the legal aspects. Lastly, PWC Deals has conducted an assessment on AMCO's interest in relation to the conditions of the transaction.

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