

PRESS RELEASE

Increase Scale Value Creation Acceleration in De-Risking Capital Strength Confirmed

Approved two important strategic transactions: 1. Acquisition of Banca di Sardegna minorities 2. Transactions with Unipol Group

The Board of Directors of BPER Banca S.p.A. ("BPER Banca") approved two important strategic transactions:

1. Transfer to BPER Banca of all Banco di Sardegna ("BdS") ordinary and preferred shares owned by Fondazione di Sardegna ("FdS") in exchange for 33 million newly issued BPER Banca shares and a convertible subordinated Additional Tier 1 ("AT1") instrument with a nominal value of €150 million issued by BPER Banca.
2. Transactions with Unipol Group:
 - a) acquisition by BPER Banca of 100% of Unipol Banca for a cash consideration of €220 million;
 - b) concurrent disposal to Unipol Group of a Bad Loans portfolio of BPER Group with a gross book value of approximately €1.0 billion (*versus* a gross amount due of approximately €1.3 billion).

These transactions will allow BPER Group to increase scale and broaden its customer base, with a view to creating value to its stakeholders, while maintaining a solid regulatory capital position and further accelerating its NPL de-risking strategy.

In particular, the acquisition of BdS minorities will bring to BPER Banca the following benefits:

- Significant regulatory capital benefit (with a positive impact on Fully Phased CET1 and Tier 1 ratios of, respectively, +50¹ bps and +90 bps);

¹ Pre AT1 conversion. Assuming also the AT1 conversion, the overall impact on CET1 would be equal to c. +90 bps. Badwill benefit fully included in regulatory capital gross of tax.

- Acceleration of BdS's cost optimisation process;
- Further streamline of BPER Group's structure.

With regards to the transactions with Unipol Group:

- Acquisition of a "clean bank" (thanks to the significant de-risking process undertaken by Unipol Group since 2017);
- Increase of BPER Group's scale, with total assets increasing by around +17% (leading to total assets *pro-forma* in excess of € 80 billion) and total funding² increasing by around +70% (leading to total funding *pro-forma* close to € 150 billion); broaden client base with more than 500/k new clients with significant scope for cross-selling optimisation and strengthen of distribution network;
- Acceleration of de-risking process;
- Significant value creation thanks to potential gross synergies in the region of € 85-95 million per annum. These estimates do not take into account:
 - potential capital synergies (assuming the potential migration of Unipol Banca from standard to internal risk models);
 - scope for enhancing the current relationship with Unipol Group by extracting further commercial synergies through the development of an innovative approach for the distribution of banking products through Unipol Group's distribution network (so-called "Assurbanking").

Key combined financial impacts from the two transactions:

- Increase of BPER's 2021 earnings per share by +33%³;
- Significant improvement of the Gross NPE ratio from 13.8% (at the end of 2018) to 11.6% *pro-forma*, broadly in line with the 11.5% target set for end 2020 in the 2018-20 NPE Plan;
- Confirmation of a solid capital position, with a *pro-forma* consolidated CET1 ratio and Tier 1 ratio Fully Phased estimated at, respectively, 11.4% and 11.8%⁴.

² Total funding includes both direct and indirect funding.

³ Calculated as the increase of BPER Banca's 2021 EPS *pro-forma* for the announced transactions (acquisition of Banco di Sardegna minorities and transactions with Unipol Group) versus BPER Banca's 2021 (standalone) EPS estimated by brokers' consensus. The calculation excludes the potential conversion of the AT1 and includes all the estimated run-rate synergies deriving from the acquisition of Unipol Banca. BPER Banca's net profit projections from brokers' consensus. Unipol Banca and BdS net profit projections from internal estimates.

⁴ Such CET1 and Tier 1 ratios do not include the potential capital benefit deriving from: i) Unipol Banca's switch from standard to internal models; ii) AT1 conversion.

Modena, February 8th 2019. Yesterday evening, BPER Banca signed the Framework Agreements and all the related contracts with reference to: 1) the acquisition of the ordinary and preferred shares owned by FdS in BdS and 2) the cash acquisition of 100% of Unipol Banca and the concurrent disposal to Unipol Group of a Bad Loans portfolio of BPER Group with a gross book value of approximately € 1.0 billion (versus a gross amount due of approximately € 1.3 billion).

Alessandro Vandelli, CEO of BPER Banca, commented: "*The announced transactions are of significant strategic and industrial importance for our Group. The finalisation of these transactions will allow us to achieve at the same time multiple objectives. The acquisition of BdS minorities from FdS represents the last remaining significant step for the simplification and rationalisation of our Group structure, while adding value to BdS identity and its activity in its area of presence. Moreover, it provides a significant uplift to our already strong regulatory capital position and facilitates the achievement of additional intra-group cost synergies. It is precisely thanks to the solidity of our capital position that we were able to contemplate the second transaction with Unipol Group, which in turns consists of two concurrent steps: the first is the cash acquisition of the entire share capital of Unipol Banca, a bank that has undergone an important restructuring and which today presents solid financials and a sound asset quality, and also represents an excellent opportunity for external growth; the second transaction is the sale of a Bad Loans portfolio to UnipolRec, the platform for managing Unipol Group's Bad Loans exposures, with a gross value of approximately € 1 billion, a price broadly in line with our book value and, therefore, with no significant impacts on our consolidated income statement. The combined effects of the two announced transactions should allow us, at the same time, to increase the Group's scale (moving our consolidated assets to just above € 80 billion and our total funding to close to € 150 billion); increase the number of clients by more than 500 thousand; enhance our future profitability thanks to the implementation of synergies; further accelerate de-risking by reaching more than a year ahead of schedule the targets announced for end 2020 in our NPE Plan 2018-2020 agreed with the ECB. In addition, I believe that the transactions announced with Unipol Group may open additional areas of collaboration between the two Groups, for example by combining our distinctive know-how in insurance and banking at the service of an innovative approach for the distribution of banking products through insurance distribution channels (so-called "Assurbanking"). These strategic transactions represent an important milestone in our Group's strengthening and rationalisation strategy and on behalf of the entire Board I would like to express my sincere gratitude to our teams, who are working with determination and professionalism to deliver this result. One of our primary goals must be to identify every opportunity that creates value for all our stakeholders, increase the Group's competitiveness and offer our customers, who are the Bank's true assets, an ever wider, more innovative and higher-quality range of services and products.*

1) Acquisition of Banca di Sardegna minorities

Description of the transaction

The transaction consists of (i) the transfer to BPER Banca of total 21,550,939 ordinary shares and 430,850 preferred shares owned by FdS in BdS, in exchange for 33.000,000 newly issued BPER Banca shares in favour of FdS and a cash consideration of € 180 million (ii) the issuance by BPER Banca of a convertible AT1 instrument with a € 150 million nominal value at a subscription price equal to € 180 million.

The share capital of BdS is represented by 51,749,254 shares with a nominal value of € 3 each, divided as follows: (i) 43,981,509 ordinary shares; (ii) 1,167,745 preferred shares; (iii) 6,600,000 non-voting savings shares, listed on the *Mercato Telematico Azionario* organised and managed by Borsa Italiana S.p.A.

As described in Table 1, as of today:

- BPER Banca owns 22,430,570 BdS ordinary shares (representing 51.0% of the ordinary share capital of BdS), 721,046 BdS preferred shares (representing 61.7% of the BdS preferred share capital);
- FdS owns 21,550,939 BdS ordinary shares (representing 49.0% of the ordinary share capital of BdS), 430,850 BdS preferred shares (representing 36.9% of the BdS preference share capital).

The finalisation of the transaction, while preserving BdS brand, its regional presence and its own corporate identity, is aimed at the achievement of a further simplification of BPER Group, following which, on one hand BPER Banca will own 100% of BdS ordinary share capital and (assuming no pre-emption rights are exercised by the minority shareholders of BdS) 98.6% of BdS preferred share capital, and, on the other hand, FdS will strengthen its shareholding in BPER Banca with an incremental stake of around 6.4 p.p.⁵.

Table 1: BdS⁶ Ownership: Current & Pro-Forma Post Transaction:

Classes of shares	Key shareholders	Current	Pro-Forma Post Transaction
Total ordinary shares: 43.9m	BPER Banca	51.0%	100.0%
	FdS	49.0%	0.0%
	Other	0.0%	0.0%
Total preference shares: 1.1m	BPER Banca	61.7%	98.6%
	FdS	36.9%	0.0%
	Other	1.4%	1.4%

In exchange for the transfer of its shareholding in BdS to BPER Banca, FdS will receive n. 33,000,000 newly issued BPER Banca ordinary shares, with economic rights starting from 1 January 2019, through a capital increase with exclusion of the pre-emptive rights, dedicated to FdS, which will be approved by BPER Banca Board of Directors on the basis of a mandate granted by the Extraordinary Shareholders' Meeting and € 180 million in cash.

⁵ Corresponding to 33 million of new shares over the total number of shares of BPER Banca post capital increase (around 514 million).

⁶ The savings shares have not been reported because they do not fall within the scope of the described transaction.

In the context of the transaction, BPER Banca will issue in favour of FdS securities representing a subordinated debt instrument (AT1), with a € 150 million nominal value at a subscription price equal to € 180 million, perpetual, optionally redeemable (in whole or in part) by BPER Banca at the tenth year ("First Optional Redemption Date") and with an option for FdS to convert into BPER Banca ordinary shares.

In particular, the securities:

- have a fixed annual interest rate of 8.75% to be calculated on the nominal value
- are compliant to European regulatory standards, and have a trigger event whereby if BPER Banca's CET1 Ratio (individual or consolidated) were to fall below 5.125% ("Trigger Event") the nominal value would mandatorily be reduced by the amount necessary to restore BPER Banca's CET1 (Temporary Write Down). Subsequently, the nominal value may be written back up, at the discretion of BPER Banca and subject to certain conditions;
- are convertible at any time, at the discretion of FdS, in whole or in part, from the date of issuance until the eighth year. The conversion price ("Strike Price") has been set at € 4.2 per ordinary share and the corresponding maximum number of BPER Banca ordinary shares to be issued for the optional conversion is equal to around 35.7 million, calculated according to the ratio "Nominal Value / Strike Price".

The issuance of the subordinated debt instrument (AT1) and the capital increase at the service of the potential AT1 conversion, reserved to FdS, will be approved by BPER Banca Board of Directors on the basis of a mandate granted by the Extraordinary Shareholders' Meeting.

Strategic rationale for BPER Banca

From a strategic point of view, the acquisition of BdS minorities will provide the following benefits:

- 1) Significant regulatory capital uplift;
- 2) Acceleration of BdS cost optimising process, thanks to the realisation of cost synergies, with particular reference to the distribution network and subsidiaries;
- 3) Further streamline BPER Group's structure.

Conditions precedent to the execution of the transaction

The transaction is subject to i) the obtainment by BPER Banca and FdS of the prescribed regulatory authorizations, ii) to the delegation by BPER Banca's Extraordinary Shareholders' meeting to BPER Banca's Board of Directors of the power to increase the share capital increase with exclusion of pre-emptive rights reserved to the contribution, as well as to issue the subordinated bond (AT1) and to increase the share capital reserved to the potential AT1 conversion, as well as to the performance of further corporate obligations required by applicable law. Finally, in the event that the evaluations entrusted to the Board of Directors of BPER Banca pursuant to article 2343 of the Italian Civil Code with reference to the contribution of BdS shares leads to a valuation of the latter that is 1/5 lower than their estimated value, the transaction may not be concluded unless FdS decides to pay a specific cash

difference pursuant to applicable law or, in the absence of such a decision, BPER Banca declares that it intends to proceed with the cancellation of the uncovered shares pursuant to article 2343 of the Italian Civil Code, subject to a resolution of the Extraordinary Shareholders' Meeting, and FdS agrees to it.

Additional information

Although the timing of the transaction depends on several variables, some of which are outside the control of BPER Banca, it is expected that the Extraordinary Shareholders' Meeting, called to grant the aforementioned powers to the Board of Directors, may be held indicatively by the third quarter of 2019 and that the transaction may be equally concluded by the third quarter of 2019.

The transaction, having regard to its terms and conditions and the significant interest held by FdS in BPER Banca, can be qualified as a "related party transaction" of material importance pursuant to Consob Regulation no. 17221/2010 containing provisions on related party transactions adopted by Consob, of the Circular n. 263 of Bank of Italy 9° update – *“Nuove Disposizioni di Vigilanza Prudenziale per le Banche”*, at Title V – Chapter 5 – *“Attività di rischio e conflitti di interesse nei confronti di Soggetti Collegati”* and to the related "Group policy for the governance of the risk of non-compliance concerning conflicts of interest with related parties and risk activities with associated persons" adopted by BPER Banca, as most recently amended on 18 October 2018.

In accordance with the provisions of the aforementioned Consob regulation, of the Circular n. 263 of Bank of Italy and the related policy adopted by BPER Banca, the transaction was approved by the Board of Directors of BPER Banca after obtaining the favorable opinion of the Committee of Independent Directors with reference to the existence of a company's interest in its conclusion and the substantial convenience and fairness of the related conditions.

BPER Banca has fulfilled its obligations under the abovementioned provisions (i) with regards to the investigation and the negotiation phase of the transaction, ensuring the independent directors a complete and timely information flow and the possibility of requesting clarifications and making remarks to the executive bodies and to the persons in charge of conducting the investigation or negotiation; and (ii) with regards to the decision phase, by adopting the resolution subject to the favorable motivated opinion of the Committee of Independent Directors.

In line with the provisions of the "Group policy for the governance of the risk of non-compliance concerning conflicts of interests with related parties and risk activities with associated persons" adopted by BPER Banca, the Committee of Independent Directors has been assisted in carrying out the evaluation tasks assigned to them by Barclays as independent expert, expressing a positive opinion with reference to the fairness of the terms of the transaction for BPER Banca from a financial point of view, and also by the law firm Gianni, Origoni, Grippo, Cappelli & Partners for the support from a legal point of view.

It should be noted that, pursuant to applicable law, the information document prepared according to art. 5 of the Regulation approved by Consob with Resolution 17221/2010 and art. 10.2 of the "Group policy for the governance of the risk of non-compliance concerning conflicts of interest with related parties and risk activities with associated persons" adopted by BPER Banca will be made available to the public at the registered office of BPER Banca (Modena, Via San Carlo 8/20) and on the authorised storage mechanism (www.1info.it), as well as on the websites of BPER Banca and BPER Group (www.bper.it and <https://istituzionale.bper.it/>).

Advisors

With reference to the transaction, BPER Banca was assisted by KPMG Corporate Finance for the financial aspects, by Legance Avvocati Associati for the legal aspects.

In relation to the structuring of the AT1, BPER Banca was assisted by Citi as Structuring Adviser and by RCCD for the legal aspects.

2) Transactions with Unipol Group

Brief description of Unipol Banca

Unipol Banca, acquired in 1998 by Unipol Group, is an Italian bank based in Bologna and currently fully owned by Unipol Group.

The bank has a customer base of over 500,000 clients, corresponding to approximately 23% of BPER Banca Group's customer portfolio, with a strategic focus on retail and small business segments and a product offering mainly focused on mortgage and short-term loans.

The bank's distribution model is based on:

- a network of 258 bank branches throughout Italy with a presence in 16 Italian regions (17th bank in Italy by number of branches with a market share of 0.9%);
- access to around 1,700 Unipol Group insurance agencies (out of a total of around 2,900 agencies and around 5,500 sub-agencies of the Group);
- an online bank called "My Unipol Banca" with over 57 thousand customers and a contact center focused on the assistance of the multichannel bank client base;
- a network of 254 financial advisors ("*Promotori*").

The total number of employees is around 2,200. Unipol Banca is also active in consumer credit through its subsidiary Finitalia S.p.A (100%), a company specialising in the financing of insurance premiums, and any products and services related to insurance policies as well as personal loans.

Over the past few years, Unipol Banca has implemented a number of strategies to mitigate and solve the issues related to the stock of non-performing loans, also to meet market and regulator expectations. In particular, in February 2018, Unipol Banca completed a transaction aimed at deconsolidating a portfolio including almost all of its existing bad loans for a gross amount of approximately € 2.9 billion through a deconsolidation in favour of UnipolRec, a company fully owned by Unipol Group specialised in NPLs.

Unipol Banca key consolidated financials (FY 2018)

Banking income, €m	373	Gross customer loans, €bn	8.1
Net profit, €m	33	Total funding, €bn	58.6
ROTE, %	6.0%	o/w: direct, €bn	10.1
		o/w: indirect, €bn	48.6
# of branches	258	Tangible equity, €m	548
# of employees	~2,200		

Transactions description

The transactions with Unipol Group are articulated into:

- the purchase of 100% of Unipol Banca by BPER Banca from the sellers Unipol Gruppo S.p.A. ("Unipol") and UnipolSai Assicurazioni S.p.A. ("UnipolSai") for a total cash consideration of € 220 million;
- the disposal to UnipolReC (a company fully owned by Unipol Group created from the spin-off of Unipol Banca bad loans) of a Bad Loans portfolio of BPER Banca and BdS for a gross book value of approximately € 1.0 billion (of which approximately 68% are unsecured and 32% secured exposures) in exchange for a cash consideration broadly in line with the carrying value and therefore with no meaningful impacts on BPER Banca's income statement.

For the purpose of and in relation to the transaction, BPER Banca on one side and Unipol, UnipolSai and UnipolRec on the other side, have conducted and completed due diligence activities respectively on Unipol Banca and on the Bad Loans portfolio.

In the context of the transaction UnipolSai and Unipol have committed for a period of 2 years (starting from the closing of the transaction) not to establish new banking entities nor to acquire control of banks.

Strategic rationale for BPER Banca

- Acquisition of a bank that has completed a strong de-risking process thanks to the actions undertaken by the Unipol Group since 2017, which include:
 - the deconsolidation of around € 3 billion of bad loans;
 - an increase in NPL coverage ratios (72% for Bad Loans, 46% for Unlikely to Pay and 17% for Past Due⁷);
 - a capital strengthening
- Increase scale, client base and strengthen distribution network. In particular:

⁷ Coverage ratios as of 31 December 2018.

- total assets increase by around +17% (*pro-forma* total assets in excess of € 80 billion) and total funding⁸ increase by around +70% (total funding *pro-forma* close to € 150 billion);
 - increase in market share (based on customer loans) from 2.5% to 2.9%;
 - increase of number of clients by around 500 thousand, corresponding to approximately 23% of the BPER Group's current customer base, currently served through a network of 258 branches, an online bank, a contact centre and a network of *promotori*.
- Significant improvement of the Gross NPE ratio from 13.8% (at the end of 2018) to 11.6% *pro-forma*, broadly in line with the 11.5% target set for end 2020 in the 2018-20 NPE Plan;
 - Significant value creation thanks to the potential realisation of gross synergies of around € 85-95 million per annum⁹ (to be achieved by 2021) of which: (i) cost synergies for around 70% of total (corresponding to around 20% of Unipol Banca's cost base); (ii) funding and revenue synergies of around 30% of total (most of which are funding synergies). These estimates do not take into account:
 - potential capital synergies (assuming the potential migration of Unipol Banca from standard to internal risk models);
 - scope for enhancing the current relationship with Unipol Group by extracting further commercial synergies through the development of an innovative approach for the distribution of banking products through Unipol Group's insurance distribution channels (so-called "Assurbanking").

Conditions precedent for the execution of the transaction

The transaction is subject to the obtainment by BPER Banca of the prescribed regulatory authorizations, the approval by the competent antitrust authorities and the maintenance of certain levels of overall effective funding by Unipol Banca.

Additional information

Although the timing of the transaction depends on several variables, some of which are outside the control of BPER Banca, the transaction is expected to be completed by the third quarter of 2019.

The transaction, having regard to its terms and conditions and the significant interest held by Unipol and UnipolSai in BPER Banca, can be qualified as a "related party transaction" of material importance pursuant to Consob Regulation no. 17221/2010 containing provisions on related party transactions adopted by Consob, of the Circular n. 263 of Bank of Italy, 9° update – "*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*", at Title V – Chapter 5 – "*Attività di rischio e conflitti di interesse nei confronti di Soggetti Collegati*" and to the related "Group policy for the governance of the risk of non-compliance

⁸ Total funding includes both direct and indirect funding.

⁹ Integration costs have been estimated at c. €70 million pre-tax.

concerning conflicts of interest with related parties and risk activities with associated persons" adopted by BPER, as most recently amended on 18 October 2018.

In accordance with the provisions of the aforementioned Consob regulation and the related policy adopted by BPER Banca, the transaction was approved by the Board of Directors of BPER Banca after obtaining the favorable opinion of the Committee of Independent Directors with reference to the existence of a company's interest in its conclusion and the substantial convenience and correctness of the related conditions.

BPER Banca has fulfilled its obligations under the abovementioned provisions (i) with regard to the investigation and the negotiation phase of the transaction, ensuring the independent directors a complete and timely information flow and the possibility of requesting clarifications and making remarks to the executive bodies and to the persons in charge of conducting the investigation or negotiation; and (ii) with regards to the decision phase, by adopting the resolution subject to the favorable motivated opinion of the Committee of Independent Directors.

In line with the provisions of the "Group policy for the governance of the risk of non-compliance concerning conflicts of interest with related parties and risk activities with associated persons" adopted by BPER Banca, the independent directors were assisted in carrying out the evaluation tasks assigned to them by Barclays as independent expert, expressing a positive opinion with reference to the fairness of the terms of the transaction for BPER Banca from a financial point of view, and also by the law firm Gianni, Origoni, Grippo, Cappelli & Partners for the support from a legal point of view.

. It should be noted that, pursuant to applicable law, the information document prepared according to art. 5 of the Regulation approved by Consob with Resolution 17221/2010 and art. 10.2 of the " Group policy for the governance of the risk of non-compliance concerning conflicts of interest with related parties and risk activities with associated persons " adopted by BPER Banca will be made available to the public at the registered office of BPER Banca (Modena, Via San Carlo 8/20) and on the authorised storage mechanism (www.1info.it), as well as on the websites of BPER Banca and BPER Group (www.bper.it and <https://istituzionale.bper.it/>).

Advisors

With reference to the transaction, BPER Banca was assisted by Citi for the financial aspects, by Prelios for the aspects relating to the portfolio of non-performing loans, by Legance Avvocati Associati and Orrick Herrington & Sutcliffe for the legal aspects and by BCG for the industrial aspects.

BPER Banca S.p.A.

We inform you that today, **8 February 2019 at 9.30 a.m. (CET)** the conference call will be held to illustrate both the consolidated results of BPER Group as of 31 December 2018 and the extraordinary transactions described in this press release.

The conference call, in English, will be chaired by **Alessandro Vandelli, Chief Executive Officer**.

To connect to the conference call, dial the telephone number:

ITALIA: +39 02 8020911

UK: +44 1212 818004

USA: +1 718 7058796

A set of slides to support the presentation will be available the same day before the beginning of the presentation and the conference call, in the Investor Relations area of the Bank and Group websites www.bper.it and www.gruppobper.it.

Disclaimer

This press release contains forward-looking statements relating to future events and the operating, economic and financial results of the BPER Group. Forward-looking statements are by their very nature risky and uncertain, as they depend on the occurrence of future events and developments. Actual results may differ materially from those announced due to various factors.

Statement by the responsible manager

The undersigned, Mr. Marco Bonfatti, manager responsible for preparing BPER Banca's financial reports, hereby certifies, pursuant to Article 154-bis, paragraph 2, of the Consolidated law on Financial Intermediation, that the accounting information contained in this press release corresponds to the documentary findings, books and accounting records.

This press release is also available on the 1INFO storage mechanism.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

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