

BPER:

Gruppo

Acquisition of Banco di Sardegna Minorities & Transactions with Unipol Group

*Increase Scale, Value Creation, Acceleration
of De-Risking, Capital Strength Confirmed*

8 February 2019

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The Manager responsible for preparing the Company’s financial reports, Marco Bonfatti, declares, in accordance with art. 154-bis, para. 2, of the “Consolidated Financial Services Act” (Legislative Order No. 58/1998), that the accounting information contained in this document corresponds to documentary records, ledgers and accounting entries.

Marco Bonfatti

Manager responsible for preparing the Company's financial reports

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

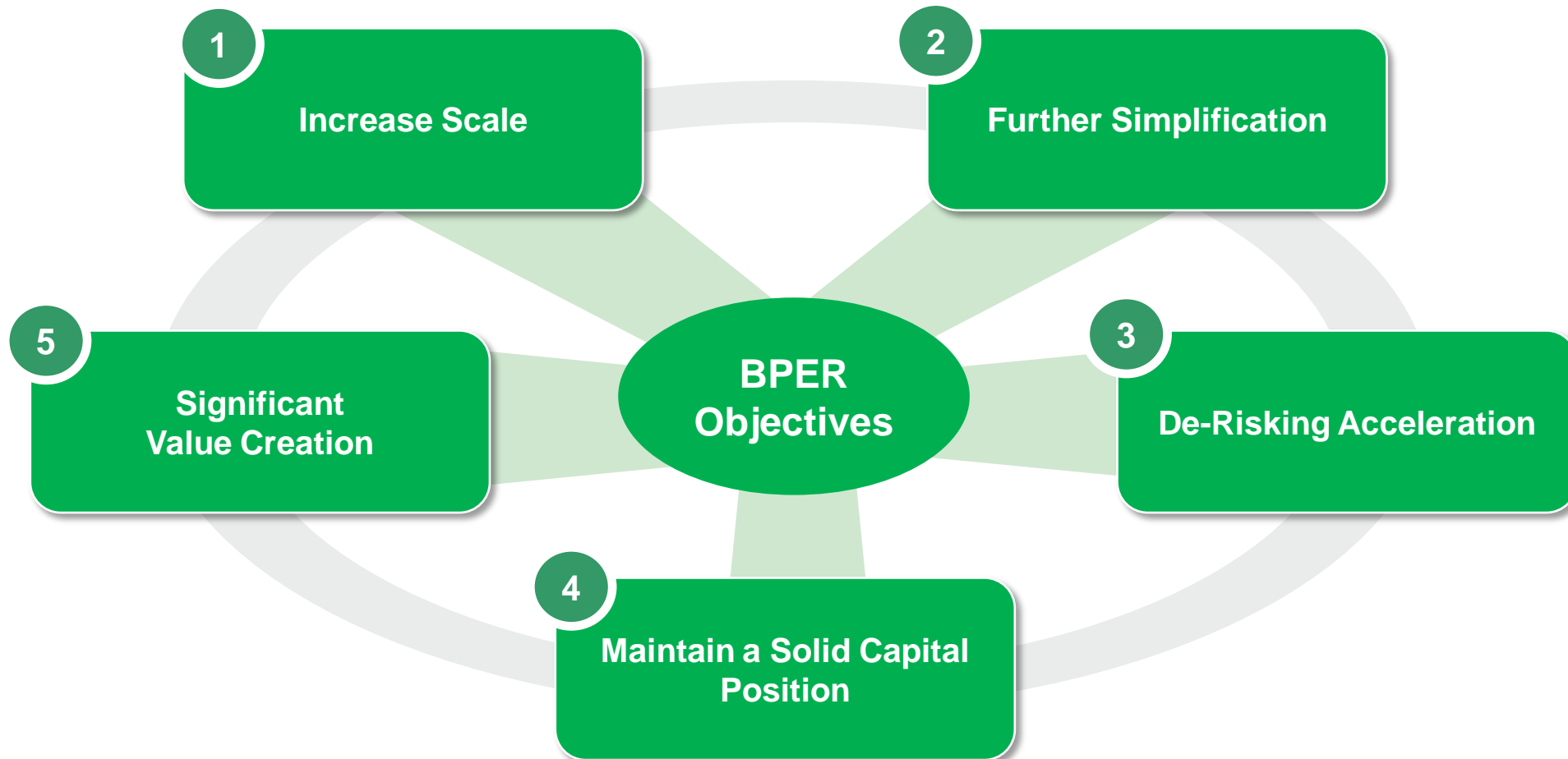
Financial Impacts

Summary

ANNEX

Introduction

The two transactions will enable BPER to achieve a number of objectives.



Acquisition of Banco di Sardegna Minorities & Transactions with Unipol Group

Increase Scale, Value Creation, Acceleration of De-Risking, Capital Strength Confirmed

1

Acquisition of Banco di Sardegna Minorities

Deal Structure

- **Acquisition of all ordinary and preference shares** owned by Fondazione di Sardegna (“FdS”) in Banco di Sardegna (“BdS”) in exchange of:
 - **33m BPER new shares**
 - **Convertible AT1 instrument** issued by BPER with a **€ 150 million nominal value**

Key Highlights for BPER

- ✓ **Significant regulatory capital benefit**
- ✓ **Accelerate BdS cost optimization process**
- ✓ **Further streamline BPER Group's structure**

2

Transactions with Unipol Group

- A. **Cash acquisition of Unipol Banca from Unipol Group for a consideration of € 220 million**
- B. **Cash disposal of a c. € 1.0 billion gross bad loan portfolio to Unipol Group**

- ✓ **Acquisition of a “clean bank” with no legacy issues**
- ✓ **Increase scale and client base. Broaden distribution footprint**
- ✓ **Acceleration of asset quality de-risking**
- ✓ **Significant value creation**

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

Financial Impacts

Summary

ANNEXES

1 Acquisition of Banco di Sardegna Minorities

Transaction Overview

- Acquisition of **all ordinary and preference shares** owned by FdS in BdS in exchange for:
 - 33 million new **BPER ordinary shares**
 - a **€ 150 million Convertible Additional Tier 1 BPER instrument**⁽³⁾
- Increase of FdS stake in BPER by c. 6.4 p.p.⁽²⁾

Overview of Banco di Sardegna Share Capital⁽⁵⁾

		Current	Post transaction
Ordinary Shares: 43.9m	BPER	51.0%	100.0%
	FdS	49.0%	0.0%
	Other	0.0%	0.0%
Preference Shares: 1.1m	BPER	61.7%	98.6%
	FdS	36.9%	0.0%
	Other	1.4%	1.4%

Strategic Rationale

- ✓ **Strengthen BPER's regulatory capital**, with additional upside from the potential conversion of the AT1 note

	Pre Conversion	Post Conversion ⁽¹⁾
✓ Impact on BPER's CET1 ratio ⁽⁴⁾ :	+50 bps	+90 bps
✓ Impact on BPER's Tier 1 ratio ⁽⁴⁾ :	+90 bps	+90 bps

- ✓ **Accelerate Banco di Sardegna's costs optimisation process**, leading to **cost synergies** arising from:
 - ✓ Distribution network
 - ✓ Controlled subsidiaries
- ✓ **Further streamline BPER Group's structure**

1. Assuming conversion of the AT1 note.
 2. Calculated as 33m new shares divided by total number of BPER shares post capital increase (c. 514 million).
 3. See appendix for further details.
 4. Fully phased.
 5. The saving shares have not been reported because they do not fall within the scope of the described transaction.

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

Financial Impacts

Summary

ANNEXES

2 Transactions with Unipol Group

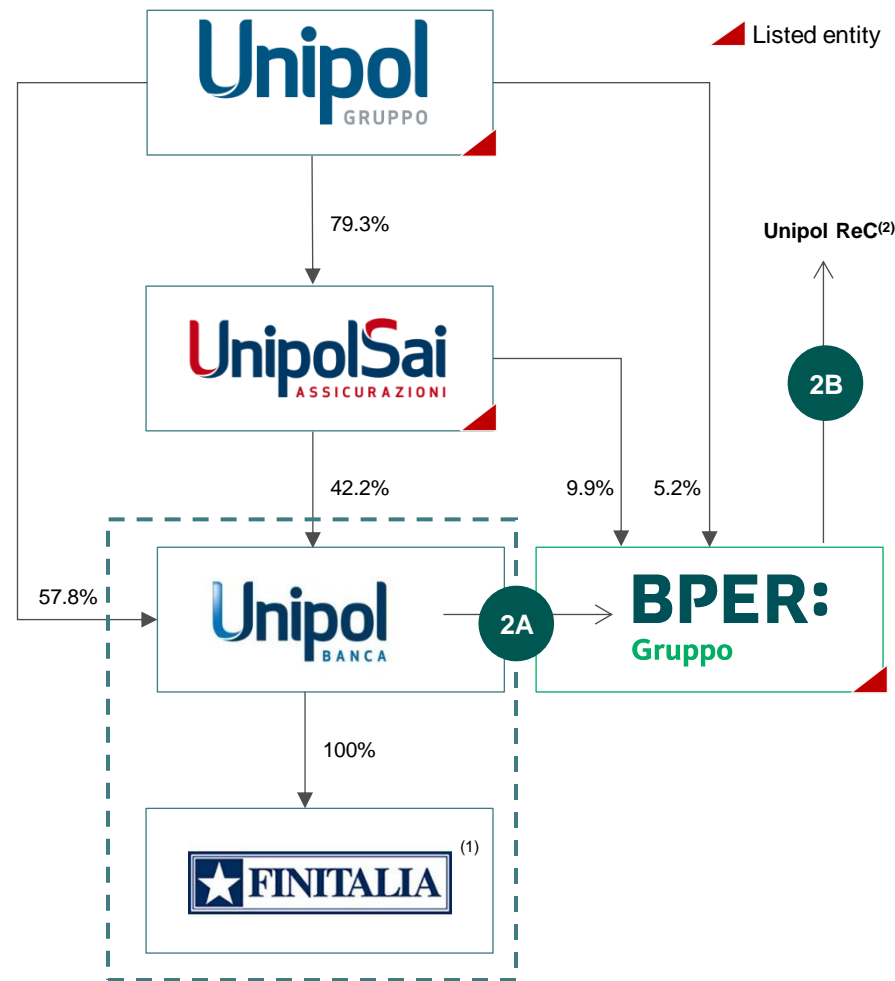
Overview

2A Cash Acquisition of Unipol Banca

- **Cash acquisition of the 100% share capital of Unipol Banca** from Unipol Group
- **Purchase price: € 220 million**

2B Cash Disposal of a Bad Loan Portfolio to Unipol Group

- Disposal to Unipol Group of a **bad loan portfolio of c. € 1.0 billion GBV** of which:
 - **32% secured**
 - **68% unsecured**
- **Consideration in cash** at a **price broadly in line with carrying value** (therefore no meaningful impacts on BPER's P&L accounts) and **without any burden for shareholders**



1. Financial intermediary specialised in personal loan and the financing of insurance premiums (written by parent Unipol Sai).
 2. A company specialising in NPE recovery. Unipol Gruppo owns 57.8% and Unipol Sai owns 42.2%.

Strategic Rationale

Acquisition of a “clean” bank with no legacy issues

- ✓ Since 2017 Unipol Group completed a **draconian restructuring** of Unipol Banca’s balance sheet through:
 - **deconsolidation of € 3 billion gross bad loans** (Gross NPE ratio now standing at 9.6% ⁽¹⁾)
 - **increase of NPE coverage ratio** (72%⁽¹⁾ for bad loans, 46%⁽¹⁾ for UTP and 17%⁽¹⁾ for past due)
 - **capital strengthening**

Increase scale and client base. Broaden distribution footprint

- ✓ Increase of BPER Group assets by c. +17% (*pro-forma* in excess of € 80 billion) and total funding by c. +70% (*pro-forma* in the € 150 billion area)
- ✓ Increase BPER market share (by loans) in Italy from c. 2.5% to c. 2.9%
- ✓ Access to a 500K+ customer base and strengthen BPER’s branch network all over Italy

Acceleration of asset quality de-risking

- ✓ 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

- ✓ **Significant value creation potential through cost, funding and revenue synergies** (total pre-tax synergies of ~€ 85-95 million), of which 70% from **cost synergies** (corresponding to ~20% of Unipol Banca’s cost base) and ~30% from **revenue synergies**, mostly funding
- ✓ **Integration (one-off) costs** estimated at around € 70 million (pre-tax)
- ✓ **Significant other sources of synergies, including** (but non limited to):
 - **Capital synergies:** potential switch from standard to AIRB
 - **Enhance the relationship with Unipol Group:** distribution of banking products through Unipol Group network (i.e. “Assurbank”)

Notes:
(1) As of 31 December 2018.

2A Cash Acquisition of Unipol Banca

Transactions with Unipol Group

Side-by-Side

	BPER: Gruppo	Unipol ⁽¹⁾ BANCA	BPER: + Unipol Gruppo	Unipol Banca as % of Total
Gross customer loans (€ bn)	51.1	8.1	59.2	14%
Total funding (€ bn)	86.7	58.6	145.3	40%
o/w : direct funding (€ bn)	50.0	10.1	60.1	17%
o/w : Indirect funding (€ bn)	36.7	48.6	85.3	57%
Tangible equity (€ m) ⁽²⁾	3,943	548	4,491	12%
Banking income (€ m)	2,037	373	2,410	15%
Net profit (€ m)	402	33	435	8%
Cost of risk (bps)	47	74		
ROTE (%)	10.1%	6.0%		
# of branches	1,218	258	1,476	17%
# of employees	11,615	~ 2,200	13,815	16%

Notes: Data for BPER and Unipol Banca as of FY18.

1. Consolidated data.
2. Excluding minorities.

2A Cash Acquisition of Unipol Banca

Distribution and Business Model

Unipol Banca Distribution Model



#258 Bank Branches



Access to ~1,700 ⁽¹⁾ Unipol Agencies

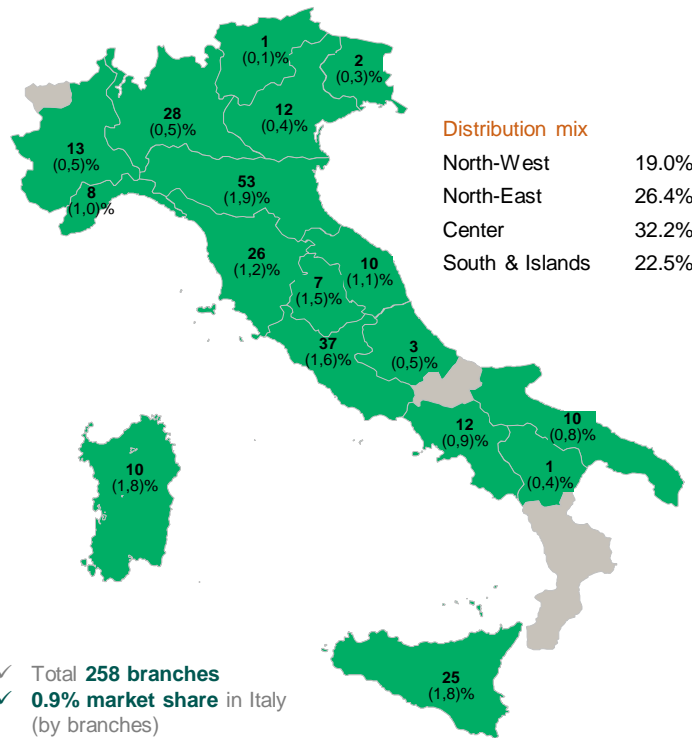


On-Line Bank “My Unipol Banca” and contact centre for assistance to multichannel bank clients



#254 Financial Advisors (“Promotori”)

Unipol Banca Branch Distribution Network



Unipol Banca Business Model

Banking	
<ul style="list-style-type: none"> Mortgages (~50% of loans) and short term (~35% of loans) Focus on Retail & SME 	
Insurance	
Commercial agreements to sell life & health products with:	
Asset Management	
Commercial agreements with a number of third party asset managers	
Consumer Finance	
Commercial agreements with:	100% stake in
Leasing & Factoring	
Commercial agreements with:	

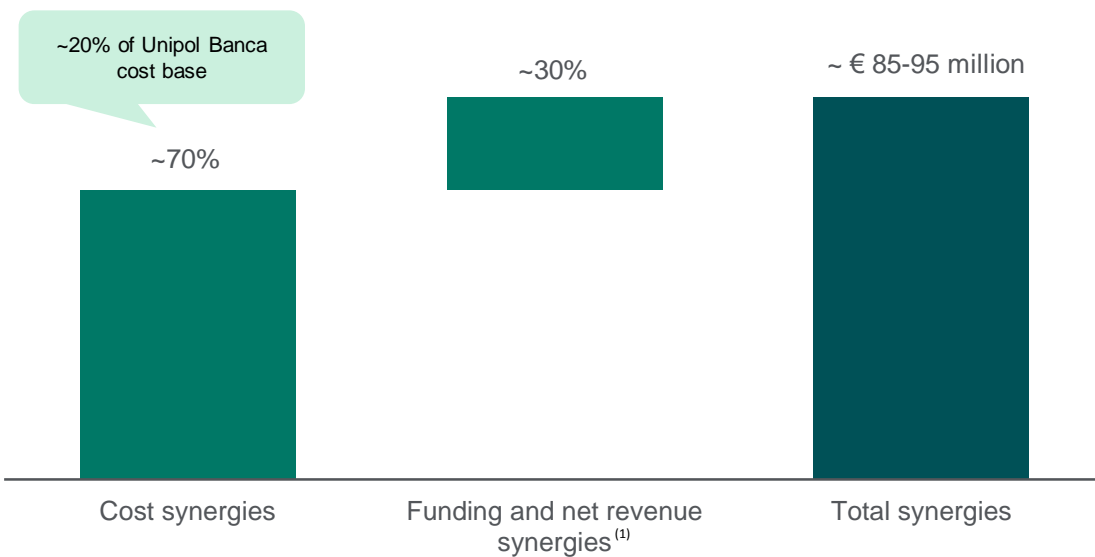
1. Out of c. 2,900 total agencies and c. 5,500 sub-agencies of Unipol Group.

2A Cash Acquisition of Unipol Banca

Transactions with Unipol Group

Strong Synergy Potential

Envisaged Run-Rate Gross Synergies (Pre-Tax)



Run rate synergies to be achieved by 2021

Integration (one-off) costs estimated to be around € 70 million

Additional Potential Sources of Value Creation (not included in Run-Rate synergies)

Regulatory Capital Synergies

- ✓ Unipol Banca's potential switch from Standard to AIRB

Enhance the Relationship with Unipol Group

- ✓ Distribution of banking products through Unipol Group network (i.e. "Assurbank")

1. Mostly funding synergies.

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

Financial Impacts

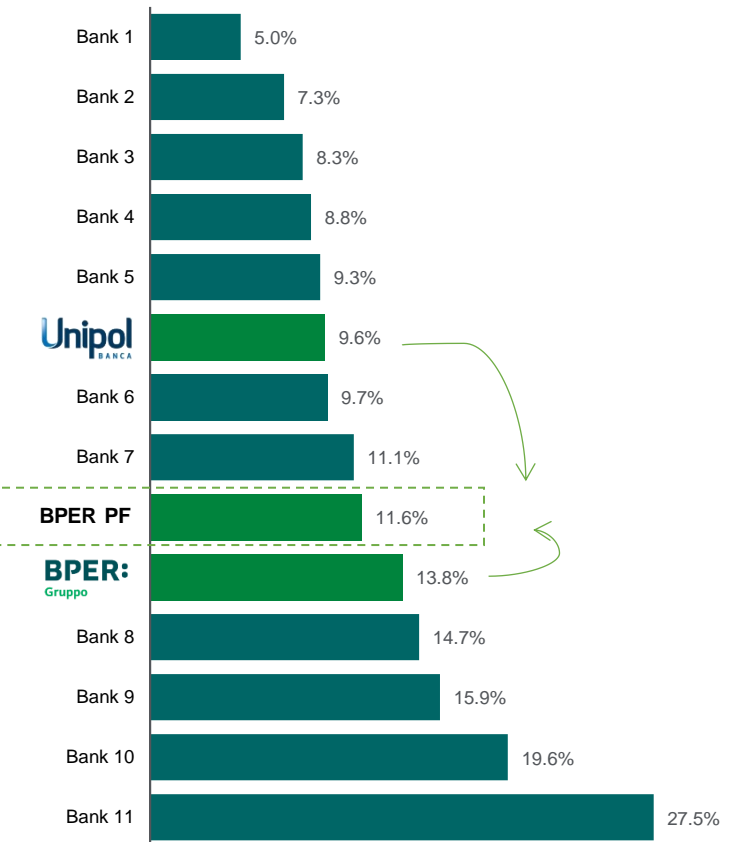
Summary

ANNEXES

Acceleration of Asset Quality De-Risking (NPE '20 Target of 11.5%⁽²⁾ Achieved 1.5yrs in Advance)

<i>Data in €m</i>	BPER: Gruppo	+	Bad loans portfolio sale	+	Unipol BANCA	=	BPER PF	Delta vs FY18
Gross NPE	7,046		(964)		774		6,855	
Gross NPE Ratio	13.8%				9.6%		11.6% !	(2.2%) !
Net NPE	3,205		(131)		405		3,479	
Total NPE Coverage	54.5%		86.4%		48%		49.2%	
Gross Bad Loans	4,338		(964)		96		3,470	
% Gross Loans	8.5%				1.2%		5.9%	(2.6%) !
Bad Loans Coverage	66.6%		86.4%		72%		61.3%	
Gross UTP	2,638				634		3,272	
% Gross Loans	5.2%				7.8%		5.5%	
UTP Coverage	35.7%				46%		37.7%	(2.0%) !
Gross Past Due	69				44		113	
% Gross Loans	0.1%				0.5%		0.2%	
Past Due Coverage	12.3%				17%		14.3%	

Peer Benchmarking – Gross NPE Ratio⁽¹⁾



Notes: Data as of 31 December 2018 for BPER and Unipol Banca

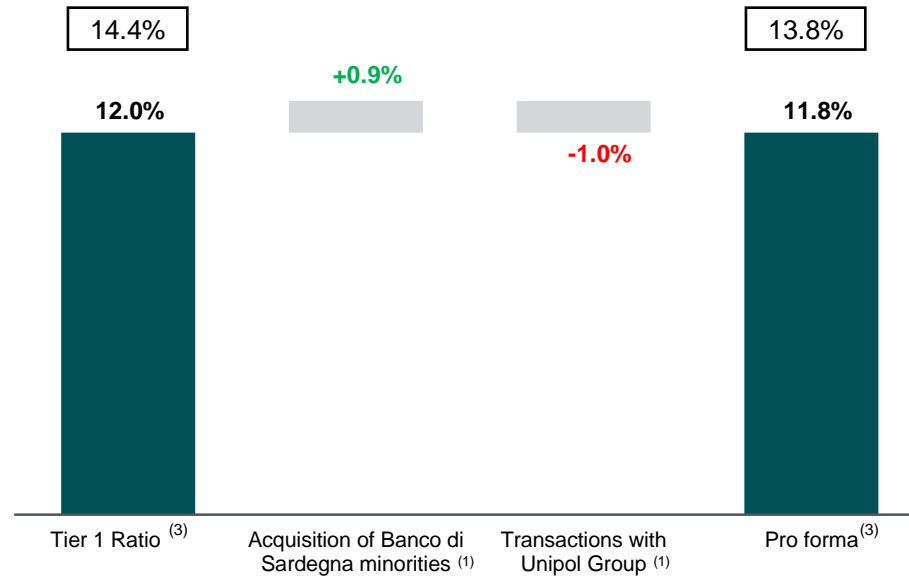
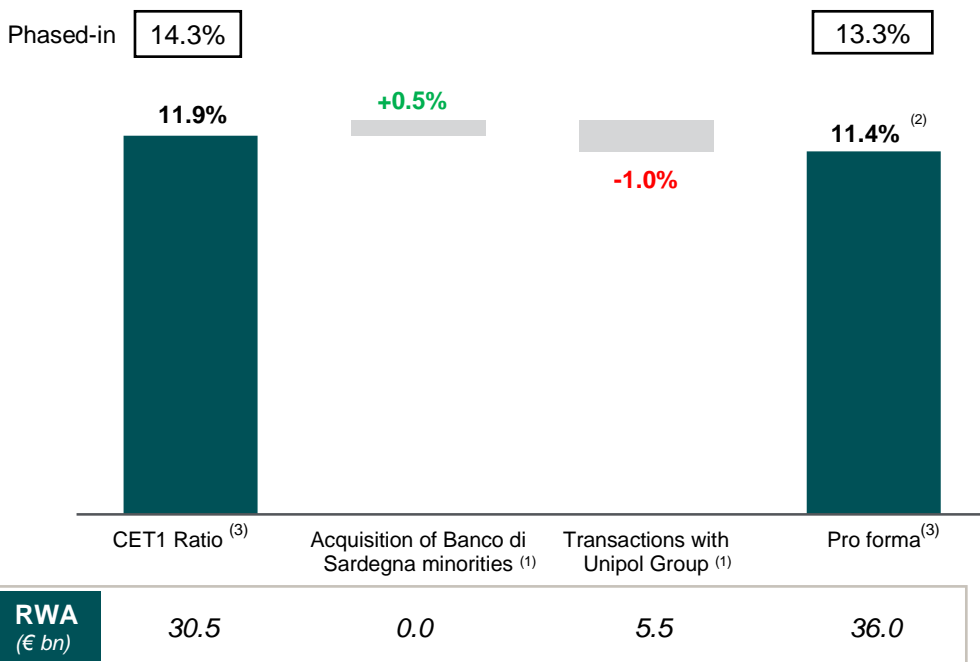
1. Peers figure as of Q3 2018 reported. Peers: Carige, MPS, BBPM, BP Sondrio, UBI, Cariparma, ISP, CreVal, UCG, B DESIO, Credem.
2. Based on 2018-2020 NPE Plan announced during 1Q18 results (8 May 2018).

Capital Impacts

Maintained a Solid Capital Position

CET 1 Ratio (Fully Phased) – 31 December 2018

Tier 1 Ratio (Fully Phased) – 31 December 2018



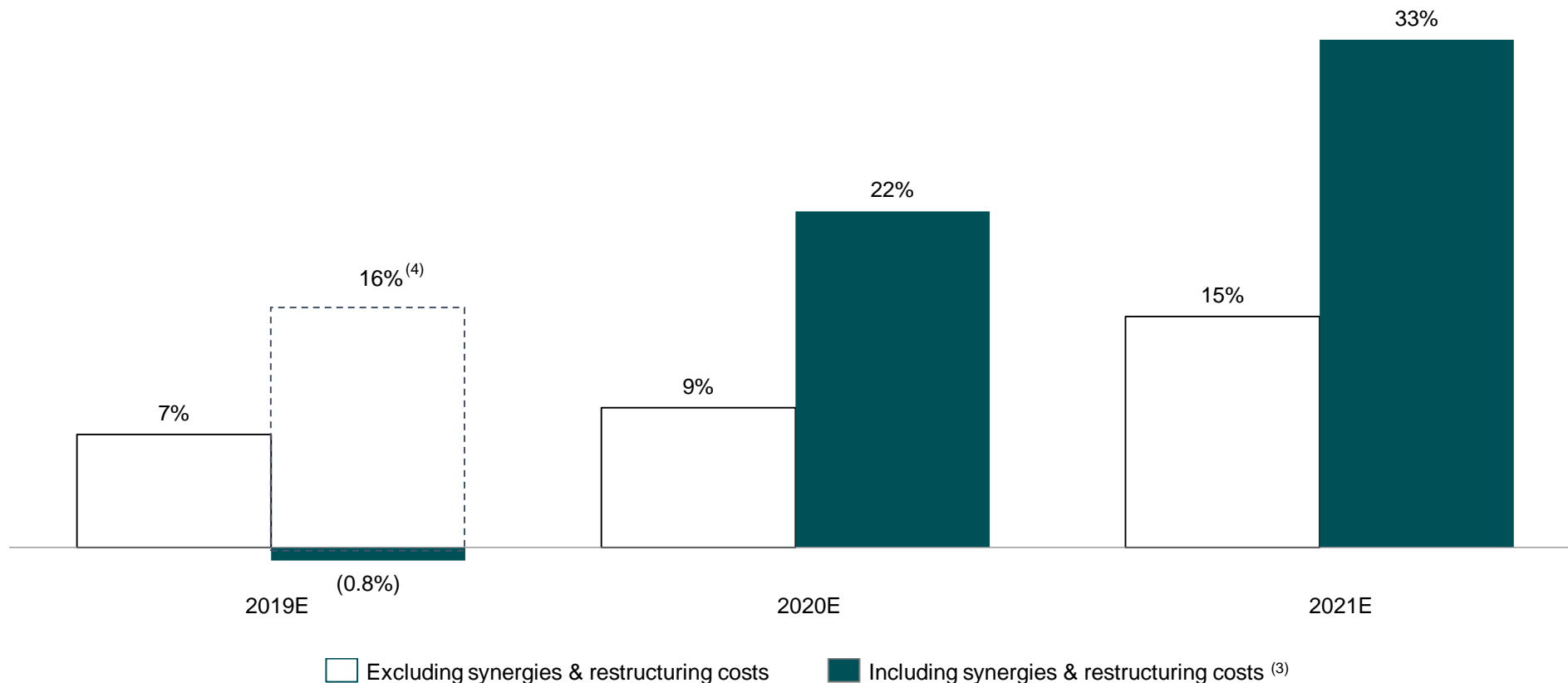
Excluding any potential uplift from migration of Unipol Banca to AIRB

1. Considering badwill fully accounted gross of tax.
 2. Pre-conversion of AT1.
 3. Fully phased.

EPS Accretion for BPER Shareholders (1,2)

Significant Value Creation thanks to Strong Synergy Potential

Combined Impact of the Transactions



1. Calculated as the increase of BPER Banca's future EPS *pro-forma* for the announced transactions (acquisition of Banco di Sardegna minorities and transactions with Unipol Group) *versus* BPER Banca's future standalone EPS estimated by brokers' consensus. The calculation excludes the potential conversion of the AT1. Under the assumption of a cost of funding for the acquisition of Unipol Banca equal to Euribor projections (-0.24% for 2019, 0.27% for 2020 and 0.37% for 2021).
2. Net income projections for BPER from broker consensus (Factset as of 5 February 2019) and for Unipol Banca and BdS from internal estimates.
3. Includes all the estimated synergies deriving from the acquisition of Unipol Banca (cost, revenue and funding) net of restructuring costs. Run rate synergies assumed to be fully achieved in 2021.
4. Excluding restructuring costs.

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

Financial Impacts

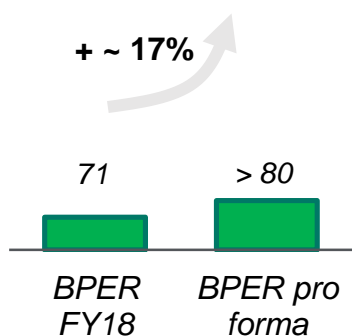
Summary

ANNEXES

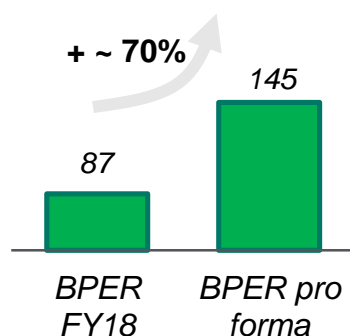
Increase Scale, Value Creation, Acceleration of De-Risking, Capital Strength Confirmed

Increase Scale

Total assets, € billion



Total funding ⁽¹⁾, € billion



Value Creation



Estimated run rate pre-tax synergies:

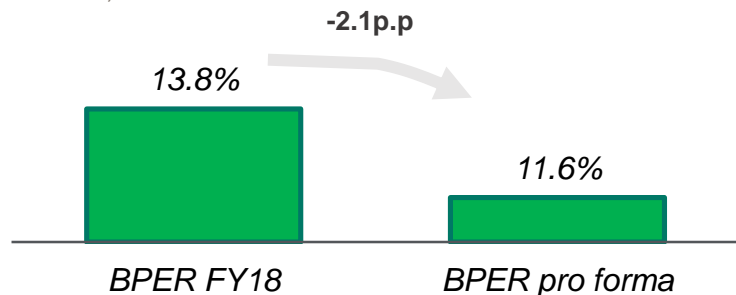
- ✓ € 85-95 million from the acquisition of Unipol Banca
- ✓ Additional potential synergies from the acquisition of BdS minorities



'21 EPS accretion for BPER shareholders: +33%

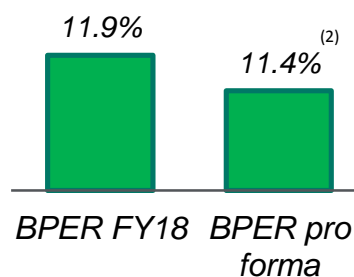
Acceleration of Asset Quality De-Risking

Gross NPE ratio, %

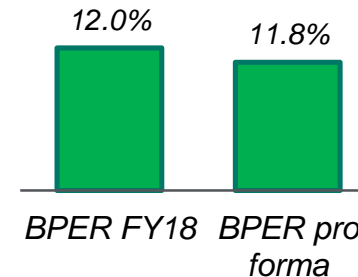


Capital Strength Confirmed

CET1 Fully phased, %



Tier 1 Fully Phased, %



1. Direct and indirect funding.

2. Pre AT1 conversion. Assuming the full conversion of AT1, BPER's CET1 would increase to 11.8%.

Agenda

ACQUISITION OF BANCO DI SARDEGNA MINORITIES & TRANSACTIONS WITH UNIPOL GROUP

Executive Summary

Acquisition of Banco di Sardegna Minorities

Transactions with Unipol Group

Financial Impacts

Summary

ANNEX

BPER Convertible Additional Tier 1

Summary Indicative T&Cs

Characteristics	Description
Offered Securities	Convertible Additional Tier 1 Capital Notes (the “Notes”) with a nominal value (“Principal Amount”) of € 150 million
Issue Price	120% of the Principal Amount
Maturity	Perpetual
First Optional Redemption Date	2029
Optional Redemption	Redeemable at the Issuer’s option on the First Optional Redemption Date, in whole but not in part, at the Principal Amount subject to approval from the Competent Authority and certain other redemption conditions
Interests	The Notes shall bear interest on the Principal Amount on a non-cumulative basis at a fixed rate of 8.75% per annum
Trigger Event	If the CET1 Ratio (individual or consolidated) at any time were to fall below 5.125% (the “Trigger Event”), the Principal Amount would be mandatorily reduced by the amount necessary to restore BPER’s CET1. The outstanding Principal Amount may subsequently be written back up, at the discretion of the Issuer and subject to certain conditions
Conversion at Option of Noteholder	The Notes are convertible, in whole or in part, at the Noteholder’s option at any time until 8 th year. The number of ordinary shares to be issued upon a Conversion at Option of the Noteholder shall equal the Principal Amount divided by the Conversion Price The Conversion Price shall be € 4.2 per share