
Extraordinary Shareholders' Meeting of 4 July 2019

Report on point 2) of the agenda

Proposal to grant the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the power to resolve, by 31 December 2019, upon:

(i) the issuance of a convertible bond Additional Tier 1, for a maximum nominal amount of Euro 150,000,000, to be entirely offered in subscription to Fondazione di Sardegna and therefore (ii) to increase the share capital against payment, in one or more tranches and in divisible form, for a total maximum amount of Euro 150,000,000, in exclusive and irrevocable connection with the conversion of such bond, through the issuance of no. 35,714,286 ordinary BPER shares, with no par value.

Amendment of Article 5 of the Articles of Association.

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

BPER Banca S.p.A.

Registered office in Modena, via San Carlo n. 8/20

Share capital of Euro 1,443,925,305 fully paid in

Registered with the Companies' Register of Modena under no. 01153230360

Illustrative report of the Board of Directors of BPER Banca S.p.A., with regard to item 2 on the agenda of the Extraordinary Shareholders' Meeting called for 4 July 2019, on single call: "Proposal to grant the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the power to resolve, by 31 December 2019, upon: (i) the issuance of a convertible bond Additional Tier 1, for a maximum nominal amount of Euro 150,000,000, to be entirely offered in subscription to Fondazione di Sardegna and therefore (ii) a paid capital increase, in one or more tranches and in divisible form, for a total maximum amount of Euro 150,000,000, in exclusive and irrevocable connection with the conversion of such bond, through the issuance of no. 35,714,286 ordinary BPER shares, with no par value. Amendment of Article 5 of the Articles of Association. Related and consequent resolutions".

Dear Shareholders,

the Board of Directors (the "**BoD**") of BPER Banca S.p.A. ("**BPER**"), has called an Extraordinary Shareholders' Meeting to submit to your approval the proposal to grant the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the delegation to issue an Additional Tier 1 bond convertible into ordinary shares of BPER and, consequently, the power to increase the share capital of BPER.

The purpose of this report is to submit this proposal.

1. DESCRIPTION OF THE TRANSACTION, REASONS FOR THE PROPOSAL TO DELEGATE THE ISSUE OF AN AT1 CONVERTIBLE BOND

The proposal for the delegation referred to in this report consists in granting the BoD, pursuant to Article 2420-ter of the Italian Civil Code, the power, to be exercised by 31 December 2019, to: (i) issue an Additional Tier 1 bond of perpetual duration, convertible into BPER ordinary shares, for a maximum total amount of Euro 150,000,000 ("**POC AT1**"), to be offered for subscription to Fondazione di Sardegna ("**FdS**") at a subscription price higher than the par value determined in overall Euro 180,000,000; and consequently (ii) resolve a paid capital increase, one or more times and in one or more tranches, for a maximum total amount, including any share premium, of Euro 150,000,000, to service exclusively and irrevocably the conversion of the POC AT1 through the issue of a maximum of 35,714,286 BPER ordinary shares, without express par value, with regular dividend rights and the same features of the BPER ordinary shares outstanding at the issue date ("**Capital Increase to Service the Conversion**").

This proposal is part of the broader transaction announced by BPER on 8 February 2019 (the "**Transaction**"), following the signing with the FdS of a framework agreement ("**Framework Agreement**") concerning, *inter alia*, the transfer to BPER of all ordinary and preferred shares of Banco di Sardegna S.p.A. ("**BdS**") - of which BPER currently holds 51% of the ordinary share capital - held by FdS.

More precisely, in the context of the Transaction, BPER will acquire:

- no.10,819,150 ordinary shares and no. 430,850 preferred shares of BdS (without prejudice to the exercise of the right of first refusal pursuant to Article 5 of the by-laws of BdS by the other holders of preferred shares of BdS and/or by BPER), with the simultaneous offer for subscription by BPER to the FdS of the POC AT1, which is the subject of this Illustrative Report;

- no. 10,731,789 ordinary BdS shares, through their contribution in kind, subject to a resolution of paid capital increase of BPER, reserved to FdS, as per item 1 on the agenda of the Extraordinary Shareholders' Meeting held on the date hereof and subject of a specific Illustrative Report.

Upon completion of the Transaction, BPER would hold (a) 100% of the ordinary share capital of BdS, and (b) 98.6% of the preferred shares of BdS, without prejudice to the exercise of the aforementioned right of first refusal.

The Transaction, which also includes the issue of the POC AT1, will allow BPER banking group to obtain the following benefits:

- a significant improvement in the level of regulatory capital (positive impact on the *CET1 ratio* and on the *Fully Phased Tier 1 ratio* of approximately +50 bps and +90 bps, respectively);
- the acceleration of the process of cost optimization in BdS and the creation of cost synergies, with particular reference to the distribution network and subsidiaries; and
- a further simplification of the structure of the BPER banking group.

This proposed resolution gives the Board of Directors the broadest powers to determine, in compliance with the applicable legislative and regulatory provisions and taking into account the provisions of the Framework Agreement, the modalities, terms and conditions for the issue of the POC AT1 and the final terms of its terms and conditions.

The exercise of the delegation may guarantee greater flexibility in determining - within the limits mentioned above - the terms and conditions of the issue of the POC AT1 and the Capital Increase to Service the Conversion and the related execution activities.

2. INFORMATION ON THE RESULTS OF THE LAST FINANCIAL YEAR AS AT 31 DECEMBER 2018 AND GENERAL INFORMATION ON MANAGEMENT TRENDS AND THE FORESEEABLE FINAL RESULTS OF THE CURRENT FINANCIAL YEAR

2.1. Financial statements as at 31 December 2018

On 17 April 2019, the Ordinary Shareholders' Meeting of BPER approved the financial statements as at 31 December 2018 with a total net income equal to Euro 445.8 million (of which Euro 402.0 million attributable to the Parent Company).

2.1.1 Indication of the most significant funding trends, also in relation to technical form, of bank and financial lending, with particular regard to credit quality

Direct funding from customers amounted to Euro 50.0 billion, substantially stable compared with 31 December 2017. Total direct funding consists mainly of current accounts and short-term demand and restricted deposits (78.6%) and bonds (8.0%).

Indirect customer deposits, valued at market prices, come to Euro 36.2 billion (Euro 35.9 billion at 31 December 2017). In particular, funds under management (*raccolta gestita*) amount to Euro 19.3 billion, with positive net inflow for the period of Euro 1.1 billion. Funds under administration (*raccolta amministrata*) amount to Euro 16.9 billion. The portfolio of life insurance premiums, not included in indirect deposits, amounts to Euro 5.0 billion.

Net loans to customers amount to Euro 47.1 billion, with an increase of Euro 0.6 billion compared with Euro 46.5 billion at 31 December 2017, including the effects of the securitization of non-performing loans concluded in 2018. Net performing loans amount to Euro 43.8 billion (up 3.9% from 31.12.2017), whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to Euro 3.2 billion (-25.2% compared to 31 December 2017), with a total coverage ratio of 54.5%, down 4.8 percentage points compared to 31 December 2017. In detail, net bad loans amount to Euro 1.4 billion, a sharp decrease of Euro 0.9 billion (-37.6%) compared to 31 December 2017, with coverage of 66.6%; net unlikely-to-pay loans amount to Euro 1.7 billion, down Euro 0.2 billion (-9.5%) compared to 31 December 2017, with coverage of 35.7%; net past

due loans amount to Euro 60.5 million with coverage of 12.3%. The quality of performing loans is substantially improving, with a percentage of low-risk ratings exceeding 60%.

Financial assets come to a total of Euro 17.2 billion (Euro 15.8 billion at 31 December 2017) and amount to 24.3% of total assets. Debt securities amounted to Euro 16.3 billion and represent 95.0% of the total portfolio: of these, Euro 6.6 billion refer to government securities and other public entities, of which Euro 5.2 billion of Italian government securities.

2.1.2 Indication of recent trends in costs and revenues, with particular reference to trends in interest rates and commissions spread

Net interest income comes to Euro 1,122.4 million, decreased by 0.18% (Euro 1,124.5 million at 31 December 2017).

Net commission income is equal to Euro 776.3 million, increased by 4.8% (Euro 740.6 million at 31 December 2017).

Operating costs amount to Euro 1,382.9 million, increased by 6.66% (Euro 1,296.5 million at 31 December 2017).

The net result from operations amounts to Euro 698.4 million, down by 5.92% (Euro 742.3 million at 31 December 2017).

The overall gap between the average annual rate of return on interest-bearing assets and the average annual cost of the onerous liability is 1.63%, down from the previous year (1.67%).

2.2 Consolidated Interim Management Statements as at 31 March 2019 and relevant updates

On 9 May 2019, BPER's BoD approved the consolidated interim report as at 31 March 2019 with total net income of Euro 51.1 million (of which Euro 48 million attributable to the Parent Company). In this regard, it should be noted that, as at 31 March 2019, the performance of the main consolidated figures of BPER banking group was the following:

- Direct funding from customers Euro 50.6 billion (+ Euro 0.6 billion compared to the end of 2018);
- Indirect customer deposits Euro 37.4 billion (+ Euro 1.2 billion compared to the end of 2018);
- Net loans to customers Euro 46.5 billion (- Euro 0.6 billion compared to the end of 2018);
- Financial assets Euro 17.4 billion (+ Euro 0.2 billion compared to the end of 2018);
- Total equity Euro 5.0 billion (+ Euro 0.1 billion compared to the end of 2018);
- Common Equity Tier 1 (CET1) ratio "Phased In" equal to 14.24% (14.27% as at 31 December 2018), "Fully Phased" equal to 12.24% (11.95% as at 31 December 2018);
- Tier 1 "Phased In" ratio equal to 14.32% (14.37% as at 31 December 2018);
- Total Capital ratio "Phased In" equal to 17.23% (17.25% as at 31 December 2018);
- Net interest income equal to Euro 273.9 million (-6.6% compared to 31.03.2018);
- Net commission income equal to Euro 192.5 million (-2.8% compared to 31.03.2018);
- Operating costs equal to Euro 337.7 million (+2.0% compared to 31.03.2018);
- Net result from operations equal to Euro 157.6 million.

2.3 Foreseeable outlook for operations

The foreseeable outlook for operations for 2019 will be influenced by the extraordinary transactions envisaged in the new Business Plan approved at the end of February (the acquisition of Unipol Banca and of the minority interests in Banco di Sardegna, the sale of a portfolio of non-performing loans and the acquisition of control of Arca Holding). Considering the stand alone perimeter, customer financing is expected to increase moderately during the year, with a particular focus on the private and small and medium enterprises segments. Net interest income is expected to grow marginally, sustained both by the improvement in business with customers and by the rationalization of the cost of funding. Commissions are expected to grow, supported in particular by asset management and bancassurance segments. Ordinary

operating costs should already show a downward trend during the year as a result of the planned efficiency and rationalization activities, some of which are in the process of being implemented, whose dynamics will be fully applied in the activities envisaged by the new Business Plan. Credit cost should be relatively low. These factors should contribute to sustaining the Group's profitability prospects for the current year.

For further information on the results of the financial year ended on 31 December 2018 and the first quarter of 2019, reference should be made, respectively, to the statutory financial statements of BPER and the consolidated financial statements of the BPER banking group and the consolidated interim report as at 31 March 2019, made available to the public in accordance with applicable law and available at the registered offices of BPER, Borsa Italiana S.p.A. and on the BPER website.

3. GUARANTEE AND/OR PLACEMENT CONSORTIA AND ANY OTHER ENVISAGED FORMS OF PLACEMENT

Considering that the capital increase is made to service the conversion of the POC AT1, no guarantee and/or placement consortia are envisaged. No other form of placement is envisaged.

4. CRITERIA FOR DETERMINING THE CONVERSION RATIO AND ISSUE PRICE OF THE NEW SHARES USED FOR CONVERSION

Pursuant to the Framework Agreement, the POC AT1 will be fully offered in subscription to FdS at a subscription price higher than the par value, determined in overall Euro 180,000,000.

The issue price of the new BPER ordinary shares to service the conversion of the POC AT1 will be determined by the BoD, in the context of the exercise of the delegation, in compliance with the limits and criteria set out by applicable law, subject to an opinion on the fairness of the issue price by Deloitte & Touche S.p.A., auditing firm, pursuant to Article 2441, paragraph 6, of the Italian Civil Code and Article 158 of the Consolidated Financial Act. The content of the fairness opinion will be disclosed and made available in accordance with applicable law.

5. SHAREHOLDERS WHO HAVE EXPRESSED THEIR INTENTION TO SUBSCRIBE THE NEWLY ISSUED CONVERTIBLE BOND

In light of the Framework Agreement, the subscription of the POC AT1 that will be issued in exercise of the delegation covered by this report is reserved exclusively to FdS, which has undertaken to subscribe it.

6. REASONS FOR THE EXCLUSION OF OPTION RIGHTS

The Capital Increase to Service the Conversion will be carried out with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code.

As illustrated above, the exclusion of option rights is due to the choice to reserve exclusively and irrevocably to FdS the subscription of the Capital Increase to Service the Conversion of the POC AT1 in the context of the transaction contemplated by the Framework Agreement.

7. PERIOD FOR THE ISSUE OF THE BOND AND THE EXECUTION OF THE CAPITAL INCREASE TO SERVICE THE CONVERSION

In exercise of and within the limits of the delegation covered by this report, the BoD will establish the period for the issue of the POC AT1 and the execution of the Capital Increase to Service the Conversion: the delegation will be valid until 31 December 2019. Currently, subject to the fulfilment of the conditions precedent provided for by the Framework Agreement, including obtaining the authorisations from the competent Authorities, it is envisaged that the delegation may be exercised by August 2019. In any case, the market will be granted prompt and adequate information on the timing of the execution of the Transaction.

8. DATE OF DIVIDEND ENTITLEMENT OF NEWLY ISSUED SHARES

The BPER ordinary shares that will be issued following the exercise of the delegation described in this report will have the same dividend rights and features of the BPER ordinary shares outstanding at the issue date.

9. ECONOMIC, EQUITY AND FINANCIAL EFFECTS OF THE CAPITAL INCREASE AND DILUTING EFFECTS

In the context of the exercise of the delegation referred to in this report, the BoD will provide the market with prompt and adequate information on the pro-forma economic, equity and financial effects of the issue of the POC AT1 and the implementation of the Capital Increase to Service the Conversion. Since the exact number of BPER shares that will be issued following the exercise of the delegation for the Capital Increase to Service the Conversion has not yet been precisely determined, and taking into account the effects of the extraordinary transactions ongoing or to be carried out, it is not currently possible to determine the dilutive effect on the unit value of the shares in circulation.

10. AMENDMENTS TO THE BY-LAWS

The attribution of the power to issue the POC AT1 and the Capital Increase to Service the Conversion proposed by the BoD requires the relevant amendment of Article 5 of the by-laws.

We report below a comparison between the aforesaid Article 5 in its current wording and in the proposed one. It should be noted that Article 5 of the by-laws is subject to other proposals relating to amendments submitted for approval to the Extraordinary Shareholders' Meeting as part of further capital increases as well as to the elimination of paragraph 5 and consequent renumbering, with respect to which reference should be made to the specific illustrative reports. The text proposed for insertion is in bold type.

| Article 5 | Article 5 |
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| <p>1. Share capital, fully subscribed and paid in, amounts to Euro 1,443,925,305 and is represented by 481,308,435 registered ordinary shares, with no nominal value.</p> <p>2. If a share becomes the property of several persons, the joint ownership rights must be exercised by a common representative.</p> <p>3. Within the limits established by current regulations, the Company, by resolution of the Extraordinary Shareholders' Meeting can issue categories of shares carrying different rights with respect to the ordinary shares, and may determine such rights, as well as financial instruments with equity or administrative rights.</p> <p>4. All the shares belonging to the same category carry the same rights.</p> <p>5. The Extraordinary Shareholders' Meeting of 3 September 2011 has granted to the Board of Directors, in accordance with art. 2420-ter of the Italian Civil Code, the power, which can be exercised within a maximum of five years from the date of the resolution: (i) to issue, in one or more tranches, bonds convertible into ordinary shares of the Company, for a total maximum amount at par of Euro 250,000,000.00, to be offered to those entitled to them; and, therefore, (ii) to increase the share capital for payment, in one or more tranches, also in separate issues, for a total maximum amount of Euro 250,000,000.00 including any share premium, irrevocably and exclusively to serve the conversion of these bonds, by issuing ordinary shares of the Company with regular dividend rights and the same characteristics as the ordinary shares</p> | |

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| <p>of the Company in circulation at the issue date.</p> <p>6. Until the expiry of the deadline provided for by art. 1, paragraph 2-bis of Decree Law 3 of 24 January 2015, converted into Law 33 of 24 March 2015, and subsequent possible extensions and/or modifications, no one entitled to vote may vote, for any reason, for a quantity of the Company's shares in excess of 5% of the share capital with voting rights. To this end, account should be taken of the total shares held directly and indirectly, through subsidiaries, trust companies and intermediaries, and those for which the voting rights are assigned for any reason to someone other than the owner. No account is taken of shareholdings included in the portfolios of mutual funds. For the purpose of these by-laws, control takes place, also with regard to parties other than companies, in the cases foreseen in art. 23 of Legislative Decree 385 of 1 September 1993. In the event of violation of these provisions, any shareholders' resolutions may be challenged pursuant to art. 2377 of the Italian Civil Code, if the required majority was not reached without this violation. The shares for which voting rights cannot be exercised are not included in the count for the purpose of establishing whether there is a quorum to hold the Shareholders' Meeting.</p> | <p>The Extraordinary shareholders' meeting held on 4 July 2019 granted the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the power, to be exercised by 31 December 2019, to (i) issue an Additional Tier 1 convertible bond, for a maximum total nominal amount equal to Euro 150,000,000.00, to be entirely offered in subscription to Fondazione di Sardegna at a subscription price higher than par value equal to Euro 180,000,000.00, and, consequently, (ii) to resolve a paid capital increase, one or more times and in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount equal to Euro 150,000,000.00, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code, to service exclusively and irrevocably the conversion of the abovementioned Additional Tier 1 bond by issue of a maximum of 35,714,286 ordinary shares of the Company, without explicit par value, with regular dividend rights and the same features as the ordinary shares of the Company outstanding at the issue date.</p> |
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11. RIGHT OF WITHDRAWAL

The proposed amendment to BPER's by-laws does not fall within any of the cases of withdrawal under the by-laws and applicable law and regulatory provisions.

12. RESOLUTIONS PROPOSED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

in consideration of the above, the Board of Directors invites you to approve the following resolution:

“The Extraordinary Shareholders' Meeting of BPER Banca S.p.A., having examined and approved the illustrative report of the Board of Directors and the proposals formulated therein, acknowledged that the subscribed and paid in share capital amounts to Euro 1,443,925,305.00, resolves:

- 1) *to grant the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the delegation, to be exercised by 31 December 2019, to:
 - (i) *issue an Additional Tier 1 convertible bond, for a maximum total nominal amount of Euro 150,000,000, to be fully offered in subscription to Fondazione di Sardegna at a subscription price higher than par value determined in Euro 180,000,000; and consequently*
 - (ii) *resolve a paid capital increase, one or more times and in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for an overall amount, including any share premium, of up to Euro 150,000,000, exclusively and irrevocably to service the conversion of such Additional Tier 1 bond through the issue of up to 35,714,286 BPER ordinary shares, without express par value, with regular dividend rights and the same features of BPER ordinary shares outstanding at the issue date;**
- 2) *to grant the Board of Directors any and all powers to determine, in compliance with the applicable law and regulatory provisions and taking into account the provisions of the Framework Agreement signed between BPER and Fondazione di Sardegna on 7 February 2019, disclosed to the market on 8 February 2019, and the related annexes, the terms and conditions for the issue of the Additional Tier 1 convertible bond referred to in point 1) above and the final terms of the related terms and conditions;*
- 3) *to amend Article 5 of the by-laws accordingly by inserting the following paragraph: “The Extraordinary shareholders' meeting held on 4 July 2019 granted the Board of Directors, pursuant to Article 2420-ter of the Italian Civil Code, the power, to be exercised by 31 December 2019, to (i) issue an Additional Tier 1 convertible bond, for a maximum total nominal amount equal to Euro 150,000,000.00, to be entirely offered in subscription to Fondazione di Sardegna at a subscription price higher than par value equal to Euro 180,000,000.00, and, consequently, (ii) to resolve a paid capital increase, one or more times and in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount equal to Euro 150,000,000.00, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code, to service exclusively and irrevocably the conversion of the abovementioned Additional Tier 1 bond by issue of a maximum of 35,714,286 ordinary shares of the Company, without explicit par value, with regular dividend rights and the same features as the ordinary shares of the Company outstanding at the issue date”;*
- 4) *to grant the Board of Directors and, on its behalf, the Chairman, the Deputy Chairman and the Chief Executive Officer, jointly and severally, a delegation to provide, also through attorneys, for what is required, necessary or useful for the execution of the resolutions, as well as to comply with the relevant and necessary formalities, including the submission of requests to the competent supervisory bodies, the registration of resolutions in the Companies' Register, with the right to introduce any amendments required by the competent Authorities for this purpose or at the time of registration and/or legality control, and in general all that is necessary for their complete execution, with any and all necessary and appropriate powers, in compliance with current legal provisions.”*

Modena, 13 June 2019

For the Board of Directors
The Chief Executive Officer