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**Extraordinary Shareholders' Meeting of 4 July 2019**

**Report on point 3) of the agenda**

**Proposal to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code the power to increase the share capital against payment, by 30 June 2020, in one or more tranches and in divisible form, without pre-emption rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, for a maximum total amount of Euro 40,993,513.60, through the issuance of maximum no. 7,883,368 BPER ordinary shares, with no par value, whose issuance value will be determined by the Board of Directors pursuant to the provisions of law, in connection with a voluntary public exchange offer on savings shares of Banco di Sardegna S.p.A..**

**Amendment of Article 5 of the Articles of Association.**

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*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 3 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 2443 of the Italian Civil Code the power to increase the share capital against payment, by 30 June 2020, in one or more tranches and in divisible form, without pre-emption rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, for a maximum total amount of Euro 40,993,513.60, through the issuance of maximum no. 7,883,368 BPER ordinary shares, with no par value, whose issuance value will be determined by the Board of Directors pursuant to the provisions of law, in connection with a voluntary public exchange offer on savings shares of Banco di Sardegna S.p.A. Amendment of Article 5 of the Articles of Association. Related and consequent resolutions".**

Dear Shareholders,

the Board of Directors ("**BoD**") of BPER Banca S.p.A. ("**BPER**") has called an Extraordinary Shareholders' Meeting to submit to your approval the proposal to grant the BoD, pursuant to Article 2443 of the Italian Civil Code, the power, to be exercised by 30 June 2020, to increase - one or more times, in one or more tranches, excluding option rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code - the share capital of BPER, for a maximum total amount of Euro 40,993,513.60 (including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code), by issuing a maximum number of 7,883,368 BPER ordinary shares, without express par value, whose issue value will be determined by the BoD in accordance with the provisions of applicable law, with regular dividend rights and the same features of BPER ordinary shares outstanding at the issue date.

As better specified in this report ("**Report**"), drafted pursuant to Article 2441, paragraph 6, of the Italian Civil Code and Article 70, paragraph 4, of the Issuers' Regulations adopted by Consob Resolution no. 11971 of 14 May 1999 and subsequent integrations and amendments (the "**Issuers' Regulations**"), aimed at illustrating this proposal, BPER ordinary shares that would be issued upon exercise of the above delegation would be subscribed and paid in by transferring to BPER saving shares of Banco di Sardegna S.p.A. ("**BdS**") without voting rights listed on the MTA organized and managed by Borsa Italiana S.p.A., held by third parties other than BPER or its subsidiaries.

The contribution of the aforementioned saving shares to BPER would take place as part of the public exchange offer (the "**OPS**") that BPER may consider initiating for such saving shares following the grant by the Extraordinary Shareholders' Meeting of the delegation referred to in the Report.

### **1. DESCRIPTION OF THE TRANSACTION, REASONS AND PURPOSE OF THE CAPITAL INCREASE**

The delegated capital increase to service the OPS referred to in this Report, as well as the OPS itself, may be functional to the achievement of the following purposes:

- simplify the capital structure of BdS, pursuing cost savings for such company and, indirectly, for BPER, through the delisting of BdS saving shares after the OPS (should the relevant conditions be met);
- benefit from positive effects on BPER's CET1 thanks to the reduction of minority shareholdings and the capital increase required for the exchange;
- facilitate the operational rationalization of the BPER banking Group;

- from the point of view of the owners of the saving shares of BdS, allow them to liquidate their investment in a security characterized by a lack of liquidity, offering in exchange ordinary shares of BPER characterized by a higher liquidity on the market, less volatility, and the related administrative rights.

As already disclosed to the market on 5 March 2019, BPER's BoD considered the possibility of acquiring, through an OPS, to be promoted at the Board's discretion, pursuant to Article 102 of Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Financial Act**"), no. 3,378,586 saving shares of BdS, namely all the saving shares of BdS net of the shares already held by BPER, equal to no. 3,221,414, corresponding to 48.8%.

The launch of the OPS may take place after the Extraordinary Shareholders' Meeting has granted the BoD the power to increase the corporate capital referred to in this Report, with the newly issued shares constituting the consideration for the shares tendered to the OPS (the "**Capital Increase to Service the OPS**").

On 5 March 2019, BPER's BoD estimated, indicatively, a possible exchange ratio of 7 newly issued BPER ordinary shares every 3 BdS saving shares contributed to the OPS, it being understood that the specific terms and conditions of any OPS would be determined by BPER's BoD following the resolution of the Extraordinary Shareholders' Meeting.

In the event that, as a result of the OPS, given the number of BdS saving shares tendered to the offer and taking into account, *inter alia*, the market conditions at that date, it is not possible to delist the BdS saving shares, BPER BoD may consider proposing to the competent BdS corporate bodies, without prejudice to the decisions of those bodies, the optional conversion of the BdS saving shares into unlisted BdS preference (or ordinary) shares as well as the mandatory conversion.

Any further document required pursuant to the provisions of applicable law and regulations in relation to the operation briefly illustrated above will be made available at the terms and in the forms provided for by applicable law.

The exercise of the delegation to increase the share capital to service of the OPS will ensure greater flexibility in determining the terms and conditions of the transaction as a whole, also in order to coordinate the obligations stemming from OPS regulations with those related to the capital increase to be released by contribution in kind.

The delegation that we propose you to approve provides that the Capital Increase to Service the OPS may be resolved by the BoD, by 30 June 2020, one or more times, in a single tranche, with the exclusion of option rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, for a maximum total amount of Euro 40.993,513.60 by issuing a maximum of 7,883,368 BPER ordinary shares, without express par value, whose issue value will be determined by the Board of Directors in accordance with the provisions of applicable law, having the same features of BPER ordinary shares outstanding at the issue date.

In exercising its delegation, the BoD will determine the exact amount of the Capital Increase to Service the OPS, the exact number of BPER shares to be offered for exchange and the related issue price, taking into account the provisions of Article 2441, paragraph 6, of the Italian Civil Code.

The proposed delegation also provides for the exclusion of option rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, as the newly issued BPER shares to be offered in exchange would be subscribed for and paid up in kind by tendering shareholders of the OPS through the contribution of the saving shares of BdS to BPER.

Finally, it should be noted that in the event of the possible exercise of the delegation for the Capital Increase to Service the OPS:

- (i) Deloitte & Touche S.p.A., auditing company, will issue, pursuant to Article 2441, paragraph 6, of the Italian Civil Code and art. 158 of the Consolidated Financial Act, an opinion on the fairness of the issue price of BPER shares to be offered in exchange within the OPS; and
- (ii) an expert, meeting the requirements of Article 2343-ter, paragraph 2, letter b) of the Italian Civil Code, will issue a sworn report on the value of the savings shares covered by the OPS, pursuant to Article 2343-ter, paragraph 2, letter b) and Article 2440, paragraph 2, of the Italian Civil Code.

## **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 a public exchange offer, no guarantee and/or placement consortia are envisaged in relation to the implementation of the proposed delegation.

## **4. CRITERIA FOR DETERMINING THE ISSUE PRICE OF THE NEW SHARES AND THE ALLOCATION RATIO**

In the event that, following the granting of the delegation described in paragraph 1 above, the BoD resolves to promote the OPS and, consequently, to approve the Capital Increase to Service the OPS, the issue price of BPER shares will be determined by the BoD in accordance with the provisions of Article 2441, paragraph 6, of the Italian Civil Code, without prejudice to its opinion on the fairness of the issue price of BPER shares indicated above.

#### **5. SHAREHOLDERS WHO HAVE EXPRESSED THEIR INTENTION TO SUBSCRIBE TO THE SHARES, AS WELL AS ANY UNEXERCISED OPTION RIGHTS**

As at the date of this Report, there are no saving shareholders of BdS who have expressed their intention to subscribe the newly issued shares of BPER resulting from the Capital Increase to Service the OPS, it being understood that the BoD may exercise its delegation in the event that the such body resolves to promote the OPS, considering that these transactions are strictly interconnected.

#### **6. PERIOD FOR THE EXECUTION OF THE CAPITAL INCREASE**

It is proposed that the period of validity of the delegation covered by this Report expires on 30 June 2020, and that it may be exercised one or more times.

During this period, the delegation for the resolution of the Capital Increase to Service the OPS may be exercised by the BoD within the period required by the procedure following the start of the OPS, so that the process can be completed within the aforementioned time limit.

#### **7. INDICATION OF THE NUMBER, CATEGORY, ENJOYMENT DATE AND ISSUE PRICE OF THE SHARES ISSUED AS A RESULT OF THE CAPITAL INCREASE**

As explained above, a maximum number of 7,883,368 ordinary shares may be issued, that will have regular dividend rights and the same features of the shares outstanding at the date of their issue. The issued shares will be admitted to trading on the *Mercato Telematico Azionario* managed by Borsa Italiana.

The new shares will be offered at a price that will be determined by the Board of Directors (including any share premium), without prejudice to the application of the provisions of Article 2441, paragraph 6, of the Italian Civil Code.

#### **8. ECONOMIC, EQUITY AND FINANCIAL EFFECTS OF THE CAPITAL INCREASE AND DILUTING EFFECTS**

In the event of the exercise of the delegation referred to in this Report, the BoD will provide the public with timely and adequate information on the *pro-forma* economic, equity and financial effects of the issue and offer of BPER ordinary shares carried out in order to implement the OPS concerning the saving shares of BdS.

Since the exact number of BPER shares that will be issued following the exercise of the authorization for the Capital Increase to Service the OPS has not yet been determined, it is not currently possible to determine the diluting effect on the unit value of the BPER shares in circulation.

#### **9. AMENDMENTS TO THE BY-LAWS**

The attribution of the delegation to the capital increase proposed by the BoD requires the corresponding 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.

<b>Article 5</b>	<b>Article 5</b>
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.

2. If a share becomes the property of several persons, the joint ownership rights must be exercised by a common representative.

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.

4. All the shares belonging to the same category carry the same rights.

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 of the Company in circulation at the issue date.

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

<p>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><b>The Extraordinary shareholders' meeting held on 4 July 2019 granted the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the power, to be exercised by 30 June 2020, 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 4, first sentence, of the Italian Civil Code, for a maximum total amount equal to Euro 40,993,513.60, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code - also taking into account the exchange ratio between Banco di Sardegna S.p.A. saving shares and the newly issued ordinary shares of the Company - by issue of a maximum number of 7,883,368 ordinary shares of the Company, without express par value, whose issue value may also be lower than the accounting par value at the issue date, having regular dividend rights and the same features as the ordinary shares of the Company outstanding on the issue date, to service a public exchange offer on the saving shares of Banco di Sardegna S.p.A., which the Board of Directors may consider to launch after being granted the delegation.</b></p>
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## 10. 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.

## 11. RESOLUTIONS PROPOSED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

in consideration of the above, the Board of Directors invites you to adopt 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, noting 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 and for the purposes of Article 2443 of the Italian Civil Code, the delegation, to be exercised by 30 June 2020, to increase one or more times, in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, the share capital for a maximum total amount of Euro 40,993,513.60, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code - also taking into account the exchange ratio between Banco di Sardegna S.p.A. saving shares and the newly issued ordinary shares of the Company - by means of issue of a maximum number of shares equal to 7,883,368, without express par value, whose issue value may also be lower than the accounting par value existing on the date of the related issue, with regular dividend rights and the same features of the ordinary shares of the Company outstanding at the issue date, to service a public exchange offer on Banco di Sardegna S.p.A. saving shares, which the Board of Directors may consider to launch after the granting of the delegation;*



- 2) *to grant the Board of Directors the power to establish any other term or condition of the delegated capital increase within the limits set by the applicable regulations and by this delegation resolution;*
- 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 2443 of the Italian Civil Code, the power, to be exercised by 30 June 2020, 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 4, first sentence, of the Italian Civil Code, for a maximum total amount equal to Euro 40,993,513.60, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code - also taking into account the exchange ratio between Banco di Sardegna S.p.A. saving shares and the newly issued ordinary shares of the Company - by issue of a maximum number of 7,883,368 ordinary shares of the Company, without express par value, whose issue value may also be lower than the accounting par value at the issue date, having regular dividend rights and the same features as the ordinary shares of the Company outstanding on the issue date, to service a public exchange offer on the saving shares of Banco di Sardegna S.p.A., which the Board of Directors may consider to launch after being granted the delegation”;*
- 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.”*

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Modena, 13 June 2019

For the Board of Directors  
The Chief Executive Officer