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

**Report on point 4) 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, within five years from the date of the relevant shareholders' meeting resolution, in one or more tranches and in divisible form, without pre-emption rights pursuant to Article 2441, paragraph 4 and/or Article 2441, paragraph 5 of the Italian Civil Code, for a maximum total amount of Euro 13,000,000.00, through the issuance of maximum no. 2,500,000 BPER ordinary shares, with no par value, whose issuance value will be determined by the Board of Directors pursuant to the provisions of law. 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., in relation to item 4 on the agenda of the Extraordinary Shareholders' Meeting convened for 4 July 2019 on single call: "Proposal to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, within five years from the date of the relevant shareholders' meeting resolution, the power to increase the share capital against payment, in one or more tranches and in divisible form, without pre-emption rights pursuant to Article 2441, paragraph 4 and/or Article 2441, paragraph 5 of the Italian Civil Code, for a maximum total amount of Euro 13,000,000.00, through the issuance of maximum no. 2,500,000 BPER ordinary shares, with no par value, whose issuance value will be determined by the Board of Directors pursuant to the provisions of law. 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 Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of the shareholders' meeting resolution, the delegation to resolve an increase of the corporate capital of BPER, one or more times, in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 4, and/or Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount of Euro 13,000,000.00 (including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code), through the issue of a maximum number of 2,500,000 BPER ordinary shares, without express par value, whose issue value will be determined by the Board of Directors in compliance with the provisions of applicable law, with regular dividend rights and the same features of the Company's ordinary shares outstanding at the issue date.

This report ("**Report**"), drafted pursuant to Article 2441, paragraph 6, of the Italian Civil Code and Article 70, paragraph 4, of the Issuers' Regulation adopted by Consob Resolution no. 11971 of 14 May 1999 and subsequent integrations and amendments (the "**Issuers' Regulation**"), is intended to illustrate this proposal.

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

Any delegated capital increases that may be carried out in the exercise of the delegation covered by this Report would be functional to seizing any opportunities that may arise in relation to any further acquisitions by BPER of minority interests in companies of the BPER banking group ("**BPER Group**").

The possible acquisitions by BPER of minority interests in companies belonging to BPER Group may result in operational and/or capital benefits for BPER Group.

The delegation covered by the Report is broad and general and includes, in particular, the power, pursuant to Article 2443 of the Italian Civil Code, to resolve a paid capital increase, one or more times, in one or more tranches, for a maximum total amount of Euro 13,000,000.00, by issuing a maximum number of 2,500,000 BPER ordinary shares, without express par value, whose issue value will be determined by the BoD in accordance with the provisions of applicable, with regular dividend rights and the same features of the Company's ordinary shares outstanding at the issue date, to be offered for subscription to the parties holding minority interests in the companies of the BPER Group, with consequent exclusion of option rights pursuant to Article 2441, paragraph 4, and/or Article 2441, paragraph 5, of the Italian Civil Code, in compliance with

the limits set out by Article 2441, paragraph 6, of the Italian Civil Code. The delegation shall be exercised within a period of five years from the date of the shareholders' resolution.

The recourse to delegation would allow BPER to achieve advantages in terms of flexibility and promptness of execution in order to be able to seize, within an adequate timeframe, the most favorable conditions for the acquisition of minority interests in companies of the BPER Group.

Pursuant to Article 2443 of the Italian Civil Code, the BoD would be granted the broadest powers to determine, from time to time, the terms and conditions of the capital increase, with particular reference to the addressees of the increase, the number and issue price of the shares, in compliance with the procedures required by the applicable legal and regulatory provisions and on the basis of market conditions at the time of the actual launch of the transaction.

## **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 of 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**

As of the date of this Report, there are no agreements for the establishment of guarantee and/or placement consortia in relation to the exercise of the proposed delegation, nor are there any other envisaged forms of placement.

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

The issue price of the new shares to be issued in the exercise of the delegation will be established, from time to time, by the BoD, in compliance with applicable regulations, taking into account the circumstances existing at the date of exercise of the delegation and the features of the companies involved in the individual tranches of capital increase.

Since any capital increases will be resolved with the exclusion of option rights pursuant to Article 2441, paragraph 4, first sentence, and/or Article 2441, paragraph 5, of the Italian Civil Code, the issue price of the new shares shall be determined in accordance with the provisions of Article 2441, paragraph 6, of the Italian Civil Code. In any case, (i) the BoD shall explain, in a specific report, the reasons for the exclusion of the option right (or, if the exclusion is due to a contribution in kind, the reasons for the latter) and the criteria adopted for the determination of the issue price, and (ii) an auditor/accounting firm shall issue its opinion on the fairness of the issue price of the new shares within the framework of the procedure set out by Article 2441, paragraph 6, of the Italian Civil Code and Article 158 of the Consolidated Financial Act.

### **5. SHAREHOLDERS WHO HAVE EXPRESSED THEIR WILLINGNESS TO SUBSCRIBE TO THE SHARES**

As at the date of this Report, there are no shareholders who have indicated their willingness to subscribe to any capital increases covered by the delegation provided for in this Report.

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

It is proposed that the period of validity of the delegation covered by the Report be equal to the maximum statutory term of five years from the date of the shareholders' meeting resolution, and to establish that it may be exercised one or more times.

It is understood, as provided for by Article 2443 of the Italian Civil Code, that the timing of the exercise of the delegation and the terms and conditions of any capital increases approved in execution of the same will depend on the concrete needs and/or opportunities for the acquisition of minority interests in companies belonging to the BPER Group that BPER will have during the period of validity of the delegation and will be promptly disclosed by the BoD to the market.

### **7. INDICATION OF THE NUMBER, CATEGORY, ENJOYMENT DATE AND ISSUE PRICE OF THE SHARES SUBJECT TO THE CAPITAL INCREASE**

Without prejudice to the maximum number of shares that may be issued, the precise amount of each issue shall be determined by the BoD in exercise of the delegation.

Newly issued shares to be issued as part of one or more capital increases approved by the BoD pursuant to the powers granted in the Report shall have regular dividend rights and the same features of the shares outstanding at the date of issue. The shares thus issued will be admitted to trading on the *Mercato Telematico Azionario* managed by Borsa Italiana.

The new shares will be offered at a price to be determined by the Board of Directors, in compliance with 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 exercise of the delegation referred to in this Report, the BoD shall provide the market with timely and adequate information on the *pro-forma* economic, equity and financial effects of the capital increase transaction approved by the BoD from time to time.

Since the exact number of BPER shares that will be issued following the exercise, one or more times, of the delegation referred to in this Report has not yet been determined, it is not currently possible to determine the diluting effect on the unitary value of outstanding BPER shares.

## 9. AMENDMENTS TO THE BY-LAWS

The attribution of the delegation to increase the corporate capital 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.

<b>Article 5</b>	<b>Article 5</b>
<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 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</p>	

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.

**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, for a period of five years from the date of the shareholders' meeting resolution, to resolve a paid capital increase, one or more time and in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 4, and/or Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount equal to Euro 13,000,000.00, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code, by issue of a maximum number of 2,500,000 ordinary shares of the Company, without express par value, whose issue value may also be lower than the accounting par value existing at the relevant issue date, with regular dividend rights and the same characteristics as the ordinary shares of the Company outstanding at the issue date.**

## **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 light 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, 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 and for the purposes of Article 2443 of the Italian Civil Code, the delegation, for a period of five years from the date of the shareholders' meeting resolution, to resolve a paid capital increase, one or more times, in one or more tranches, excluding the option right pursuant to Article 2441, paragraph 4, and/or Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount of Euro 13,000,000.00, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code, by means of the issue of a maximum number of 2,500,000 BPER ordinary shares, without express par value, whose issue value may be lower than the accounting par value existing on the date of issue, with regular dividend rights and the same features of the BPER ordinary shares outstanding at the issue date, for the purposes of any further acquisition of minority interests in companies of the BPER banking group;*
- 2) *to grant the Board of Directors the broadest powers to implement and execute the above resolutions, including, but not limited to, the power to establish the terms and conditions of the capital increase in compliance with the limits indicated above, with particular reference to the power to determine, for each tranche, the addressees of the increase, the number and issue price of the shares (including any share premium), in compliance with the limits established by Article 2441, paragraph 6, of the Italian Civil Code and the procedures required by the legislative and regulatory provisions applicable from time to time;*
- 3) *to amend Article 5 of the by-laws accordingly by adding 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, for a period of five years from the date of the shareholders' meeting resolution, to resolve a paid capital increase, one or more time and in one or more tranches, with the exclusion of option rights pursuant to Article 2441, paragraph 4, and/or Article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount equal to Euro 13,000,000.00, including any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code, by issue of a maximum number of 2,500,000 ordinary shares of the Company, without express par value, whose issue value may also be lower than the accounting par value existing at the relevant issue date, with regular dividend rights and the same characteristics 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."*

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Modena, 13 June 2019

For the Board of Directors  
The Chief Executive Officer