PRESS RELEASE

Outcome of the 2018 SREP

ECB communicates the BPER Group's capital requirements:

<u>Common Equity Tier 1 ratio of 9.0%</u>

The capital ratios of the BPER Group are significantly higher than the ECB's minimum capital requirements

Modena, 8 February 2019. BPER Banca S.p.A ("BPER or "the Bank") would like to announce that, after completing its annual Supervisory Review and Evaluation Process ("SREP"), it received notification from the European Central Bank ("ECB") of the new prudential requirements that it has to comply with on a consolidated basis under art. 8 Regulation (EU) 2019/2013.

Based on the outcome of the SREP performed in 2018 using 31 December 2017 as the reference date and all other pertinent information received subsequently, the ECB has established that, from 1 March 2019, BPER will have to maintain a minimum consolidated capital ratio in terms of **Common Equity Tier 1 ("CET1 ratio") of 9.0%** compared with 8.125% in 2018, an increase of 87.5 bps made up largely (62.5 bps) by the definitive application of the Capital Conservation Buffer foreseen by the Supervisory Authority for the entire banking system and 25 bps for the Pillar 2 requirement. The SREP requirement for 2019 therefore consists of the sum of the minimum regulatory Pillar 1 requirement of 4.50%, the additional Pillar 2 requirement of 2.0% (1.75% in 2017) and the Capital Conservation Buffer of 2.5% (1.875% in 2018). In the same communication, the ECB asked BPER, again on a consolidated basis, to comply with a **minimum Total Capital Ratio requirement of 12.5%.**

In the same communication, the ECB invited BPER to consider the supervisory expectations announced by the regulator on 11 July 2018[1] in relation to exposures classified as Non-Performing Exposures (NPEs), aimed at ensuring constant progress in reducing pre-existing risks in the euro area and achieving the same level of coverage for the stocks and flows of NPLs over a medium-term horizon. The ECB then announced that it would interact with each bank to define supervisory expectations on an individual basis, taking into account the main financial characteristics of individual banks and a benchmark of comparable banks. In this context, the ECB made a recommendation to BPER to implement a gradual adjustment of the coverage for the stock of non-performing loans outstanding at 31 March 2018 until full coverage is achieved 1) by 2025 for the secured NPEs with an age of more than 7 years and 2) by the end by 2024 for unsecured NPEs with an age of more than 2 years. Non-performing loans classified as such from 1 April 2018 onwards are treated in the Addendum to the ECB Guidelines on NPEs.

With reference to these Supervisory recommendations relating to both the stocks and new flows of NPEs, note that they do not replace the accounting standards with which the Bank complies and which it will comply with in future when calculating provisions. In the dialogue with the ECB, the Bank will be able to demonstrate the adequacy of

[1] see: https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180711.en.html

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the coverage, consisting of accounting provisions and capital absorption, also in light of the extensive guarantees held, the management measures implemented and the evidence of internal recovery, further improved during 2018 thanks to implementation of the NPE strategy.

BPER Banca S.p.A.

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

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