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 the proposal of resolution by the same Board – in exercise of the delegation granted by the Extraordinary Shareholders' Meeting held on 4 July 2019 – to issue 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 to carry out 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 By-laws. Related and consequent resolutions".

This illustrative report (the "**Report**") - drafted pursuant to Article 2441, paragraph 6, of the Italian Civil Code and Article 70, paragraph 7, letter a) and Article 72, paragraph 6, letter a) of the Issuers' Regulations adopted by Consob Resolution no. 11971 dated 14 May 1999 and subsequent additions and amendments (the "**Issuers' Regulation**") - describes the terms, conditions and reasons for the issue of an Additional Tier 1 bond convertible into BPER ordinary shares and, consequently, for the capital increase to service the conversion of the abovementioned bond, that the Board of Directors (the "**Board**") of BPER Banca S.p.A. ("**BPER**") intends to resolve by means of the exercise of the delegation granted by the Extraordinary Shareholders' Meeting held on 4 July 2019 pursuant to Article 2443 of the Italian Civil Code.

1. DESCRIPTION OF THE TRANSACTION, REASONS FOR THE ISSUE OF AN CONVERTIBLE BOND AND FOR A CAPITAL INCREASE TO SERVICE THE CONVERSION

The proposal referred to in this report consists in (i) the issue of 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) the paid capital increase, to be carried out in one or more tranches and in divisible form, 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, 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.

2. THE RESOLUTION OF THE EXTRAORDINARY SHAREHOLDERS' MEETING TO GRANT THE PROXY FOR THE ISSUE OF POC AT1 AND THE CAPITAL INCREASE TO SERVICE THE CONVERSION

The Extraordinary Shareholders' Meeting held on 4 July 2019 approved, *inter alia*, the proposal to grant 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 amount of Euro 150,000,000 (one hundred and fifty million), to be entirely offered to FdS for subscription, with the exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, at a subscription price higher than the par value determined in Euro 180,000,000 (one hundred and eighty million); and consequently

(ii) carry out a paid capital increase, in one or more tranches and in divisible form, with the exclusion of the option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for a total maximum amount of Euro 150,000,000 (one hundred and fifty million), including any share premium to be determined pursuant to Article 2441, paragraph 6 of the Italian Civil Code, to exclusively and irrevocably service the conversion of the “Additional Tier 1” bond by issue of a maximum of 35,714,286 (thirty-five million seven hundred and fourteen thousand two hundred and eighty six) BPER ordinary shares, without express par value, with regular dividend rights and the same features of BPER ordinary shares outstanding at the date of issue;

as well as,

(iii) grant the Board of Directors with the broadest powers to determine, in compliance with the applicable legislative and regulatory provisions and taking into account the provisions of the Framework Agreement and its annexes, the modalities, terms and conditions of issue of the "Additional Tier 1" convertible bond referred to under point (i) above and the final terms of its terms and conditions.

3. THE RESOLUTION OF THE BOARD OF DIRECTORS TO EXERCISE THE DELEGATION

Following the resolution of the Extraordinary Shareholders’ Meeting held on 4 July 2019, the Board of Directors of BPER was convened in order to resolve – in the exercise of the delegation granted to it by the abovementioned Shareholders' Meeting – the issue of the POC AT1 as indicated and a capital increase, reserved for the exclusive subscription of Fondazione di Sardegna, following the determination of the issue price of BPER ordinary shares, to service the conversion of the POC AT1, as well as to determine the modalities, terms and conditions of issue of the POC AT1, approving its Terms and Conditions.

4. CRITERIA FOR DETERMINING THE CONVERSION RATIO AND THE PRICE OF NEWLY ISSUED SHARES TO SERVICE THE CONVERSION

Pursuant to the Framework Agreement, AT1 POC will be entirely offered in subscription to FdS at a subscription price above the par value, determined in a total amount of Euro 180,000,000.

The conversion ratio is established by dividing each individual note, with nominal denomination of Euro 250,000, by the conversion price, which at the time of issuance of the AT1 POC was set in Euro 4.20, except for adjustments that may be made from time to time as provided for in the Regulation.

The issue price of BPER ordinary shares to be issued to service the conversion of the AT1 POC was determined by the Board of Directors, called to exercise the powers conferred by the mentioned Shareholders' Meeting, as specified below.

In line with the best national and international valuation practice for the financial industry, also with reference to the provisions of Article 2441, paragraph 6, of the Italian Civil Code, the Board of Directors, supported by the advisor Equita SIM S.p.A., made reference, in determining the price of BPER newly issued shares for the conversion of the AT1 POC, to the valuation methods listed below, taking into account also the bank's features, the type of business and the market in which the banks operates.

The main methods used are the Dividend Discount Model ("DDM"), the Gordon Model and the Stock Exchange Prices.

As a method of control, reference was made to the target prices published by research analysts ("Analysts' Target Prices") covering BPER shares.

The valuations were carried out on a stand-alone and a pre-money basis, *i.e.* applying the above-mentioned methods in the event of Bank's operational autonomy, without considering the effects deriving from the implementation of the Transaction.

In applying such methods, the features and limitations of each of them have been taken into account, on the basis of the professional valuation practice usually applied for the financial services industry. The analysis of the results obtained was carried out in light of the complementarity between each method, in the context of an valuation process to be considered as unitary.

The following valuation methods were also considered, but not used:

- Stock Exchange Multiples, which determine the economic value of a bank on the basis of the stock exchange prices of a sample of comparable banks to BPER. This method is not applicable due to a lack of significance in such circumstances, taking into account the use of Stock Exchange Prices as a market criterion;
- Linear Regression, which determines the economic value of a bank on the basis of the correlation between the prospective profitability of its share capital and the related premium/discount expressed by the stock exchange prices with respect to the tangible shareholders' equity (*i.e.* the shareholders' equity net of intangible assets) for a sample of comparable banks. This method is not applicable due to a lack of significance in such circumstances, taking into account the use of Stock Exchange Prices as a market criterion.

Turning to the illustration of the valuation methods, the following should be noted:

<u>"Dividend Discount Model" or "DDM"</u>

The DDM determines the value of a bank on the basis of the estimated dividend flow the bank is able to generate in a prospective view. In this case, the method used is the DDM in the "Excess Capital" version, on the basis of which the economic value of a bank is equal to the sum of the following elements:

- Current value of future cash flows generated over a given forecast period and distributable to shareholders maintaining an optimal level of capitalisation, consistent with the instructions provided for by the Supervisory Authorities and compatible with the expected evolution of the activities (Di);
- Current value of a perpetual annuity defined on the basis of a sustainable dividend for the years following the explicit forecast period, consistent with a pay-out ratio (dividend/net profit ratio) which reflects sustainable profitability ("Terminal Value" or "TV").

The method described is not affected by the actual profit distribution policies adopted by the Bank during the period considered.
The formula on which the DDM methodology in the Excess Capital version is based is the following:

$$W = \left[\sum_{t=1}^{n} \frac{D_i}{(1+Ke)^t} + \frac{TV}{(1+Ke)^n} \right]$$

Where:
- W = economic value of the bank;
- n = explicit forecast period (number of years);
- Di = dividend flow potentially distributable in the i-eth explicit forecast period;
- Ke = discount rate, equal to the cost of the bank's equity;
- TV = residual value equal to the current value of the perpetual annuity of the sustainable dividend after the explicit forecast period.

The following steps can be identified in the application of DDM:
- Analytical forecast of dividend flows potentially distributable over an identified time period;
- Determination of discount rate Ke and growth rate g;
- Calculation of the current value of dividend flows over the analytical forecast period and summary calculation of the Terminal Value.

The period 1Q 2019-2021 has been assumed as the time period for the analytical determination of dividend flows, beyond which the value of BPER has been calculated synthetically using the Terminal Value.
The estimate of the dividend flows potentially distributable in the period 1Q 2019-2021 was made on the assumption that BPER maintains a level of capitalisation considered adequate to support its future development, identified in a Common Equity ratio (Basel III compliant) on weighted assets equal to 13,9% ("CET1 Ratio Target"), corresponding to the average of the CET1 phased-in ratios as at 31 March 2019 of a sample of comparable Italian banks (BancoBPM, UBI, Credito Emiliano and Credito Valtellinese).
The discount rate of dividend flows corresponds to the return that qualified investors would require for alternative investments with a comparable risk profile (cost of capital or cost of equity).
In line with valuation practice, this discount rate was calculated using the Capital Asset Pricing ("CAPM") model. According to the CAPM, the cost of capital is determined as follows:

$$\mathbf{K}e = \left(r_f + \beta eta \times ERP \right)$$

Where:
- rf = rate of return on risk-free financial investments. Taking into account the reference period, the assumed risk-free rate was the average 12-month yield on the 30-year BTP issued by the Italian Government, equal to 3.6% (Source: FactSet, 2 July 2019);
- βeta = correlation coefficient between the actual return on the bank's stock analysed and the overall return on the reference market. βeta measures the volatility of a security compared to a portfolio representative of the market and it is estimated, on the basis of the average value of the last three years on a weekly basis of a sample of comparable Italian banks (BancoBPM, UBI, Credito Emiliano and Credito Valtellinese), at 1.35 (Source: FactSet, 2 July 2019);
- ERP = the so-called premium that a qualified investor requires when investing in the stock market compared to the risk-free rate (risk premium). This risk premium was estimated at 5.0%, also on the basis of long-term historical data.

For the purpose of calculating the cost of capital, an additional risk premium equal to 1.0% was applied, given that the Q1 2019 net result was lower than analysts' forecasts (due to the occurrence of extraordinary and non-recurring items in the first quarter of 2019) and the execution risk relating to the future feasibility of the envisaged synergies following the integration with Unipol Banca.
The dividend flows analytically determined were discounted using the identified cost of equity (Ke equal to 11.4%) as discount rate.
The Terminal Value was calculated using the "Perpetual Annuity" formula, capitalizing the estimated distributable flow of the last year of the explicit forecast at a discount rate (Ke), adjusted for a long-term growth coefficient (g rate) (estimated at 1.0%), as shown by the following formula:

$$\mathrm{TV} = \frac{D_n \times (1+g)}{(Ke-g)}$$

The application of the DDM Excess Capital leads to the identification of an economic value of BPER between Euro 2,119 million and Euro 2,899 million, *i.e.* Euro 4.41 and Euro 6.03 per share.

<u>Model of Gordon</u>

This method establishes that the economic value of a company is determined on the basis of the relationship between the long-term sustainable future profitability "R", the long-term expected growth rate "g" and the return market rate expressive of the Ke, applying this relationship to the shareholder's equity of the company.
In short, the economic value of the Bank has been determined by applying the following formula:

$$\mathrm{W} = \frac{\mathrm{R}-\mathrm{g}}{(\mathrm{k_e}-\mathrm{g})} \times \mathrm{BV}$$

Where:

- W = economic value of the bank valued;
- R = long-term sustainable future profitability from prospective estimates;
- g = estimated sustainable long-term expected growth rate equal to 1%;
- Ke = cost of equity, estimated at 11.4%;
- BV = consolidated shareholders' equity as at 31 March 2019 of Euro 4,451 million.

For the purposes of this Report, the average profitability expected in the last years of the plan, *i.e.* in the period 2020-2021, equal to 7.2%, has been assumed to be sustainable in the long term, given that the profitability expected in 2019 is influenced by extraordinary and non-recurring elements.
The application of the Gordon Model leads to the identification of an economic value of BPER between Euro 2,236 million and Euro 3,095 million, *i.e.* Euro 4.65 and Euro 6.44 for each share.

<u>Stock Exchange Prices method</u>

This method expresses the value of the company valued on the basis of the capitalisation of the securities traded on regulated stock markets representing the company being valued. Stock Exchange Prices, indeed, summarise the market's perception of the companies' growth scenarios and the value attributable to them on the basis of information known to investors at a given time.
This method is defined as a direct criterion, as it refers to the prices expressed by the stock exchange, indicative of the market value of a company.
In applying this method, a fair balance needs to be found between the need to mitigate, through observations over sufficiently long time horizons, the effect of daily price volatility and the need to use a current figure, indicative of a recent market value of the company valued.
The preconditions for the proper application of the Stock Exchange Prices method are the following:

- Efficient markets, with reference to the systematic and timely consideration in prices of all publicly available information;
- Wide free float, with reference to the part of the share capital traded on the markets;
- High liquidity, with reference to the volume of daily trades in the securities of the companies valued;
- Extensive research coverage, with reference to the number of financial intermediaries publishing analyses on the companies evaluated.

For listed companies, the Stock Exchange Prices are expressly referred to in Article 2441, paragraph 6, of the Italian Civil Code, which states: "[...] The resolution determines the issue price of the shares on the basis of the value of the shareholders' equity, taking into account, for shares listed on regulated markets, also the trend of prices in the last six months".

For the purposes of determining a range of values related to the application of this method, the maximum and minimum official prices of the security in the last six months has been detected taking, as reference date, 2 July 2019.

The use of the Stock Exchange Prices Method based on the above-mentioned criteria leads to the identification of an economic value of BPER between Euro 1,416 million and Euro 2,047 million, or Euro 2.95 and Euro 4.26 for each share.

Analyst Target Prices Method (Control Method)

This method is based on the analysis of the recommendations contained in the research reports published by the main analysis houses in order to identify a theoretical value of the company being evaluated.

The main characteristic of this method lies in the possibility of identifying a value considered reasonable by the market, the significance of which depends on the level of coverage of the security by the financial intermediaries, who regularly publish research documents containing analyses of the profiles of profitability, capital strength, riskiness and development of the companies.

For the purposes of determining a range of values associated with the application of this method, the minimum Target Price and the maximum Target Price communicated by analysts were considered, taking into account only the reports published following the announcement of Q1 2019 results.

The use of the Target Prices expressed by research analysts on BPER share following the announcement of Q1 2019 results leads to the identification of an economic value of BPER between Euro 1,971 mln and Euro 2,645 mln, *i.e.* Euro 4.10 and Euro 5.50 for each share.

Summary of evaluations and conclusions

Starting from the intervals indicated for each method, the Board identified a range of economic value of BPER between Euro 3.60 and Euro 5.54 per share. This interval is derived from the average of each method and, more precisely, from the use of the minimum and maximum values that emerged from this average.

In order to determine the price of the shares, the Board of Directors also took into account the specific features of POC AT1 and the premium paid by the subscriber of the bond, equal to Euro 30,000,000 (20% of the nominal value), substantially representing the value of the implicit conversion option of the bond, as well as what agreed in the Framework Agreement in terms of number of shares to be issued and the value of the Transaction.

In consideration of the above, the Board of Directors considers appropriate to identify the price of the newly issued shares to service the possible conversion of POC AT1 into Euro 4.2, taking into account that, in light of what reported above, this value substantially approximates the implicit economic value, equal to Euro 5.1, of the issue of shares to service the contribution in kind that is part of the broader transaction described in paragraph 1 above.

At any rate, such issue price ranks between values determined in accordance with the best national and international valuation practice for the financial industry, and results compliant with the provisions of Article 2441, paragraph 6, of the Italian Civil Code.

5. 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

5.1. 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).

5.1.1. 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.

5.1.2. 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%).

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

On 9 May 2019, BPER's Board 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.

5.3. 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.

6. 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.

7. 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 is reserved exclusively to FdS, which has undertaken to subscribe it.

8. 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.

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

The delegation for the resolution of the Capital Increase to Service the Conversion shall be exercised by the Board by 31 December 2019 and is expected to be exercised at the meeting called for 11 July 2019.

Without prejudice to the above, the market will be given timely and adequate information on the timing of the Transaction.

10. INDICATION OF THE NUMBER, CATEGORY, ENJOYMENT DATE AND ISSUE PRICE OF THE SHARES SUBJECT OF THE CAPITAL INCREASE

A maximum of 35,714,286 BPER ordinary shares will be issued to service the conversion of the POC AT1, which will have regular dividend rights and the same features of the shares outstanding at the date of their issue. The shares thus issued will be admitted to trading on the Mercato Telematico Azionario of Borsa Italiana.

The new shares will be offered at a price of Euro 4.20, as established by the Board (of which Euro 3.00 at share capital and Euro 1.20 at share premium). As a result, the share capital will be increased by a maximum of Euro 107,142,858.00.

Deloitte & Touche S.p.A., the external auditing company, will issue, pursuant to Article 2441, paragraph 6, of the Italian Civil Code and Article 158 of the Consolidated Financial Act, an opinion on the fairness of the issue price of the Shares determined by the Board.

The above opinion will be made available to the public in accordance with the modalities set out by applicable law..

11. DATE OF DIVIDEND ENTITLEMENT OF NEWLY ISSUED SHARES

The BPER ordinary shares that will be issued will have the same dividend rights and features of the BPER ordinary shares outstanding at the issue date.

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

The economic and equity effects of the capital increases reserved exclusively to FdS should be considered in the context of the recently approved "BPER Business Plan 2019-2021" (the "**Plan**", available on BPER website), which includes such effects together with those resulting from the acquisition by BPER of 100% of the corporate capital of Unipol Banca S.p.A. and the possible launch of a voluntary public exchange offer on all the BdS saving shares held by third parties other than BPER.

Below are two statements of the three-year trend in consolidated profit attributable to the parent company and the Common Equity Tier 1 ratio (fully loaded), the first as reported in the Plan, the second not including the effects of the aforementioned capital increases:

		2019	2020	2021
Trend as of Plan	Utile capogruppo	**375**	**350**	**450**
	CET1 ratio fully	12%	**12,8%**	12,5%

		2019	2020	2021
Trend without the effects of capital increases	Utile capogruppo	**386**	**326**	**413**
	CET1 ratio fully	**11,4%**	12%	**11,7%**

In consideration of the fact that a maximum of 35,714,286 new BPER shares offered for subscription to FdS will be issued in execution of the Capital Increase to Service the Conversion, the diluting effect on the outstanding shares would be equal to 7.4%.

13. AMENDMENTS TO THE BY-LAWS

We report below a comparison between the aforesaid Article 5 in its current wording and in the proposed one. The text proposed for insertion is in bold type.

<table>
<tr><td>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. 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</td><td></td></tr>
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count for the purpose of establishing whether there is a quorum to hold the Shareholders’ Meeting.	
6. 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 31 December 2019, to carry out a paid capital increase, in indivisible form and with the exclusion of option rights, pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, for a total maximum amount of Euro 171,708,624.00, including any share premium to be determined pursuant to Article 2443 of the Italian Civil Code. 2441, paragraph 6 of the Italian Civil Code, reserved for the exclusive subscription of Fondazione di Sardegna, through the issue of 33,000,000 ordinary shares of the Company, without express par value, whose issue value may also be lower than the accounting par value existing at the date of issue, with regular dividend rights and the same features of the ordinary shares of the Company outstanding at the issue date, to be paid up in kind in a single instalment through the contribution of 10,731,789 ordinary shares of Banco di Sardegna S.p.A..	
7. 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 total maximum nominal amount of Euro 150,000,000, to be entirely offered in subscription to Fondazione di Sardegna at a subscription price higher than par value equal to Euro 180,000,000, and consequently (ii) to carry out a paid capital increase, in one or more tranches and in divisible form, excluding option rights, in accordance with article 2441, paragraph 5, of the Italian Civil Code, for a maximum total amount of Euro 150,000,000, including any share premium to be determined pursuant to article 2441, paragraph 6, of the Italian Civil Code, to exclusively and irrevocably service the conversion of the abovementioned Additional Tier 1 bond by issuing a maximum of 35,714,286 ordinary shares of the Company, without express par value, with regular dividend rights and the same features of the ordinary shares of the Company outstanding at the date of issue.	7. **The Board of Directors at the meeting held on 11 July 2019, by virtue of the delegation attributed to it by** ~~T~~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, **has resolved** 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**, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code**, at a subscription price higher than par value equal to Euro 180,000,000.00, and, consequently, ~~(ii)~~ to resolve a paid capital increase, in one or more tranches and in divisible form, ~~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 a share premium equal to ~~any share premium to be determined pursuant to Article 2441, paragraph 6, of the Italian Civil Code~~ Euro 42,857,142, to service exclusively and irrevocably the conversion of the abovementioned Additional Tier 1 bond through the issue of a maximum of no. 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.
8. 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 carry out a paid capital increase, in one or more tranches and in divisible form, with the exclusion	

of option rights pursuant to Article 2441, paragraph 4, first sentence, of the Italian Civil Code, for a total maximum 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 – through the 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 existing on the date of their issue, with regular dividend rights and the same features of the ordinary shares of the Company outstanding on 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 launching after the granting of the delegation. 9. 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' resolution, to carry out a paid capital increase, on one or more tranches and in divisible form, 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, 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 ordinary shares of the Company, without express par value, whose issue value may be lower than the accounting par value existing at the date of the issue, with regular dividend rights and the same features of the ordinary shares of the Company outstanding at the date of issue.	

14. 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.

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"The Board of Directors of the company "BPER Banca - S.p.A.":

- having noted and agreed with the Chief Executive Officer's explanatory statement and having heard his proposals;

- taking into account the statements made by the Chairman of the Board of Statutory Auditors;

- having recalled the report drafted by the directors pursuant to Article 2441, paragraph 6, of the Italian Civil Code;

- in implementation of the delegation of powers granted by the resolution of the extraordinary shareholders' meeting held on 4 July 2019;

resolves:

1) to issue a subordinated convertible "Additional Tier 1" bond, for a total nominal amount of Euro 150,000,000 (one hundred and fifty million), divided into bonds issued in nominal certificates of Euro 250,000 (two hundred and fifty thousand) each, or entire multiples of such amount, to be entirely offered in subscription to "Fondazione di Sardegna", and therefore excluding option rights pursuant to Article 2441, paragraph 5 of the Italian Civil Code, at a subscription price higher than par value determined as a total of Euro 180,000,000 (one hundred and eighty million), approving the essential terms as summarized in the Terms and Conditions of the bond, which will be attached to the relevant notarial minutes;

2) to fix the issue price of the bond, higher than par value, at a total of Euro 180,000,000 (one hundred and eighty million), and therefore the issue price of each bond in Euro 300,000 (three hundred thousand), or multiples thereof, in execution of what is established in the delegation resolution;

3) to carry out a paid capital increase, in one or more tranches and in divisible form, for a total maximum nominal amount of Euro 107,142,858 (one hundred and seven million one hundred and forty-two thousand eight hundred and fifty-eight), through the issue of a maximum number of 35,714.286 BPER ordinary shares, without par value, with regular dividend rights and the same features of the outstanding BPER ordinary shares, at a price of Euro 4.2 per share, of which Euro 3 as share capital and Euro 1.2 as share premium, to the exclusive service of the conversion of the aforesaid "Additional Tier 1" convertible bond;

4) to approve the Terms and Conditions of the bond in English language, which shall prevail, with sworn translation into Italian, Terms and Conditions which have been attached to the relevant notarial minutes;

5) to amend Article 5, paragraph 7, of the By-laws as follows:

The Board of Directors at the meeting held on 11 July 2019, by virtue of the delegation attributed to it by the Extraordinary shareholders' meeting held on 4 July 2019, pursuant to Article 2420-ter of the Italian Civil Code, to be exercised by 31 December 2019, has resolved to issue an Additional Tier 1 convertible bond, for a total nominal amount equal to Euro 150,000,000.00, to be entirely offered in subscription to Fondazione di Sardegna, with the exclusion of option rights pursuant to Article 2441, paragraph 5, of the Italian Civil Code, at a subscription price higher than par value equal to Euro 180,000,000.00, and, consequently, to resolve a paid capital increase, in one or more tranches and in divisible form, for a maximum total amount equal to Euro 150,000,000.00, including a share premium equal to Euro 42,857,142, to service exclusively and irrevocably the conversion of the abovementioned Additional Tier 1 bond through the issue of a maximum of no. 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.

6) to give a mandate to the Chairman and the Chief Executive Officer, jointly and severally, to file the new text of the By-laws with the Companies Register, updated in accordance with the resolutions above, pursuant to Article 2436 of the Italian Civil Code.

Modena, 11 July 2019

For the Board of Directors

The Chairman