

BPER:

Banca

PRESS RELEASE

BPER Banca signs a contract to buy the entire share capital of Nuova Cassa di Risparmio di Ferrara s.p.a.

BPER Banca signs a contract to buy 100% of the share capital of Nuova Cassa di Risparmio di Ferrara S.p.A. ("Nuova Carife") from the Single Resolution Fund

Deal with a strong industrial and financial rationale, with an extremely low execution risk due to the geographical proximity of the provinces of Modena (where BPER Banca has its headquarter), and Ferrara, as well as the fact that Nuova Carife is relatively small

Increase in loans, deposits and branches market share both in the province of Ferrara and in certain Veneto areas

More than 100 thousand new customers to extend banking services and products of the BPER Banca Group with cross-selling optimisation opportunities

BPER Banca Group NPL ratio reduction thanks to the quality of Nuova Carife loan portfolio, which consists almost exclusively of performing exposures

Marginal impact on the BPER Banca Group fully loaded CET1 ratio

*Modena, 2 March 2017. Late yesterday evening, BPER Banca signed a contract to buy 100% of the share capital of Nuova Cassa di Risparmio di Ferrara S.p.A. ("**Nuova Carife**") from the Single Resolution Fund.*

Alessandro Vandelli, Chief Executive Officer of the BPER Banca Group has commented: "I am very pleased that Nuova Carife is joining our Banking Group. This deal has a strong industrial rationale because it allows us to increase our market share in the province of Ferrara, which is within our historical region of influence, where commercial penetration is lower than average compared with the other provinces in Emilia Romagna. Execution risk is also very low given the proximity of the province of Ferrara to Modena and to other nearby areas in Romagna and Veneto where the BPER Banca Group has a significant presence. We believe we can help give new impetus to the growth of the industrial, economic and social fabric of the areas served, by relaunching a virtuous cycle of development of the territory. Our primary goal is to restore confidence to customers and provide new incentives to employees of the bank, relying on the strength of the BPER Banca Group and the managerial skills already shown in previous integration processes, which have always led to value creation for all stakeholders".

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Rationale and scope of the operation

From a strategic standpoint, the acquisition of Nuova Carife will allow to significantly increase our market share mainly in the province of Ferrara, an area where the BPER Banca Group has a below-average commercial penetration compared with the other provinces of Emilia-Romagna.

The Nuova Carife integration process into the BPER Banca Group will also be facilitated by the geographical proximity of the Modena and Ferrara cities (around 60 km) and the considerable knowledge of the local area. It is expected that the merger of Nuova Carife with BPER Banca, as well as IT platform migration, will take place by the end of 2017.

The deal envisages significant synergies in terms of both costs and revenues. Among the former, the most important involve a rationalization of the branch network, the costs of which will be covered by specific provisions accounted prior to the closing, the renegotiation of supply contracts, a reduction in the cost of corporate governance and a lower funding cost. Synergies in terms of revenues will be realised, not only through an increase in business volumes, but also by extending to the new customers the banking products and services of the BPER Banca Group and those distributed through its companies operating in consumer credit and payment card, leasing and factoring, and asset and wealth management business. Moreover, the good quality of the Nuova Carife loan portfolio will result in a very low cost of credit.

At 31 December 2016, Nuova Carife had loans, net of bad loans and unlikely to pay exposures that will be sold to third parties ("**NPL Portfolio**", as specified below), of € 1.6 billion, direct deposits of € 2.0 billion and indirect deposits of € 1.5 billion (estimated figures). At 31 December 2016, Nuova Carife had 102 branches, 85% of them in Emilia Romagna.

Nuova Carife will be bought with a Group shareholders' equity of at least € 153 million (the "**Target Equity**"), compared with a purchase price of € 1.

Main financial and economic effects of the deal:

- opportunity for BPER Banca to use deferred tax assets (DTA) arising from Nuova Carife's carry-forward tax losses, subject to a positive outcome of a fiscal ruling to be submitted to the Tax Authorities. In connection with the use of these DTA, estimated at more than €90 million, the contract provides for a system of profit sharing in favour of the seller, to the extent of 30% of these DTA, which will only become due once BPER Banca has achieved the accumulated effective financial benefit and will only be paid to the seller after it has satisfied any indemnities that it could be obliged to pay;
- portion badwill¹ allocation to the fair value of the assets and liabilities acquired, that will be positively released to the income statement, in line with the estimated maturity of the items to which it refers (so-called "badwill reversal");
- reduction of the BPER Banca Group NPL ratio estimated at around 50 bps due to the quality of Nuova Carife loan portfolio consisting almost entirely of performing exposures;
- extension of the advanced rating models to Nuova Carife loan portfolio, thereby freeing up regulatory capital in the future. The deal as a whole has a very limited impact on the BPER Banca Group fully loaded CET1, currently estimated at less than 20 bps.

¹ Conventionally defined as the difference between the price of 1 euro and the Target Equity expressed at fair value based on the purchase price allocation process.
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Main terms of the transaction

- € 1 (one) consideration for the purchase of Nuova Carife entire share capital (100%);
- shareholders' equity of the Nuova Carife Group of at least € 153 million, after accounting additional risk provisions and asset adjustments, also as a result of the due diligence conducted by BPER Banca, estimated at a total of € 215 million, related to (i) NPL Portfolio disposal, (ii) staff redundancies procedure, (iii) IT migration costs, (iv) costs due to Nuova Carife branch network integration with BPER Banca (v) legal risks and (vi) a specific impairment adjustment to the value of AFS securities and real estate assets. This Target Equity also takes into account the expected losses of Nuova Carife accounted for the whole 2017;
- almost complete freeing up of the bad loans and unlikely to pay exposures portfolio as of 31 December 2016², also taking into account the outcome of a detailed credit file review conducted by BPER Banca. The NPL Portfolio will be securitised, before the closing, thereby ensuring the complete derecognition of these non-performing loans from Nuova Carife balance sheet;
- cost of human resources reduction thanks to the redundancies procedure (with people leaving between 1 April 2017 and 30 November 2017) already completed by Nuova Carife, with costs fully covered by specific provisions to be accounted before the closing, until the achievement of a level of staff not exceeding 500 FTE ("Full Time Equivalents") compared with the 908 resources that Nuova Carife had at 31 December 2016.

The risks of the deal

The risks involved in this deal are low and contractually limited:

- by way of guarantee the indemnity commitments contractually assumed by the seller, BPER Banca will set up an escrow account which will receive, up until 31 December 2022, among other things, (i) the positive difference between Nuova Carife shareholders' equity at the closing date and the Target Equity and (ii) 30% of the DTA from carry-forward tax losses actually used by BPER Banca ("profit sharing");
- based on Nuova Carife balance sheet at the reference date, BPER Banca will check that the following conditions do not exist (if they do, BPER Banca will be entitled to withdraw from the contract): (i) a negative difference of more than 5% of Nuova Carife shareholders' equity compared with the Target Equity, or (ii) a reduction of more than 20% in loans or total deposits compared with their amount at 31 December 2016 or (iii) a so-called MAC ("material adverse change");
- the contract provides for a set of representations and warranties provided by the seller according to market practice to minimise the risk for BPER Banca.

Conditions precedent

Fulfilment of the purchase agreement signed by BPER Banca is subject to the following main conditions precedent, as well as obtaining the Supervisory Authorities and the European Commission approvals:

- (i) the NPL Portfolio disposal;

² It is understood that any "non-transferable" exposures - in any case, a very minor portion of total bad loans and unlikely to pay exposures - will be covered by an extraordinary provision that will bring the book value into line with the average selling price for each category.
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- (ii) the completion by the seller of Nuova Carife capital increase to achieve a Target Equity of at least €153 million.

Subject to fulfilment of the conditions precedent, it's envisaged that the deal closing will be completed in the second quarter of the current year.

BPER Banca has been supported by KPMG Corporate Finance as financial advisor and "Gattai, Minoli, Agostinelli & partners" for the definition of the legal terms.

BPER Banca S.p.A.

The press release is also available in the 1INFO storage device.

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

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