



BPER Banca S.p.A.

SHAREHOLDERS' MEETING OF 22 APRIL 2020

ANSWER TO QUESTIONS SUBMITTED BEFORE THE SHAREHOLDERS' MEETING

BY THE SHAREHOLDER BLOCKCHAIN GOVERNANCE S.R.L.

Question no. 1

Why did the company decide not to take advantage of the possibility of postponing the shareholders' meeting to a later date pursuant to art. 106?

- If the answer is "Because it is allowed by art. 106 of Decree Law 18 of 17 March 2020 'Cure Italy'" then the next question is

- *Why did the company not arrange instead for postponement pursuant to art. 106 'Cure Italy' paragraph 1 so as to hold a shareholders' meeting with the full participation of the shareholders?*
- *Why did the company not arrange for the use of remote participation tools pursuant to art 106 'Cure Italy' paragraph 2?*

Response

The decision to hold the Shareholders' Meeting on 22 April 2020, in accordance with what is indicated in the "Calendar of corporate events - financial year 2020", communicated to the market on 9 January 2020, instead of postponing it to a later date, was based on the requirement to submit the draft 2019 financial statements for shareholders' approval before the deadline for approval of the additional periodic information (previously the interim report on operations) on 31 March 2020 by the Board of Directors, expected to take place - in accordance with the Calendar - on 6 May 2020. In addition to this priority requirement, given how the epidemic was evolving, it was impossible to foresee with any certainty how long the emergency period would last, as evidenced by the measures introduced over time by the Authorities.

The decision to hold the Shareholders' Meeting making use of the option - envisaged by art. 106, paragraph 4, of Legislative Decree no. 18 of 17 March 2020 ("D.L. 18/2020") - of providing for participation in the Shareholders' Meeting taking place exclusively through the **Designated Representative** pursuant to art. 135-undecies of Legislative Decree no. 58 of 24 February 1998 - Consolidated Finance Act ("CFA"), instead of arranging participation through the use of remote communication methods, was based on the absence of suitable technical tools with the necessary degree of reliability to ensure, for the entire audience of those entitled to vote, compliance with the conditions pursuant to paragraph 2, of article 106, of the DL 18/2020, in terms of identifying the participants, their participation and exercising their right to vote. In the present circumstances, it would have been of no use, as was done on previous occasions, to use methods of holding the Shareholders' Meeting via a multiplicity of remotely-connected decentralised offices or voting centres, given the restrictions on mobility imposed by the regulatory measures to contain and manage the emergency.

Question no. 2

Was this decision taken as part of a specific discussion by the Board of Directors?

- If the answer is Yes, then the next question is "Were there Board members not in favour or who abstained?"

- If the answer is No, then the next question is "Why not? And who took the decision?"

Response

The decision to convene the Shareholders' Meeting is the responsibility of the Board of Directors, which did so with a resolution on 19 March 2020, taken unanimously.

Question no. 3

From reading the notice of calling, it would seem that the only way for shareholders to ask questions in relation to the AGM on 9 April 2020 is through "pre-meeting" questions, is that so? Or is it allowed to request the delegate imposed upon us - the Designated Representative - to ask questions on our behalf?

- If the answer to the first question is "Yes, that is the only way", then the next question is

- How does the company consider that a shareholder's right of intervention is respected by not arranging for the possibility that the shareholder can send in questions through the Designated Representative? Please note for this purpose that art. 106 of Decree Law 18 of 17 March 2020 'Cure Italy' clearly indicates that the Designated Representative "may also be granted proxies or sub-proxies pursuant to article 135-novies of the Legislative Decree 58 of 24 February 1998 - the recipients of such proxies are authorised to ask questions at the meeting on behalf of those who granted the proxy."

- How does the company consider it can respect the shareholder's right of reply to responses received through the "pre-meeting questions" procedure?

- If the answer is "No, it is permitted to ask questions through the Designated Representative", then the next question is:

- What are the procedures for sending questions to the Designated Representative?

- Why does the form available on the Company's website not include a section for providing intervention/question instructions?

Response

Firstly, it should be noted that the citation of paragraph 4, second sentence, last part of article 106, Legislative Decree 18/2020 in the question does not correspond to the text of the provision, which is as follows: "*the aforementioned designated representative may also be granted proxies or sub-proxies pursuant to article 135-novies of the Legislative Decree 58 of 24 February 1998, as an exception to art. 135-undecies, paragraph 4, of the same decree*".

As indicated in the notice of Shareholders' Meeting, all parties entitled to vote have the right, to be exercised in the terms set out in art.127-ter of the CFA, to ask questions on matters on the agenda before the Shareholders' Meeting, obtaining a response at least 2 days before the meeting, also by publishing the questions and answers on the Company's website.

The purpose of asking questions is to obtain clarifications on the items on the agenda, so that you can exercise your right to vote on an informed basis. Publication of the responses allows all parties entitled to vote to benefit from the information and take account of it, if they so wish, in order to exercise their right to vote.

In the present exceptional circumstances, which see the Designated Representative operating as the only person entitled to attend the Shareholders' Meeting, it is not unreasonable to say that these information aids performed their function well during the pre-meeting phase. In fact,

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hypothetical questions asked directly in the Shareholders' Meeting through the Designated Representative would have been of little real use, given that those entitled to vote could not benefit in any way from the responses provided at the Shareholders' Meeting.

Question no. 4

In the case of sub-proxies pursuant to art. 135-novies, does the delegate who received multiple proxies (an example would be the proxies of institutional investors often in the hands of single professionals who normally voted with assisted voting procedures) have to confer the sub-proxies to Computershare by filling out a single form (if the voting indications are the same), or a form for each shareholder?

Response

The Company has made available on its website a special form for conferring proxies to the Designated Representative, pursuant to art. 135-novies of the CFA, for those who do not intend to make use of the method of attending the Shareholders' Meeting pursuant to art. 135-undecies of the CFA.

The decision regarding the number of forms to be used to confer sub-proxies to the Designated Representative is left to any delegate who received a variety of proxies, subject to compliance with the requirements of clarity and completeness with reference to each of the sub-proxies and the related voting instructions.

Question no. 5

*In what way will the Designated Representative participate in the meeting? In person or via remote connection?
- If the answer is "Remotely" then the next question is what technical method has been chosen to check with certainty the identity of the Designated Representative, and what tools have been chosen to check the security of data transmitted during the meeting?*

Response

The Designated Representative will participate in the Shareholders' Meeting in person, without using remote communication methods, taking all the precautions that allow compliance with the containment measures provided for in the applicable legislation.

Question no. 6

What kind of employee support measures have been offered to deal with this particular phase of the health crisis?

Response

In order to safeguard the health of employees, customers, their families and the community in general, it is essential to minimise the presence of staff within branches and offices to reduce the chances and risks of contagion.

The Company has therefore taken steps to implement smart working systems (i.e. working from home) to reduce the flow of the general public to branches and to allow easier management of parental commitments. In particular, in addition to the use of smart working tools (see Question 18 to which reference is made) the initiatives taken include:

- a) Introduction of specific forms of absence from work

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The Company has allowed new possibilities for managing attendance and absence from work, divided into the following types

- VOLUNTARY ABSENCE (at the request of the employee) for all employees:
 - PAID LEAVE (max. 5 days tied to the use of holidays/accumulated hours/suppressed public holidays in a 1:1 ratio).
 - UNPAID LEAVE
- VOLUNTARY ABSENCE (at the request of the employee) for parents with children <14 years/with disabled child/immune-depressed employees/pregnant women
 - PAID LEAVE (max. 5 days)
- PERMITS ON COMPANY ORDER: for absences resulting from shifts in organisational units and branch closures:
 - EMERGENCY SMART WORKING: for those who work from home and equipped with smart working equipment
 - EMERGENCY HUB WORKING: for those who work in another company facility close to their home
 - SMART LEARNING: for those who carry out training activities from home
 - UNTAKEN HOLIDAYS: accrued before 31/12/2019
 - EMERGENCY PAID LEAVE: for those who are at home on rotation, but cannot take advantage of the above options.

b) Taking advantage of smart learning through e-learning platforms.

The e-learning platform called ProFinanza (developed by ABIFormazione) is available, which makes it possible to take advantage of certain online courses with a personal PC connected to the Internet. The total duration of the courses is 30 hours (branch users) and 31.5 hours (users in central offices).

c) Creation of a dedicated area with FAQs and instructions, constantly updated.

A dedicated area has been created on our intranet, where it is possible to find updated information on the COVID-19 emergency, in particular FAQs, information and forms on the suspension of loan repayments and on funding limits, as well as operating instructions for branches.

The area is constantly updated. It is also possible to access the FAQs from outside our network, to ensure maximum usability even in case of absence.

d) Rotation in the branches' opening times to the public, employee shifts and customer entry by appointment only.

Already since 11 March, all branches are closed to the public in the afternoon and on Saturdays. Rotation is also planned for the opening of spoke branches to the public (on alternate days) and staff rotation has begun in the branches that are open.

Since 20 March, customers can only go to a branch if strictly necessary and exclusively by appointment.

e) Psychological support for employees.

The possibility for each employee to request psychological support has also been activated.

f) Preventive and protection measures.

We have reiterated the importance of respecting the distance of one metre between colleagues and between colleagues and customers, as a preventive measure to combat contagion. It is essential to always follow the prophylaxis rules indicated in the Ministry of Health document published on our intranet.

In the event that an asymptomatic employee is put in quarantine by the health authorities, no prophylaxis measure is required for colleagues who have had direct contact with that person in the

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days prior to them going into quarantine. However, in such cases we would suggest reporting the circumstances to the employee's doctor and arrange an extraordinary cleaning with sanitisation of the premises. In the case of an employee found to be infected by the virus (following a swab carried out by the health authorities), the spaces where the employee worked (branch and/or office and/or building floor) must be sanitised. The health authorities will determine whether quarantine measures should be applied to colleagues who have had close contact with the infected employee. Unless ordered by the health authorities, there is no provision for closure of the operating unit (assuming the rooms have been sanitised).

The cleaning service has been reinforced across the whole network. Cleaning companies have been asked to use disinfectants with the characteristics recommended by the Ministry of Health, which are suitable for eliminating COVID-19. Where there are cases of colleagues subjected to preventive quarantine, extraordinary sanitisation and cleaning are provided, always with proper sanitising products.

Regarding safety devices:

- the provision of sanitising gel is planned across the whole network.
- although not an individual protection device recommended or required by the Ministry of Health, branches can proceed with the installation of Plexiglas screens on cash desks and/or on points of consultancy with the general public;
- the distribution of disposable masks and gloves is underway in the branches.

Question no. 7

Does the Bank foresee any costs for the use of contactless credit/debit cards?

Response

No charges of any kind are applied to card payments, whether debit or credit, regardless of whether the payment is made using contactless mode or not.

Question no. 8

Is there the possibility that meetings of the corporate bodies (Board of Directors and Board of Statutory Auditors) may take place remotely by video and audio connection?

If the answer is YES, then the next question is

- 1. "How many meetings were held by remote connection in 2019?" and "How many meetings have been held by remote connection so far in 2020?"*
- 2. How is the actual, constant presence of participants checked by the Board of Statutory Auditors and the Chairman. Is a loss of connection recorded in the minutes?*
- 3. How is the confidentiality of operations guaranteed, in particular the impossibility of intrusion by third parties (via trojans, for example) or by participants that allow third parties access, remotely or registered?*

If the answer is NO, then the next question is

- 1. Have there been meetings of the corporate bodies in the period following the start of the COVID-19 emergency, and, in particular, while there have been restrictions on mobility?*
- 2. And if so, did anyone send apologies for their absence?*
- 3. And why didn't you make use of remote participation tools?*

Response

Participation in meetings of the Board of Directors and Board of Statutory Auditors by means of remote communication, which is expressly envisaged by the Company's Articles of Association, takes place with the aid of technical methods that, in addition to identifying participants, allow a

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constant monitoring of the connection's continuity and quality. The operations are done through the use of a proprietary video-conferencing platform that has the highest security standards, including the ability to encipher and encrypt the audio and video elements of the meetings, as well as prevent external attacks through the use of a latest generation technological infrastructure that is constantly updated so that security levels are always at the maximum. This method of participation in meetings, which has been in use for some time at the Company, has seen an increased use in the 2020 financial year, given the containment measures adopted in connection with the Covid-19 epidemic.

More information, with particular reference to the 2019 financial year, is contained in a specific Board of Directors report ("Report on Corporate Governance and Ownership Structure"). Pursuant to art. 123-bis, 3rd paragraph, this report is published together with the financial statements and made available to the public on the Bank's website www.istituzionale.bper.it in the Governance - Documents section, as well as on the websites of the market management company Borsa Italiana spa (www.borsaitaliana.it) and the authorised storage mechanism managed by Computershare s.p.a. (www.1info.it).

Question no. 9

What are the forecasts of economic impact on the Company's business due to the ongoing health crisis (linked to COVID-19)?

Response

The health emergency is having a highly negative impact on global growth because the restrictions, necessary to contain the spread of the virus, put pressure on both the supply and demand for goods and services.

Although it is difficult to quantify the impacts that depend on the duration of the restrictions, the phased nature of the exit phase and the interventions that will be put in place by the monetary and fiscal authorities in order to cushion the effects of the crisis on growth, it is possible to assume a rather long phase of recession with a strong contraction of GDP and a slow recovery.

Some sectors will be hit hard, both by restrictions and by new behaviour and consumption patterns, and this will lead to a deterioration in credit quality and an increase in the default rate for the banking system with consequent pressure on profitability.

Question no. 10.

What was the cost of the service provided by Egon Zehnder for assistance on the Board of Directors' self-assessment process? How much were the fees for other professional assignments carried out by Egon Zehnder, if any, in 2019?

Response

The consideration paid to Egon Zehnder International S.p.A. in relation to the activities carried out in 2019 in support of the Board of Directors' self-assessment process - the amount of which is covered by confidentiality constraints towards the supplier - is in line with normal market conditions for the provision of similar services by equally qualified subjects.

In 2019 the Company did not give other mandates to this supplier.

Questions nos. 11 to 13.

11. During 2019 how many times were external managers invited to take part in meetings of the Board of Directors?
12. Are there independent directors on the Board of Directors who have held this position for more than 9 years?
13. When did the last update of the succession plan take place? Did the Company make use of an assessment by an external or internal party? Who is responsible for the regular internal and external scouting activities for the identification of potential successors to the Chief Executive Officer that are referred to in the corporate governance report?

Responses

The information is contained in a specific Board of Directors report ("Report on Corporate Governance and Ownership Structure"). Pursuant to art. 123-bis, 3rd paragraph, this report is published together with the financial statements and made available to the public on the Bank's website (www.istituzionale.bper.it) in the Governance - Documents section, as well as on the websites of the market management company Borsa Italiana spa (www.borsaitaliana.it) and the authorised storage mechanism managed by Computershare s.p.a. (www.1info.it).

Question no. 14.

Following the resignation of the Managing Director, Dr Togni, the Board of Directors decided not to follow the procedures provided for in the succession plans for the appointment of a new General Manager, but to assign the role to the CEO.

- 1. Why were the procedures not followed?*
- 2. Is it the intention of the Board of Directors to review the succession plans given this combined role of General Manager/CEO ?*
- 3. Does the Board of Directors think that the combined role of General Manager/CEO is ideal for the Bank in the future or is this limited to the specific characteristics and skills of Mr Vandelli?*

Response

As communicated to the market on 28 November 2019, pending the organisational decision to assign the role of General Manager to the Chief Executive Officer, thereby giving full control of the Company's executive side to a single person, it was decided not to activate the process defined in the Succession Plan to select the best person from a variety of potential candidates for the position of General Manager, as this was obviously incompatible with the above decision.

Appointing the same person to the positions of Chief Executive Officer and General Manager does not in itself require any amendment of the current Succession Plans.

The Board of Directors will make any amendment to the current Succession Plans that may be necessary or appropriate on a timely basis, also in light of changes in the Company's effective governance structure.

Question no. 15.

In 2019, were any ad hoc/one-off bonuses paid to executive directors not linked to criteria and parameters that were predetermined or predetermined ex ante?

Response

In 2019, no ad hoc/one-off bonuses were paid to executive directors not linked to criteria and parameters that were predetermined or predetermined ex ante?

Question no. 16.

Compared with 2018, what was the percentage increase in women holding top management positions?

Response

The following data are updated to 31/12/2019:

| Managers | |
|-----------------------------|-------|
| 2018 | 2019 |
| Women | Women |
| 20 | 23 |
| Data: Sustainability Report | |
| 9% | 8.70% |

Source: Sustainability Report

Question no. 17.

During 2019 how many employees were able to take advantage of smart working methods? What percentage out of the total?

Response

Smart working agreements 2018: 0
Smart working agreements 2019: 0

Individual hub working agreements 2018: 0
Individual hub working agreements 2019: 250

Question no. 18.

During this critical period, how many employees have been able to take advantage of smart working methods? What percentage out of the total?

Response

Thanks to the activities carried out by the Bank's specialist staff:

- 4,876 BPER Banca employees are authorised to connect in smart working mode, or 46% of the Bank's total employees. Of these:

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- 2,919 refer to the Central Offices, or 80% of those offices' total employees.
- 1,957 refer to network users (branches and near-centre), or 28% of total network employees.
- 3,889 BPER Banca employees are connected in smart working (since 16/3), or 37% of the Bank's total employees. Of these:
 - 2,698 refer to the Central Offices, or 74% of those offices' total employees.
 - 1,191 refer to network users (branches and near-centre), or 17% of total network employees.

Question no. 19.

During the financial year, how many and which meetings with shareholders (of reference or relevant) were organised, with what methods, and what type of specific information was provided? Did any directors or only the investor relator participate?

Response

We can confirm that the Bank is committed to providing adequate information to all shareholders and to the market, in full compliance with the applicable legislation, also on matters of insider information and the principles of transparency and equal treatment. For this purpose, the Company takes care of the timely updating of its website, which dedicates specific sections to Governance and Investor Relations.

During the year the Bank met with shareholders on various occasions, mainly through participation in national and international road shows and conferences, conference calls and meetings organised by brokers.

The information provided related to public communications and is available on the website.

Both the Investor Relator and Directors, mainly the Chief Executive Officer, attended these meetings.

Specifically, 239 institutional investors met during 2019, through participation in 13 sector conferences and 10 road shows in Milan and in the main international financial centres, as well as several one-to-one meetings or conference calls. The Chief Executive Officer or the CFO and the Investor Relator took part in the meetings; other Directors were not involved. The information provided related to public data on the Bank's main financial statement aggregates, projects currently in progress and extraordinary operations that have been announced.

Question no. 20.

How many requests for information pursuant to art. 115 Legislative Decree 58/1998 by Consob were received by the Company during the year? What were the subjects of these requests?

Response

During 2019, some requests for news, documentation and information regarding the Bank's performance were received. These requests fall within the scope of the normal communications requested by CONSOB in order to obtain useful information for the supervisory activity carried out by the Commission on the correctness of the information provided to the public.

Question no. 21.

In particular, how much time did the Board of Directors have before approving the current financial statements? How much time did they actually spend reviewing them?

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Response

The BPER Group preliminary results were analysed by the Board during the meeting of 5 February 2020, during which an in-depth examination of the results was carried out. This preliminary analysis then led to the presentation, on 10 March 2020, of the draft separate financial statements, together with the consolidated financial statements, submitted on that occasion for prior approval by the Board for subsequent submission to the Shareholders' Meeting.

The documentation published to support the proceedings of board meetings is constantly available to the Directors in the specific IT application used by the Board.

Question no. 22.

Were the decisions taken by the directors in 2019 always unanimous? If not, on what topics were there directors voting against or who abstained?

Response

Decisions of the Board of Directors were always taken, even if not unanimously, in accordance with the provisions of art. 25, para. 2, of the Articles of Association, under which resolutions are passed with the votes of the absolute majority of those in attendance. There were never situations of a tied vote that required the Chairman to use his casting vote as foreseen in para. 3 of art. 25.

Question no. 23.

Did any cyberattacks on communication systems occur in 2019? If yes, of what type and with what results?

Response

During 2019 there were 33 events classified as cyberattacks. As per an internally regulated process, each of them was associated with a level of criticality that varies from L1 to L6 (L1 major criticality). Most of the events (70%) were caused by infection of malware sent to internal users through the traditional e-mail and PEC [registered e-mail] service. The other cases were attempted DDOS attacks and CEO frauds.

Question no. 24.

Can you quantify the impact of cyberattacks in the last 4 years, not only as "serious, major or minor", their economic damage and the measures taken?

Response

In the cases of cyberattacks recorded in the last 4 years, no economic damage to the Bank has been quantified, but only the efforts needed for the recovery of data and services, which can be measured in man-days. During this period, new services and technologies acquired from leading companies in the sector have been introduced to monitor the corporate IT system. In particular, a new Endpoint Protection platform has been implemented, a new level of firewalling has been added both to protect data and to increase the protection against malware, a Mobile Device Management service has been acquired for all mobile devices, and a CASB (Cloud Access Security Broker) service has been acquired to allow the safe use of services published on the Internet in the cloud but used by the Company. Monitoring services have also been introduced to

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reduce cyber threat detection times. In particular, a new SIEM system has been introduced which includes the company systems logs and provides information on security events in an aggregate and correlated manner. The monitoring of security events has been extended with the input of a partner specialised in Incident Response, making our detection capabilities more efficient. Losses relating to fraud occurring for Internet Banking service customers were recorded (both for the Retail market and for the Corporate market) and, also with a view to compliance with sector regulations (in particular PSD2), Strong Customer Authentication safeguards have been introduced to lower the risk of illegal transactions.

Question no. 25.

Which are the companies supplying the IT security systems, how much budget is allocated for this business function?

Response

BPER collaborates directly and continuously with leading IT security services and technologies companies, generally identified as 'leaders' by the Gartner magic quadrant reports (structures that indicate the positioning of market players), where the leading organisations in this sector are listed. The safeguards implemented to protect the Company's IT system are continuously updated and improved in order to maintain high levels of defence even when confronted with newer types of cyberattacks. Continuous analysis of this market also allows us to identify new and increasingly advanced and effective tools.

The 2019 budget for Information Security was €6,600,000

Question no. 26.

In the area of information security, which Italian and European universities or research centres does the Bank collaborate with?

Response

BPER has for some time a collaboration underway with Modena and Reggio Emilia University, and in particular with the Cybersecurity Academy, in order to train potential new resources in the world of cybersecurity. This collaboration takes the form of the ICT Security Office Manager being one of the teachers of the course. A collaboration has been underway for a few years with Parma University, with the setting up of an ICT Governance course. BPER staff are involved both as pupils and teachers.

Question no. 27.

What resources are allocated by the Company to implement blockchain-based systems?

Response

BPER uses the DLT blockchain platform for the Italian interbank reconciliation of accounts developed and managed by ABILab. Currently the application is used by three operators.

Question no. 28.

*Where is the company's IT back office located?
If the answer is "in a country other than Italy", then the next question is, why was this decision taken considering that it is located in Italy for the other competing banks?*

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Response

The BPER Systems Management is located entirely in Italy.

Question no. 29.

Has the Bank made any donations for projects intended to deal with the COVID-19 emergency and if so, how much do they amount to? And which are they?

Response

Since the first phase of the emergency, the BPER Group has made beneficial contributions to meet specific needs arising above all in the health and care sector, for a total amount of approximately Euro one million.

Starting from April, with the “United Beyond Expectations” initiative, we want to give continuity to these donations and organise a project that will allow us to deal with new emergencies that may arise in the months to come.

The amount will consist partly of a voluntary solidarity contribution from the Group’s board, management and staff, and partly of a contribution by BPER Banca which will double this amount.

Once the areas of intervention have been identified (from scientific research to the support of new poverty and social hardships), and the percentage of the total amount to be allocated to each of them, the plan is that the funds should be divided between different types of projects:

- national (such as support for scientific research);
- national with community value (such as contributions to Solidarity Supermarkets and to national associations but with community committees, to combat economic and social hardship);
- community, identified by the Regional Authorities, based on real local needs.

Question no. 30.

Both Fitch, who placed BPER in the Negative Rating Watch, and Moody’s, who revised the outlook downwards from stable to negative, have expressed negative positions on BPER. The particular moment can be perceived, but isn’t this downgrade worrying, given the particular moment when you are asking the market for a 1 billion increase in capital?

Response

The reasons behind the measures taken by Fitch and Moody's with regard to many Italian banks and companies concern the possible impacts on the economy of the expected deterioration of the economic scenario linked to the health emergency in Italy. In particular, it should be noted that the Bank’s ratings have not changed, but the outlook has been revised, confirming that their assessment of the Bank’s creditworthiness has not changed. More specifically, Moody’s makes no reference to the increase in capital in its assessment, while Fitch refers to it as “... consistent with its growth strategy...”. In fact, this strategic operation potentially has important benefits for the BPER Group, including: an increase in the customer base, a strengthening of the distribution network, an improvement in operating efficiency, better credit quality, a good expected return on investment, confirming the Group’s already solid capital position.

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Question no. 31.

Can you please explain the reason for the decrease in assets from 80,695.43 million on 30/9/19 to 79,033.5 on 31/12/19?

Response

The decrease in assets from €80,695.43 million on 30/9/19 to €79,033.5 on 31/12/19 is mainly due to the reduction in loans, especially Loans to banks. In fact, deposits with the ECB fell during the last quarter of the year.

December 2019 saw a reduction in our balance with the ECB due to the heavy tax payments during the period and a reduction in repurchase agreements by our Treasury Department for purely financial reasons. This led to a reduction in the balance on the reserve account with the ECB and a consequent temporary reduction in the item Loans to banks in the balance sheet.

| Asset items | 31.12.2019 | 30.09.2019 | Change 31.12.2019 - 30.09.2019 |
|---|-------------------|-------------------|---------------------------------------|
| Cash and cash equivalents | 566,930 | 493,538 | 73,392 |
| Financial assets | 18,956,906 | 18,777,522 | 179,384 |
| a) Financial assets held for trading | 270,374 | 328,291 | (57,917) |
| b) Financial assets designated at fair value | 130,955 | 131,594 | (639) |
| c) Other financial assets mandatorily measured at fair value | 692,995 | 662,663 | 30,332 |
| d) Financial assets measured at fair value through other comprehensive income | 6,556,202 | 6,911,141 | (354,939) |
| e) Debt securities measured at amortised cost | 11,306,380 | 10,743,833 | 562,547 |
| - banks | 2,744,570 | 2,641,906 | 102,664 |
| - customers | 8,561,810 | 8,101,927 | 459,883 |
| Loans | 54,353,634 | 56,244,776 | (1,891,142) |
| a) Loans to banks | 2,321,809 | 3,722,040 | (1,400,231) |
| b) Loans to customers | 52,006,038 | 52,496,061 | (490,023) |
| c) Financial assets measured at fair value | 25,787 | 26,675 | (888) |
| Hedging derivatives | 82,185 | 65,401 | 16,784 |
| Equity investments | 225,869 | 251,613 | (25,744) |
| Property, plant and equipment | 1,369,724 | 1,356,757 | 12,967 |
| Intangible assets | 669,847 | 612,235 | 57,612 |
| - of which goodwill | 434,758 | 434,758 | - |
| Other asset items | 2,808,403 | 2,893,584 | (85,181) |
| Total assets | 79,033,498 | 80,695,426 | (1,661,928) |