

This document is a courtesy translation into English.  
In case of any discrepancies between the English and the Italian version, the Italian version shall prevail.



REPORT OF THE BOARD OF STATUTORY AUDITORS  
OF BANCO BPM S.P.A. TO THE SHAREHOLDERS' MEETING  
AS SET FORTH IN ARTICLE 2429, PARAGRAPH 2 OF THE CIVIL CODE

Financial statements of the year that ended 31 December 2021  
of the merged company Release S.p.A.

Ordinary Shareholders' Meeting of 7 April 2022



**Report of the Board of Statutory Auditors to the Shareholders' Meeting of Banco BPM S.p.A. pursuant to Article 2429 of the Italian Civil Code - Financial statements of the year that ended 31 December 2021, of the merged company Release S.p.A.**

**Introduction**

Dear Shareholders,

as you know, the company Release S.p.A. (hereinafter also "Release") was merged to be incorporated in the parent company Banco BPM S.p.A. (hereinafter also "Banco BPM" or "parent company") with legal validity as of 21 February 2022, and accounting and tax validity as of 1 January 2022.

The Board of Directors of the merged company saw to drafting the Financial statements of the year that ended December 31, 2021, and approved it at its session held on February 7, 2022, the Company still being in existence on that date. The financial statements - comprised of the balance sheet, income statement complete with the information on comprehensive income, the Statement of Changes in Shareholders' equity, the Financial report and Notes to the consolidated financial statements - was later sent, together with the Report on operations, to the Board of Statutory Auditors of Banco BPM, the incorporating company, for the purposes of drawing up this report.

Also for the purposes of drawing up the report, BPM Bank's Board of Statutory Auditors obtained the necessary information on the activities carried out and the audits conducted by the Release Control Body (in office up until the merger's effective date) through the acquisition and analysis of the meeting minutes it held over the course of 2021 (including the documentation on the sessions' records) if deemed necessary, as well as in the scope of the periodic exchange of information flows between the parent company and subsidiary control bodies, acknowledging (lastly, on 15 February 2022) the relationships set up for this purpose, the information rendered and the discussions held at those times.

Whereas, with this report, drawn up as set forth in article 2429, paragraph 2 of the Civil Code, Banco BPM's Board of Statutory Auditors reports:

- on the supervisory activity conducted by Release's Board of Statutory Auditors during 2021 and up until its termination as mentioned above, in compliance with the regulations of reference and also having taken into account the "Rules of Conduct of the Board of Statutory Auditors - Principles of Conduct of the Non-Listed Companies' Boards of Statutory Auditors", issued by the Italian Council of Chartered and Professional Accountants on 18 December 2020, and applicable as of 1 January 2021;
- on the results of the financial year, formulating observations and proposals about the financial statements and their approval, especially concerning any exercising of the waiver under article 2423, paragraph 5, of the Civil Code;

- on any receipt of reports from the Shareholders as set forth in article 2408 of the Civil Code.

\*\*\*

## **Report**

In 2021 and up until the merger became effective (21 February 2022), the Board of Statutory Auditors carried out the supervisory activities falling under its area of competence and fulfilled its obligations. The analysis of the information acquired as an outcome of the board audits and company events as previously shown and confirmed by the above said Company's Control Body, yielded the following.

### **Knowledge of the Company, risk assessment and report on the assignments entrusted**

Also by attending the Board of Directors' meetings and the meetings of its own board, Release's Board of Statutory Auditors gained adequate knowledge of the Company (a financial intermediary enrolled on the Register of Financial intermediaries *pursuant to* article 106 of the Consolidated Banking Law), at the time incorporated with the objective of concentrating the majority of the portfolio of non-performing loans of the *former* Banca Italease Group in existence as at 31 December 2009, with the mission of creating the optimal conditions for efficient management of the *leasing* and non-performing mortgage loan portfolio, setting up the interventions necessary to manage those accounts, with particular emphasis on those with a higher amount and with reference to the exposures in a later stage of dispute, taking action to recover the debt directly and/or with lawyers or outside companies. To this regard, since the start of its activities, the Company has continued to operate according to a *runoff* practice by managing a predominantly property portfolio composed almost exclusively of problematic accounts.

The planning of the supervisory activity, which consists in the assessment of intrinsic risks and problems concerning (i) the type of activity carried out and (ii) the organisational and accounting structure, was implemented through the positive results with respect to that already known based on the information acquired over time and by examining the *Audit Reports* prepared.

Following the acquisition of this knowledge, through supervision of the activities characteristic to the Company, Release's Board of Statutory Auditors was able to confirm that:

- the typical activity performed by the Company, which once again, is a single-shareholder company, following Banco BPM's attainment of 100% interest in the share capital with the acquisition (enrolled in the Companies Register with jurisdiction of Milan, Brianza and Lodi on 18 January 2021) of the remaining interest held by BPER Banca and Banca Popolare di Sondrio, did not change over the course of the year in question and is consistent with that foreseen by the

company purpose;

- the organisational structure remains unaltered on the whole, also having taken into account the responsible structures of Banco BPM S.p.A. parent company being entrusted with the performance of certain company functions through ad hoc *outsourcing* contracts;
- during its supervisory activity, the Board of Statutory Auditors made a communication to the Bank of Italy and the Financial Intelligence Unit, as set forth in article 46 of Legislative Decree no. 231/2007, regarding the need to proceed (i) with the recovery of some records in the Single Computerised Database (related, in particular, to collections from the clientele that came from payments for *leasing* instalments, debt recovery and *remarketing* transactions - sale of assets from impaired and settled accounts to third parties) and (ii) the consequent correction of the Aggregate Anti-money laundering flows, concluded on 16 February 2022.

Over the course of the year, Release's Board of Statutory Auditors regularly held meetings as set forth in article 2404 of the Civil Code and drew up their minutes, signed for unanimous approval.

#### **Activity carried out**

During the periodic audits, Release's Board of Statutory Auditors learned of the evolution of the activity performed by the Company, placing particular emphasis on the problems of an overriding and/or extraordinary or non-recurring nature, in order to identify its economic and financial impact on the net profit (loss) for the year and on the balance sheet, not to mention any risks.

Constant information flows were maintained with the Managers of the Internal Audit Function, entrusted to the Parent company's Audit Function, that over the course of the year conducted audits following a *risk-based* and *process-driven* approach in the scope of the broader Group Audit Plan (approved by the Banco BPM Board of Directors) which concerned and/or involved the processes that Release directly or indirectly runs as well.

The summary of the audits that the Parent company Audit Function conducted on the risk control systems and Release's operations made it possible to express a judgement of "substantive adequacy" on the Internal Control System of the Company.

Release's Board of Statutory Auditors then periodically assessed the adequacy of the Company's organisational and functional structure and any changes with respect to the minimum requirements postulated by the business performance.

The relations with the people working in the cited structure - Directors, Employees and Outside consultants - are inspired by mutual collaboration in respecting the roles entrusted to each individual and Release's Board of Statutory Auditors has been periodically informed by the Directors on the business performance and on its foreseeable evolution, not to mention on the most important transactions the Company made in terms of size and characteristics.

Release's Board of Statutory Auditors met the managers of the Auditing Firm charged with the independent audit, acquiring information, and periodically reported to the undersigned Board of Statutory Auditors of the parent company regarding the activity carried out in the scope of a mutual exchange of information. Specifically, the board acknowledged the representation of the activity carried out and its progress, broken down by:

- (i) *Significant Risk Progress* report - process of assessment of receivables for loans valued at the amortised cost;
- (ii) *Significant Risk Progress* report - process of valuation of the properties recognised in property, plant and equipment.

In relation to the process of valuation of the properties recognised in plant, property and equipment, the more significant inspection aspects were also explored, for example, the update of the *Management Letter* at Banco BPM Group level regarding the process of determining the *fair value* of the real estate portfolio and the checks set in place by the responsible structure.

In conclusion, it is hereby acknowledged that as far as it was possible to discern during its activity in the year, Release's Board of Statutory Auditors was able to affirm that:

- the decisions that the Shareholders and the Board of Directors made were compliant with the law and the Articles of Association and were not blatantly imprudent or such as to jeopardise the integrity of the company assets;
- enough information was acquired on the general business performance and on the foreseeable evolution, as well as on the most significant transactions the Company made in terms of size or characteristics;
- the transactions carried out were also compliant with the law and the Articles of Association and not potentially in conflict with the resolutions passed by the Shareholders' Meeting or such that would jeopardise the integrity of the company assets;
- specific observations were formulated neither on the adequacy of the organisational structure of the Company nor the adequacy of the administrative and accounting system, nor the latter's reliability in correctly representing the management-related issues, also taking into account the entrustment of certain services in *outsourcing* to the parent company or to other Group companies;
- over the course of the supervisory activity as described above, no significant events emerged such that would require their being reported in this Report;
- no action had to be taken due to omissions by the Board of Directors as set forth in article 2406 of the Civil Code;
- from the exchange of information with the Auditing firm no significant events or information emerged that must be brought up in this Report;
- no reports were received as set forth in article 2408 of the Civil Code;

- no reports were filed as set forth in article 2409, paragraph 7 of the Civil Code;
- regarding Related Parties transactions, the Company implemented and adopted a regulation with procedural and substantial rules to keep those transactions under constant observation, even at Group level. Transactions to be deemed relevant and not made at normal market conditions did not emerge.

no censurable facts or violations in the Organisational model *pursuant to* Legislative Decree no. 231/2001, last updated on November 3, 2021, emerged in the activity carried out as Supervisory Body as set forth in Legislative Decree no. 231 of 8 June 2001 (hereinafter also "Supervisory Body"), entrusted to Release's Board of Statutory Auditors by the Board of Directors of the Company, as per resolution of the Company on 27 March 2014, nor did the Supervisory Body learn of acts or conduct that may imply violations of the provisions in the cited Decree.

### **Observations and proposals on the Financial statements and their approval**

The Financial statements for the year ended on 31 December 2021, for Release, were approved by the Company's Board of Directors at the session on 7 February 2022, and are comprised of the Balance sheet, Income statement integrated with the information on Comprehensive income, Statement of changes in Shareholders' equity, Financial report and Notes to the Consolidated Financial Statements. For the purposes of drawing up the financial statements and the Notes to the financial statements, the Company applied the provisions provided by the Bank of Italy in the update on 29 October 2021 "The financial statements of the IFRS intermediaries other than the banks". The Bank of Italy's Communication dated 21 December 2021, entitled "Update of the supplements to the provisions of the Measure "The financial statements of the IFRS intermediaries other than banks" about the impact of COVID-19 and the measures to support the economy" (which replaces and supplements the previous one dated 27 January 2021) was also considered.

In addition to the accounting data as at 31 December 2021, the financial statements provide the comparative information related to the last financial statements approved as at 31 December 2020, opportunely restated to take into account the changes introduced by the new provisions, thus making the data set side-by-side fully comparable. For more information on the restatements made, see the Notes to the Financial Statements - Part A - Section 4 "Other aspects".

Moreover:

- The Board of Directors also drew up the Report on operations as set forth in article 2428 of the Civil Code;
- these documents were delivered to Banco BPM's Control Body in time for them to be lodged at the Banco BPM parent company headquarters together with this report, and this, regardless of the deadline set by article 2429, paragraph 1, of the Civil Code;

- the independent auditing of the accounts is assigned to PricewaterhouseCoopers S.p.A., which on 16 March 2022, drafted its Report as set forth in article 14 of Legislative Decree no. 39/2010 without any exceptions.

Then the draft Financial statements were examined, regarding which the following additional information is also provided:

- the criteria for assessment of the asset and liability items were checked and were not substantially different from those adopted in past years, being compliant with that set forth in article 2426 of the Civil Code;
- emphasis was placed on the style of the Draft financial statements, its general compliance with the law for that which concerns its formulation and structure - and to this regard there are no observations that must be brought up in this Report;
- compliance with legal regulations inherent to the preparation of the Report on operations was verified and to this regard there are no observations that must be brought up in this Report;
- when drafting the Financial statements, the Board of Directors did not deviate from the legal regulations as set forth in article 2423, paragraph 4, of the Civil Code;
- the Financial statements substantially corresponded with the facts and information that the Release Board of Statutory Auditors learned of after fulfilling its duties, and to this regard there are no further observations;
- for that which concerns the Major Risk positions, the reduction of the Own Funds consequent to the losses during the period entailed the exceeding of the limit of 25% on the large exposures for individuals for a position. After Release's merger by incorporation into Banco BPM, no intervention is needed for this, as shown to the Supervisory Authority;
- as set forth in article 2426, paragraph 1, numbers 5 and 6 of the Civil Code, it was acknowledged that costs allocated to intangible fixed assets that have to be recognised with the consent of the Board of Statutory Auditors do not subsist in the Financial statements.

Regarding the Board of Directors' proposal on allocation of the net profit for the year in the Note to the Consolidated financial statements and in closing the Report on operations, Banco BPM's Board of Statutory Auditors has nothing to remark, moreover pointing out that the decision to this regard is up to the Shareholders' Meeting.

### **Net income for the financial year**

The net income that the Board of Directors ascertained for the year ended on 31 December 2021, as also clearly seen in reading the Financial statements, is negative by 80,438,261 Euros.

### **Conclusions**



Based on the activities carried out and audits conducted by Release's Board of Statutory Auditors (in office up until 20 February 2022), of that set forth, and for that which Banco BPM's Board of Statutory Auditors was made aware, it is unanimously held that there are no obstacles to your approving the Draft financial statements for the year ended on 31 December 2021, as it has been drawn up and proposed to you by the Board of Directors of the incorporated company.

Milan, 16 March 2022

The Board of Statutory Auditors of Banco BPM S.p.A.

signed Prof. Marcello Priori, Chairman

signed Mr. Maurizio Lauri

signed Ms. Silvia Muzi

signed Mr. Alfonso Sonato

signed Ms. Nadia Valenti