



**REPORT OF THE BOARD OF STATUTORY AUDITORS  
OF BANCO BPM S.P.A. TO THE SHAREHOLDERS' MEETING  
PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE No. 58 OF 24 FEBRUARY 1998**

**2019**

**Ordinary Shareholders' Meeting  
4 April 2020**



**Report of the Board of Statutory Auditors to the Shareholders' Meeting of Banco BPM S.p.A. pursuant to Article 153 of Italian Legislative Decree No. 58 of 24 February 1998 (TUF - Consolidated Financial Law)**

Dear Shareholders,

The Board of Statutory Auditors of Banco BPM S.p.A. began its role on 1 January 2017, date that the Merger between Banco Popolare Soc. Coop. (hereinafter also "former Banco Popolare") and Banca Popolare di Milano S.c.a r.l. (hereinafter also "former BPM") came into effect, creating Banco BPM S.p.A. (hereinafter also "Banco BPM" or "the Bank").

With this Report, drawn up pursuant to article 153 of TUF (Consolidated Financial Law) and in compliance with the guidelines provided by Consob with Communication No. 1025564 of 6 April 2001, as amended, the Board of Statutory Auditors of Banco BPM is reporting on the supervisory activity carried out in 2019, in compliance with the applicable regulations while also taking into account the Rules of Conduct set out for the Boards of Statutory Auditors of listed companies, as recommended by the Italian Board of Professional Accountants and Auditors.

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In 2019, the Board of Statutory Auditors carried out the supervisory activities falling under its area of competence and fulfilled its obligations; within this scope:

- it has participated in the Shareholders' Meetings and all the meetings of the Board of Directors and Executive Committee, as well as, through its Chairman or an Auditor appointed by the latter and according to the applicable regulations, in the meetings of the Internal Control and Risks Committee, the Remuneration Committee, the Related Parties Committee, the Appointments Committee and the Donation Committee, established within the Board of Directors and obtained, in compliance with all the laws and the provisions of the Articles of Association, comprehensive information on the activities carried out and on the most significant transactions conducted by the Bank and its Subsidiaries;
- it has acquired all the necessary information on compliance with the laws and the Articles of Association, with the principles of proper management as well as on the functionality and efficiency of the organisational structure of the Bank and of its internal and administrative-accounting controls, through direct investigations, the gathering of data and information from the managers of the various corporate units involved, as well as from the Auditing Firm in charge of the legally-required auditing, namely PricewaterhouseCoopers S.p.A. (hereinafter also the "Auditing Firm" or "PWC");

- it has performed its auditing on the internal control system, availing itself of the attendance by the Manager of the Audit Unit at the bodies' meetings, in which, in addition to the Compliance Manager, the Managers of the Anti-Money-Laundering Unit, the Risk Unit and the Internal Validation Unit, have also participated. This has therefore provided the necessary operational and informative details about the methods adopted in the performance of the respective institutional control tasks, as well as on the results of the pertinent activities;
- it has carried out the necessary assessments on the adequacy of the guidelines issued to the Subsidiaries, also pursuant to article 114, paragraph 2 of Legislative Decree No. 58/1998;
- it has exchanged information about each other's activities with both the Boards of Statutory Auditors of the main Companies of the Group and with the Supervisory Board, established according to the Organisation, Management and Control Model adopted by Banco BPM pursuant to Legislative Decree No. 231/2001;
- it has monitored the actual methods applied to the implementation of the governance provisions, as set forth in the applicable Code of Conduct for listed companies, promoted by Borsa Italiana S.p.A., to which Banco BPM has declared to have adhered;
- it has overseen compliance of the Regulations approved by the Board of Directors, regarding transactions with related Parties, with the principles under Consob Resolution No. 17221 of 12 March 2010 as amended, as well as overseeing compliance with the Regulations themselves (updated over the year);
- it has supervised the overall appropriateness of the internal procedures for achieving the objectives of the governing provisions in terms of risk and conflicts of interest concerning related parties, in compliance with the Circular issued by the Bank of Italy No. 263/2006, Title V, Chapter 5 (updated over the year);
- it has ensured, based on the statements issued by the individual Directors and the assessments collectively expressed by the Bank's Board of Directors, that the criteria and procedures adopted by the latter in order to assess the independence of its members have been correctly applied;
- it has examined the draft Financial Statements, the Budget and the Risk Appetite Framework;
- it has verified compliance with the law and regulations concerning the process for the preparation of the Financial Statements and drafting of the Non-Financial Statement as per Italian Legislative Decree No. 254/2016.

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Based on the main findings acquired while carrying out its functions, some significant events, which have characterised the year 2019, were identified. In relation to these events, it was therefore deemed appropriate, although described in depth in the Report on operations of the Group (to which reference should be made), to address them hereinafter, given their significance within the scope of the assessments concerning the equity and financial position of Banco BPM as well as the consistency of operational decisions with the guidelines of the Group's Strategic Plan for the 2016-2019 period:

- initiatives to rationalise the Group's corporate and operating structure: (i) in continuity with the process for simplifying the Group's structure, the merger by incorporation of the subsidiary Holding di Partecipazioni Finanziarie Banco Popolare S.p.A. into Banco BPM S.p.A. was carried out with legal effect as from 30 September 2019 and tax and accounting effect as from 1 January 2019. The same follows the mergers in the Parent Company of BP Property Management S.C.a r.l. and Società Gestione Servizi BP S.C.p.a., already resolved during 2018 (also with tax and accounting effect as from 1 January 2019); (ii) at the end of June 2019, further to the issue of the envisaged authorisations by the competent Authorities, the reorganisation of the consumer credit sector was completed, in execution of the agreements entered into at the end of 2018 between Banco BPM, Crédit Agricole S.A., Crédit Agricole Consumer Finance S.A. and Agos Ducato. Further to the spin-off of the non-captive activities of ProFamily S.p.A. in favour of a newly established subsidiary 100% controlled by Banco BPM, the latter transferred to Agos Ducato S.p.A. 100% of the spun-off company (subsequently renamed "ProAgos S.p.A.") with simultaneous formalisation of the agreements aimed at enhancing the partnership already existing in this sector; (iii) Banco BPM transferred the "Clienti non portafogliati Private" and "Consulenti Finanziari Agenti" business segments to the subsidiary Banca Aletti & C. S.p.A. (hereinafter also "Banca Aletti"), thereby completing the reorganisation of the Private Banking and Corporate & Investment Banking segment which involved not only the afore-mentioned Banca Aletti (on which the Private Banking activities were focused), but also the subsidiary Banca Akros S.p.A. (hereinafter also "Banca Akros", focused on the Corporate & Investment Banking activities);
- disposal of loan portfolios: in line with the goals for reducing the impaired portfolio, contained in the Group Strategic Plan (specifically "NPL Operational Plan"), during 2019 Banco BPM completed, amongst other matters: (i) in the first quarter (following the agreements with Elliot International L.P. and Credito Fondiario S.p.A. dated December 2018, already mentioned in the Report of the Board of Statutory Auditors referring to 2018), the transfer of a portfolio of bad loans originated by the Group banks for a gross nominal value of around € 7 billion (so-

called "ACE" Project) by means of a securitisation transaction backed by the guarantee of the State on senior securities (so-called GACS); (ii) the assignment of a portfolio of bad loans (so-called "ACE Leasing" Project) to Illimity Bank. The portfolio, around € 650 million in nominal value, is made up primarily of bad loans (deriving from legal-relationship assets and liabilities attributable to leasing contracts), together with the immovable or movable assets and the underlying contracts. Completion of the operation will involve various phases and is expected to be concluded by mid-2020; (iii) two without recourse multi-originator factoring transactions on impaired loan portfolios (identified by the names "Clessidra" and "Cuvée") which saw the transfer of the receivables to two Mutual Investment Funds in exchange for units issued by said funds. The "Clessidra" transaction envisaged the transfer by Banco BPM to Clessidra Restructuring Fund of a portfolio of high risk loan exposures vis-à-vis the companies involved in the restructuring and recovery plans amounting to € 55.1 million (10 counterparties). The "Cuvée" transaction (finalised at the end of December 2019) involves the management under partnership between AMCO and the Prelios Group of a portfolio of small/medium UTP receivables deriving from loans from between € 3 million and € 30 million to businesses in the real estate sector undergoing restructuring or in financial difficulty. The project will be executed by means of a securitisation transaction on the receivables conferred by the banks and by AMCO and the intervention of a closed-end securities mutual investment fund managed by Prelios SGR. The units of the Fund will be held by the Banks and by AMCO. During the first phase, Banco BPM conferred loan positions for a total of around € 66 million. In accordance with the related accounting standards, the Bank took steps to cancel the positions from the accounts, recognising the new financial assets acquired as a matching balance on the basis of the related fair value;

- funding transactions: on 11 April 2019 Banco BPM completed the first issue of Additional Tier 1 instruments for a value of € 300 million, destined for institutional investors. This was followed (at the start of January 2020) by a further issue of Additional Tier 1 instruments for a value of € 400 million, again destined for institutional investors. These transactions contributed towards encouraging a streamlining of the Group's capital structure. In addition to this, a new Tier 2 subordinated issue was finalised for € 350 million in October 2019, also intended for institutional investors. During the year (in March, June and October) the placements of three senior preferred unsecured bond issues were also finalised, reserved for institutional investors.

With regard to the accounting standards and the rules for the drafting of the Financial Statements, as well as the envisaged mandatory application of accounting standard IFRS 16 (Leasing) and the accounting interpretation "IFRIC 23 Uncertainty over Income Tax Treatment",

for 2019 Banco BPM: (i) opted for the early application (with respect to 2020) of Regulation No. 34 dated 15 January 2020 which approved the amendments to a number of accounting standards (IFRS 9, IAS 39 and IFRS 7) by the IASB, with the purpose of reducing the impacts on the financial statements of the effects of the reform of the reference indexes for the determination of the interest rates; (ii) within the sphere of the project for rationalising and enhancing the real estate assets, changed the accounting standards for the measurement of the real estate assets (both for functional use and for investment use) and the artistic assets of value. In particular, the amendment led: (a) for the material assets for functional use, represented by the real estate properties and the artistic assets of value, to the changeover from the cost model to the value redetermination model, on the basis of the rules envisaged by accounting standard IAS 16 "Property, plant and equipment"; (b) with regard to the properties held for investment purposes, to the changeover from the cost model to the fair value model, on the basis of the provisions established by accounting standard IAS 40 "Investment properties".

Furthermore during the year, the Board of Statutory Auditors:

- duly noted the resignation from the office of Board Director of Banco BPM of Ms. Marisa Golo (14 May 2019) and from the office of Board Director and Chairman of the Executive Committee of Banco BPM of Mr. Pier Francesco Saviotti (23 July 2019) as well as the resignation of the General Manager, handed in due to just cause on 7 May 2019. On 28 February 2020, with the favourable opinion of the Board of Statutory Auditors, the Board of Directors proceeded with the co-option of Mr. Massimo Tononi in replacement of Mr. Saviotti;
- noted that the Board of Directors, at its meeting on 28 May 2019, resolved to revise its organisational structure which no longer envisages the figure of the General Manager and introducing the figures of the Chief Lending Officer (CLO) and the Chief Financial Officer (CFO), with confirmation of the figures of Joint-general Managers.

The Board of Directors also approved the Group's Strategic Plan for the three-year period 2020-2022 on 3 March 2020.

With reference to the dealings with the Supervisory Authorities, Banco BPM:

- in December 2019, received notification from the European Central Bank (hereinafter also "ECB") about the prudential "SREP decision" containing the results of the annual prudential Supervisory Review and Evaluation Process – SREP. Considering the analyses and evaluations performed by the Supervisory Authority, the ECB has established the overall requirements in terms of Common Equity Tier 1 ratio to be respected on a consolidated basis to be 9.385% for 2020, with a Pillar 2 ratio unchanged with respect to 2019 (2.25%).

➤ was subject to the inspections carried out by the Authorities within the sphere of the scheduled ongoing supervision activities (SREP) and the exercise of its audit prerogatives. When carrying out its institutional activities, the Board of Statutory Auditors has established a productive information relationship with the Joint Supervisory Team (JST), an operating unit of the Single Supervisory Mechanism (SSM), which is responsible for carrying out prudent supervision of the Group within the scope of the SSM - and with the inspection teams tasked with the inspections as and when necessary. The Board of Statutory Auditors has also established the activities specifically requested by the Authority, as took place with reference to the assessment of the Control Body on the correct handling of the "diamonds case" by the Bank and the feedback on the initiatives finalised by Banco BPM with regard to profitability.

In this latter connection, in continuity with the disclosure provided in the Report relating to the previous year (which is understood to be referred to herein) with regard to the activities for reporting customers interested in purchasing diamonds from the specialised company Intermarket Diamond Business S.p.A. (hereinafter "IDB") in the period from 2003 to 2016 (and therefore prior to the merger of former Banco Popolare and former BPM), the Board of Statutory Auditors maintained specific and distinctive attention on the development of the case not only with reference to the criminal proceedings underway, which involves the Institution and a number of its former managers, but above all else in relation: (i) to the continuation of the initiatives already launched by the Bank in 2018 to identify any responsibilities of the employees and representatives as well as the consequent measures adopted; (ii) to the adoption of customer care measures aimed at compensation for damages to customers due to the reporting activities initiated by the Bank, with subsequent definition of allocations to the Provision for risks and charges, with reference to the determination of which you are referred to the Directors' Report and the Notes to the 2019 Financial Statements for details; (iii) to the constant monitoring of the risks underlying the phenomenon. The Board of Statutory Auditors also maintained recurrent information flows on the subject with the Corporate Bodies, the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001, the Bank's competent structures as well as the Auditing Firm and, as mentioned above, the Supervisory Authority.

Considering the above, in light of the aforementioned finding that the transaction in question is no longer in existence and that the events are essentially referable to 2017, as well as in light of the measures adopted by the Bank, the Board of Statutory Auditors, with good reason and on the basis of the facts currently available, also due to consequent monitoring adopted, deems that the findings do not impact on the evaluation of the adequacy of the current overall Internal Control

System of Banco BPM. Furthermore, it is formally acknowledged that initiatives have been adopted to prevent future occurrences of this kind.

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Given the above, and taking into account the gradual consolidation of the set-ups of the new Group, the Board of Statutory Auditors has supervised, including through specific monitoring and targeted analysis activities, certain legislative spheres, transactions and plans - continued and/or started during the period - on the basis of their relevance in reference to the organisational, risk-control and risk-management structure, and in particular:

- progressive and constant strengthening of the credit management and monitoring process: also taking into account the recommendations on credit management and, in particular, the non performing positions, formulated by the ECB as a result of the inspection processes, the Board of Statutory Auditors continued its monitoring activities on the progressive strengthening and streamlining of the related regulatory and organisational framework. With this objective, again during 2019, the Board of Statutory Auditors examined the results of all the checks – performed by the Bank's Control Units (in particular by the Audit Unit and the II Level Controls structure of the Risk Unit), in line with the expectations and requests of the European Supervisory Authority – on the effectiveness and functionality of credit processes, the overall positive findings of which are to be attributed to the identified general strengthening of monitoring, above all else with reference to evaluation of impaired loans. On the areas of improvement that still exist, enhancement activities have been launched, often linked to IT implementations. The Board of Statutory Auditors will continue to monitor the implementation of the planned measures, also taking into account the evolution of the regulatory framework;
- processes for updating and extending internal risk measurement models: also in consideration of the equity impacts of the consolidation of internal models, during 2019 the Board of Statutory Auditors continued with its supervisory activities regarding further developments in risk models, affected by processes for extension and development in line with reference legislation and with the expectations of the Supervisory Authority. The Board of Statutory Auditors maintained continuous information flows with the Bank structures (and specifically with the Risk Unit and the Internal Validation Unit) regarding the activities progressively carried out, also in order to address the findings formulated by the ECB as a result of the process aimed at authorising the requests for amendment/extension of the internal models used for risk measurement for reporting purposes submitted by the Bank (in particular with regard to Market Risk). In 2020, the Board of Statutory Auditors expects the Bank's structures to finalise

their overall review of the IT Risk Analysis method;

- MiFID II and Product Governance: during 2019, the Banco BPM Group consolidated its portfolio advisory model, completing the project initiatives inherent to the provision of the investment services and the regulation of the markets. In general, with reference to the Product Governance process, measures have been finalised to complete the regulatory framework with the simultaneous strengthening of the role of the New Products and Markets Committee, as well as the preliminary process and *ex post* monitoring. Considering that it is extremely important to monitor the risks associated with the development, amendment and marketing of new products, as well as the correct monitoring of those already catalogued/placed, the Board of Statutory Auditors played a proactive role stimulating the commercial units, which were also affected in April 2019 by changes in the organisational structure aimed at improving operational efficiency. The sphere was also subject to an inspection carried out by Consob, the results of which have not yet been formalised vis-à-vis the Bank;
- real-estate segment: during 2018 the Group had implemented initiatives aimed at the rationalisation and increased efficiency of management in the real-estate sector at Group level, not least via the incorporation in the Parent Company of the subsidiary BP Property Management referred to previously. The Board of Statutory Auditors has followed the continuation of these measures to improve the management of the operating assets and the valorisation/disposal of the non-instrumental assets, implemented primarily through the integration of the related policies and further strengthening of the related processes. In this context of rationalisation of the sales network, of the Group's initiatives aimed at the revaluation of valuable assets, as well as the strategy for recovering the value of investment property through sales processes, the afore-mentioned decision adopted by the bank for the valuation of such assets on the basis of current market values is included, a valuation method considered to be more reliable and relevant to the Group's actual balance sheet and financial position;
- data quality and information technology: further to the assessment carried out at the end of 2018 and aimed at checking the suitability of the Group with respect to the principles of data governance, reporting and aggregation contained in the BCBS 239 legislation, during 2019 the Bank achieved a series of initiatives (in line with a pre-defined road map) for the outline of both suitable internal regulations and an organisational framework compliant with the data governance, reporting and aggregation requirements contained in the afore-mentioned legislation. In this context of specific attention to the subject matter *de qua*, the Data Governance and IT Security Unit was also set up (reporting directly to the Joint General Manager - Resources Area) and specific data owners were appointed within the Bank's

structures. The Board of Statutory Auditors expects said measures to provide an overall strengthening of the Group's data quality which in many spheres has manifested the need for improvement. The measures already completed and the investments planned with the objective of an overall evolution of the Group's information technology system, the full efficiency of which has been conditioned by the IT integration measures of the previous Banking Groups, are also contributing to this expected progress;

- Thematic Action Plans: during 2019, the Bank was called to define and approve a series of Action Plans for specific areas, in order to plan corrective and improvement measures identified progressively, primarily following inspection activity (on site and remote) normally conducted in the context of afore-mentioned ongoing supervision carried out by the Supervisory Authority or in relation to specific instances put forward by the Bank to the Regulator. The Board of Statutory Auditors has examined and received periodic updates regarding the state of implementation of these Plans. This monitoring is based on the structured process for assignment to the Bank Units of the management and resolution of the findings of the Supervisory Authority and/or Auditing Firm and the Internal Control Units.

Taking into account the matters indicated both with reference to the internal project activities and initiatives and in relation to the numerous inspection activities indicated above (on site or remote), along with requests from the Supervisory Authority in the context of the SREP, the Board of Statutory Auditors has overseen the progressive adoption by the Board of Directors of appropriate decisions to ensure a regulatory framework and internal organisational structures adequate to maintain correct application of operating processes. In this regard, although acknowledging that this organisational and legislative structure requires continual developmental and constant enhancement measures, the Board has concluded its essential compliance.

Given the matters indicated in this Report, in light of the activities carried out, the acquired information and the documentation reviewed, the Board of Statutory Auditors has decided not to proceed with any reporting to the Supervisory Authority.

With reference to the report made in 2018 pursuant to Article 46 of Italian Legislative Decree No. 231/2007 concerning certain anomalies that emerged in the recording of several transactions in the Single Electronic Archive, the Board of Statutory Auditors subsequently monitored the resolution of the IT malfunction that had caused the problems, updating the Authority on the complete finalisation of the corrective measures.

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The Board of Statutory Auditors has verified and analysed in-depth the process for the preparation

of the 2019 Separate and Consolidated Financial Statements of Banco BPM, as well as their compliance with the applicable laws and regulations and with the resolutions adopted by the Board of Directors. Regarding these activities, the Board of Statutory Auditors, *inter alia*, (i) has verified the adequacy, in terms of methodology, of the impairment test process to which the financial statements assets were subject; (ii) has verified the application of the newly introduced or amended accounting standards, applicable on a mandatory basis as from the 2019 Financial Statements; (iii) has acquired the results obtained from the verification activities carried out by the Auditing Firm on the regular management of the corporate accounting process and the correct recognition of the operational performance in the accounting records; (iv) has ascertained the disclosure, contained both in the Directors' Report and the Notes to the financial statements, relating to the uncertainty associated with the health emergency linked to Covid-19, an event which can be classified among those which occurred after the reporting date, whose possible impacts on the scenarios and on the future balance sheet-income statement results are not at present foreseeable given the uncertainties linked to the situation.

Within the assessment activities falling under the area of its competence, the Board of Statutory Auditors has met on several occasions with the Executive in charge of financial reporting and the Auditing Firm, PwC, for the purpose of ensuring the exchange of information that is necessary, *inter alia*, for carrying out the supervisory activities for which the Board of Statutory Auditors is responsible (in its role of "Internal Control and Accounting Audit Committee") pursuant to article 19 of Legislative Decree No. 39/2010, as well as for the purpose of analysing the most relevant issues for the preparation of the 2019 Financial Statements.

During the first few months of 2020, meetings between the Board of Statutory Auditors and the Auditing Firm intensified in order to guarantee a suitable information flow in compliance with the respective auditing obligations, also in consideration of the time frames for preparation of the relative reports.

In light of the current provisions, the Accounting Firm has issued:

1. to the Bank, pursuant to Article 14 of Italian Legislative Decree No. 39/2010, the Independent Auditing Report on the Separate and Consolidated Financial Statements for the year ended 31 December 2019. The form and contents of the Auditing Report are compliant with the amendments made to Italian Legislative Decree No. 39/2010 by Italian Legislative Decree No. 135/2016.

Considering this, with regard to conclusions and certifications, PwC has issued its Independent Auditing Reports on the Separate and Consolidated Financial Statements without any exceptions and without disclosures. PwC (i) has issued a judgement stating that the Reports on operations accompanying the Separate and Consolidated Financial Statements – in addition

to some specific information contained in the "Report on Corporate Governance and Ownership Structure" as provided for in Article 123 *bis*, paragraph 4, of Legislative Decree No. 58/1998 (the responsibility of which is assigned to the Bank's Directors) – are consistent with the Financial Statements and were prepared in observance of the applicable legislative provisions; *(ii)* has checked the preparation by the Directors of the "Annual report on the remuneration policies and on remuneration paid", as envisaged by Article 123 *ter*, section 8 *bis* of Italian Legislative Decree No. 58/1998; *(iii)* has declared, with regard to potential significant errors in the Reports on operations, based on the knowledge and understanding of the company and its related context, acquired during the auditing activities, it has nothing to report. For details on the key aspects of the auditing, please see the Independent Reports issued by PwC, published along with the Separate and Consolidated Financial Statements;

2. to the Board of Statutory Auditors, pursuant to article 11 of the EU Regulation No. 537/2014, the Report for the Internal Control and Accounting Audit Committee (so-called Additional Report), which did not identify any significant shortfalls in the internal control system concerning the financial reporting process that were considered worthy of being brought to the attention of the Board itself. However, some shortfalls and/or areas needing improvement were pointed out to the Board of Statutory Auditors regarding the internal control system applied to the financial reporting process, although they were assessed by the auditor as "non-significant".

These issues have been subject to discussion and consultation with the Board of Statutory Auditors which will keep them under consideration while formulating the remarks to be provided to the Board of Directors – in compliance with the provisions of Article 19, paragraph 1, letter a of Legislative Decree no. 39/2010 – along with the Additional Report as regards in-depth analyses and the adoption of the measures falling under the area of competence of the Board of Directors.

As part of the Additional Report, the Auditing Firm indicated among the significant aspects identified during the audit activities that relating to the above-mentioned Covid-19 phenomenon ("Coronavirus"), acknowledging the assessments made by the Board of Directors and the information provided in this regard in the Directors' Report and the Notes to the Financial Statements.

It should be noted that, with reference to financial year 2018, on 15 March 2019, the Board of Statutory Auditors sent the Board of Directors the aforementioned Report along with its remarks. The Board of Directors also examined the Management Letter addressed to the management of the Bank from the Auditing Firm for the purpose of formulating certain recommendations as a result of its independent auditing of the 2018 Separate Financial

Statements, approving the relative actions (implementation of which was duly overseen by the Board of Statutory Auditors).

On 9 March 2020, the Auditing Firm submitted its annual confirmation of independence pursuant to article 6 of the EU Regulation No. 537/2014, based on which no situations were identified such as to compromise its independence.

To this regard, the Board of Statutory Auditors, during the period and in compliance with the referenced provisions in the area of the legally-required audit has approved beforehand – after assessing the potential risks for independence and the protective measures adopted – the assignments, other than the legally-required auditing, conferred to PwC and to the companies that are part of its network. The Board has also acknowledged the Transparency Report prepared by the Auditing Firm, published on its web site pursuant to article 13 of the EU Regulation No. 537/2014.

The Board of Statutory Auditors, within the scope of the functions attributed thereto, has monitored the compliance with the provisions set forth in Legislative Decree No. 254 of 30 December 2016, in particular with reference to both the preparation process and the contents of the Non-Financial Statement drawn up by Banco BPM. To this regard, after reviewing the certification issued by the Auditing Firm pursuant to article 3.10 of Legislative Decree No. 254/2016 and the declaration provided thereby together with the Report on the Consolidated Financial Statements pursuant to article 4 of the Consob regulation implementing the aforementioned Decree, it has not formulated any remarks.

Regarding the Management Letter prepared by the Auditing Firm as a result of activities performed for the Non-Financial Statement relative to financial year 2018, the Board of Statutory Auditors has verified that the recommendations indicated therein were given due consideration by the Bank structure during preparation of the Non-Financial Statement relative to financial year 2019.

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To complete this report for the Shareholders' Meeting, following is the specific information required by the Consob Communication No. 1025564 of 6 April 2001, as amended, and provided on the basis of the activities carried out in 2019 by the Board of Statutory Auditors of Banco BPM:

1. the Board of Statutory Auditors of Banco BPM has acquired all appropriate information regarding the most significant economic, financial and equity transactions carried out by the Bank and by its Subsidiaries. In light of this information, it has found that these transactions have been conducted in compliance with the law and the Articles of

Association, that they were not manifestly imprudent or risky, they were not in any conflict of interest or incompatible with the resolutions issued by the Shareholders' Meeting or such as to compromise, in any way, the integrity of the corporate assets.

In addition to the contents of this Report, for a thorough analysis of the most relevant transactions carried out during the period, please see the Directors' Report and the Notes to the Consolidated Financial Statements at 31 December 2019;

2. no transactions that may be defined as atypical or unusual, carried out by the Bank with third parties, with Companies of the Group or with Related Parties, have emerged, without prejudice to the contents of this Report. The intergroup transactions and transactions with related Parties carried out in 2019 were considered as fair, in compliance with the applicable legislation and in line with the interests of the Bank and the Group. Transactions with a potential conflict of interest were found to be compliant with all relevant internal and external legislative provisions and were subject to specific attention, to monitoring and, where required, to a special review by the Related Parties Committee. Based on the information available, the Board of Statutory Auditors reasonably believes that the transactions are fair and in line with the interests of the Bank and/or the Group;
3. in the Directors' Report and in the Notes to the Separate and Consolidated Financial Statements, the Board of Directors has properly reported and described, while providing details about their characteristics, all the main transactions with third parties, intergroup and Related Parties, of which the Board of Statutory Auditors has verified, under its area of competence, their compliance with the law, the Articles of Association and the applicable internal regulations;
4. as already indicated above, the company assigned with independent auditing of the accounts, PricewaterhouseCoopers S.p.A., issued, on 13 March 2020, its Independent Auditing Reports on the Separate and Consolidated Financial Statements without any exceptions. PwC (i) has issued a judgement stating that the Reports on operations accompanying the Separate and Consolidated Financial Statements – in addition to some specific information contained in the "Report on Corporate Governance and Ownership Structure" as provided for in article 123 bis, paragraph 4, of Legislative Decree No. 58/1998 (the responsibility of which is assigned to the Bank's Directors) – are consistent with the Financial Statements and were prepared in observance of the applicable legislative provisions; (ii) has checked the preparation by the Directors of the "Annual report on the remuneration policies and on remuneration paid", as envisaged by Article 123 ter, section 8 bis of Italian Legislative Decree No. 58/1998; (iii) has declared, with regard to potential significant errors in the Reports on operations, based on the knowledge and understanding

of the company and its related context, acquired during the auditing activities, that it has nothing to report. For details on the key aspects of the auditing, please see the Independent Reports issued by PwC, published along with the Separate and Consolidated Financial Statements.

PwC also issued, again on 13 March 2020, pursuant to Article 11 of the EU Regulation No. 537/2014, the Report for the Internal Control and Accounting Audit Committee (so-called Additional Report), which, as already highlighted, did not identify any significant shortfalls in the internal control system concerning the financial reporting process that were considered worthy of being brought to the attention of the Board itself. However, some shortfalls and/or areas needing improvement were pointed out to the Board of Statutory Auditors regarding the internal control system applied to the financial reporting process, although they were assessed by the auditor as “non-significant”.

These issues have been subject to discussion and consultation with the Board of Statutory Auditors which will keep them under consideration while formulating the remarks to be provided to the Board of Directors – in compliance with the provisions of article 19, paragraph 1, letter a of Legislative Decree No. 39/2010 – along with the Additional Report as regards in-depth analyses and the adoption of the measures falling under the area of competence of the Board of Directors.

On 9 March 2020, the Auditing Firm submitted its annual confirmation of independence pursuant to article 6 of the EU Regulation No. 537/2014, based on which no situations were identified such as to compromise its independence.

The Independent Auditing Firm has also issued certification, pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016, as well as a declaration, along with the Report on the Consolidated Financial Statements, pursuant to article 4 of the Consob Regulations transposing the aforementioned Decree, regarding the Non-Financial Statement;

5. the Board of Statutory Auditors has not received any claims pursuant to article 2408 of the Italian Civil Code. Although not classifiable as claims within the meaning of the aforesaid article, the Board of Statutory Auditors also found two communications from Shareholders specifically addressed to the Statutory Auditors, providing the necessary clarifications;
6. in addition to the matters indicated in the previous point, the Board of Statutory Auditors has received, through its Chairman, two communications that were potentially qualifiable as claims reporting some alleged misconduct ascribed to some Employees while performing their activities. These claims were thoroughly reviewed by the Board of Statutory Auditors with the involvement of the competent corporate structures, and the conclusions were

communicated to the claimants (as well as, if required, to the competent Supervisory Authority);

7. in 2019, PricewaterhouseCoopers S.p.A., in compliance with the applicable laws, was paid the fees due for the legally-required audit in the amount of € 1,913,917 by the Parent Company Banco BPM S.p.A, and € 1,443,282 by the other Companies of the Group.

In this regard, with the aim of guaranteeing a complete information framework, the Shareholders' Meeting held on 6 April 2019 approved the justified proposal drawn up by the Board of Statutory Auditors regarding payment of supplementary fees to the Auditing Firm which became necessary following completion of the transactions for merger via incorporation in Banco BPM of the subsidiaries BPM S.p.A., Società Gestione Servizi BP S.C.p.a. and BP Property Management S.C.r.l. in consideration of the additional activities within the scope of auditing the accounts for the years 2019 to 2025 for the Separate and Consolidated Financial Statements of the acquiring party, Banco BPM.

The Auditing Firm was also conferred additional responsibilities for certification services by the Parent Company, for € 721,914, as well as by the other Companies of the Group for € 11,627.

The details of these fees are included in the annex to the Separate and Consolidated Financial Statements of Banco BPM, as required by Article 149 *duodecies* of the Consob Issuer Regulations;

8. the companies that are part of the network to which PwC belongs were paid fees in 2019 for other services in favour of the Parent Company for a total of € 345,100.

The details of these fees are included in the annex to the Separate and Consolidated Financial Statements of Banco BPM, as required by Article 149 *duodecies* of the Consob Issuer Regulations.

During the period, no critical issues were identified in terms of the Auditing Firm's independence, also pursuant to the provisions of Legislative Decree No. 39/2010 and EU Regulation No. 537/2014. In this regard, the Board of Statutory Auditors, during the period and in compliance with the referenced provisions, has approved beforehand – after assessing the potential risks for independence and the protective measures adopted – the assignments, other than the legally-required auditing, conferred to PwC and to the companies that are part of its network;

9. the Board of Statutory Auditors has issued the opinions required by the law and the Articles of Association. In this respect, the Board of Statutory Auditors has also provided its opinion (i) on the remuneration of Directors vested with specific assignments or powers pursuant to article 2389 of the Civil Code, (ii) on the appointment of the Managers of Corporate Control

Units. Furthermore, it has prepared remarks, evaluations and opinions as defined by Supervisory Regulations as well as those required by the European Central Bank and national Supervisory Authorities with specific Communications (primarily regarding the different profiles for management and control of risks that the Bank is exposed to in performance of its business);

10. in 2019, the Board of Statutory Auditors met 42 times, participated in the only Ordinary Shareholders' Meeting, in 18 meetings of the Board of Directors, in 15 meetings of the Executive Committee and, via its own representative (or, in exceptional cases, through shared assessment) in the meetings of the Internal Control and Risks Committee (at all 24 sessions held), in the meetings of the Remuneration Committee (at 16 of the 18 sessions held, specifying that the meetings in which a representative of the Board of Statutory Auditors participated include those in which the issue of the fees due to the Managers of the Corporate Control Units was discussed), in the meetings of the Appointments Committee (25 sessions out of 27) as well as in the meetings of the Related Parties Committee (in all 5 sessions).

In compliance with the supervisory provisions of the afore-referenced Circular issued by the Bank of Italy No. 285/2013, the Board of Statutory Auditors has carried out its self-evaluation for the 2019 period, drawing up the appropriate conclusive document. In continuity with the previous year, the process was carried out with the support of an independent external Consultant considered capable of guaranteeing autonomous judgement. At the end of the process, the Board has deemed it appropriate to issue an overall judgement of "substantive adequacy" of its composition and operating procedures. The self-assessment exercise was brought forward to the end of 2019 (instead of, as usual, in the first months of the year following the year of reference) in view of the expiry of the mandate of the current Board of Statutory Auditors envisaged with the Shareholders' Meeting called to approve the 2019 Financial Statements (April 2020) and in line with the intention of the aforesaid Control Body to make available to the Shareholders, precisely in view of its renewal, a reference document on the optimum composition of the Board of Statutory Auditors and the ideal profile of Banco BPM's Statutory Auditors, providing the related indications and recommendations, also in light of the applicable national and European regulations and guidelines on the requisites of its members;

11. the Board of Statutory Auditors has not found it necessary to remark about compliance with the principles of a correct administration; The Bank also approved the Accounting Manual in July 2019 with the aim of bringing together the Group's accounting policies in a single regulatory body;

12. the Board of Statutory Auditors has acquired knowledge of and has monitored the organisational structure, particularly in terms of its alignment with applicable legislation and relative amendments to and consolidation of the internal regulatory structure.

In this regard, on the basis of both direct consultation with the Organisational Unit and the individual Company Units during the meetings held and the evidence that emerged as a result of the controls carried out by the Control Units, the Board of Statutory Auditors found the Bank's organisational and regulatory structure to be essentially adequate, while presenting the need for certain provisions to be translated operationally into precise and detailed process rules, also in relation to the evolution of processes and procedures. Further organisational/procedural measures, as well as the integration and updating of internal regulations, aimed at keeping the overall framework always fully consistent, remain unchanged.

Mention is made in this connection of the matters already indicated in this Report with regard to the attention paid by the Board of Statutory Auditors to the decisions and/or plans relating to the Bank's organisational, control and risk management structures, in view of their importance. Having taken into account the results of the assessment carried out on the "diamonds case", the Board of Statutory Auditors also provided its indications to strengthen the related organisational framework.

This context includes, among other things and in particular, the review of the set-ups of the credit area following the appointment of the Chief Lending Officer, the reorganisation of the Commercial Department, the relocation (within the Legal and Regulatory Affairs Unit) of the Complaints Management structure and the establishment of the Data Governance and IT Security Unit (with the appointment of the Head of the IT Security structure employed by the latter). Following resignation, with effect from mid-February 2019, of the previous head of the structure, the new Manager for the Information Technology Unit was also appointed;

13. In 2019, the organisational structure of the Internal Control System (hereinafter also referred to as "ICS") was affected by changes attributable, on the one hand, to the rotation of certain Heads of the Corporate Control Units and, on the other, to the review of the structure of the Compliance and Anti-Money Laundering Units. The intergroup outsourcing model adopted with a view to greater guarantee of the control systems was also consolidated, with (i) centralisation in the Parent Company (in 2019 by the subsidiary ProFamily S.p.A.) of the control activities carried out by the Audit, Compliance, Anti-Money Laundering and Risk Units and (ii) the appointment of the contact persons by the Companies that have outsourced the service.

During 2019, as already mentioned, subject to approval of the Board of Statutory Auditors, new Managers were appointed to the Audit Unit (following resignation of the previous Manager on 9 April 2019) and the Anti-Money Laundering Unit. A selection process is currently underway to identify a suitable person to be entrusted with the responsibility of the Risk Unit, given the termination of the employment relationship with the previous Manager. Furthermore, as mentioned in the Report referring to 2018, the organisational structure of the Compliance Unit has been effectively reviewed in order to respond to the need *(i)* to improve the internal processes of the structure, with a view to improving efficiency in internal and external relations, also having taken into account the *ex-ante* assessment activities carried out by the same, *(ii)* to create organisational units specialised in certain areas, *(iii)* to adjust the scope of responsibilities in relation to the role of Data Protection Officer held by the Compliance Manager, and *(iv)* for an overall qualitative and quantitative strengthening of the Unit. The restructuring - which also involved the Anti-Money Laundering Unit limited to the rotation of certain managers - is therefore in line with the objectives of ensuring constant strengthening of the effectiveness and efficiency of the Internal Control System.

In the exercise of its duties to supervise the adequacy of the Control System, the Board of Statutory Auditors has maintained constant dialogue with the heads of the Company's Control Units for the purpose of: *(i)* checking any needs to strengthen their quality and quantity and in this regard, where deemed appropriate, requested the Organisation and Human Resources Units, as well as the Board of Directors itself, to define appropriate measures (as was the case, in particular, with reference to the Risk Unit). Moreover, during the year an important project was achieved mapping the professional skills of the resources operating in the Control Units with the aim of identifying the areas of technical supervision and highlighting the main gaps on which to define training action, in order to consolidate the skills and professionalism of the individuals and Units; *(ii)* promoting and ensuring the coordination of said Units, both with reference to the planning of activities and, especially, in the process for an increasingly improved integration and efficacy in the presentation to the Corporate Bodies of the findings emerging on outcome of the controls performed. In this regard, and in a logic of continuous evolution of the ICS, the methodology defined by the Control Units for the assessment of risks and the determination of the urgency of remedial actions will be finalised (from 2020).

As regards the line controls (or first level controls), the Board of Statutory Auditors has monitored their adequacy both by reviewing the checks carried out by the Corporate Second and Third Level Control Units, and directly, with particular reference to specific

areas. An Auditor appointed by the Board of Statutory Auditors also participated in a number of audits carried out on the Sales Network by the Audit Unit.

Again, 2019 saw continuation of the necessary, ongoing and gradual increase in the efficacy and efficiency rates of the first and second level controls which, *inter alia*:

- regarding the Compliance Unit, in particular involved: (i) the implementation (as carried out by and in coordination with the Audit Unit) of the remote control system (in particular in the areas of Transparency, Usury and Complaints); (ii) the development of a tool designed to carry out continuous monitoring and dynamic and independent analysis; (iii) the monitoring of the same ensured on the review of organisational processes and internal regulations, including through *ex-ante* compliance checks, including the role assigned to it in the processes relating to the new products and services offered by the Bank; (iv) strengthening the compliance risk management model in the operating structures in which the specialist units are set up; (v) guaranteed and continual monitoring of the compliance with regulations on transparency, provision of investment services, distribution of insurance products and market abuse, among other things;
- with regard to the Anti-Money Laundering Unit, it has been attested in the process of upgrading the control activities of the Unit, which has taken on the form not only of renewing the reporting methods to the Bodies but also of promoting developmental measures on the IT tools available and of collaborating in the structuring of targeted training for Sales Network personnel. In addition to the constant monitoring guaranteed on the processes for compliance with the Anti-Money Laundering regulations and on the resolution of the anomalies found by the controls carried out, the contributions of the Unit within the sphere of the credit processes and on the analyses relating to reports of suspicious transactions were of importance;
- as far as the Risk Unit is concerned, it involved: (i) activities to improve the models developed for regulatory purposes, guaranteeing their functionality and application within the Group; (ii) activities to coordinate the project for the implementation of the inventory model and risk management model activities, which led to the activation of a procedure for the governance of the models and the management of their lifecycle; (iii) the performance, in collaboration with the Bank's competent structures, of the liquidity exercise; (iv) the support provided during the ongoing discussions related to the inspections carried out by the Supervisory Authority, as well as in the sorting out of the findings raised by the same; (v) the strengthening of strategic, RAF, ICAAP and ILAAP processes and the continuous improvement of integrated risk disclosure; (vi) the

extension and strengthening of second-level control activities on credit processes and within the sphere of the provision of investment services, especially by strengthening *ex-ante* activities; (vii) the continuation of activities aimed at progressively improving the structuring of an adequate data quality framework; (viii) the coordination of activities to strengthen insurance management at Group level;

- with regard to the Internal Validation Unit, it manifested with regard to the specific control activities carried out with reference: (i) to the developments in the models used to quantify Pillar 1 risks, in particular with regard to Credit Risk and Market Risk; (ii) the validation of models used for management purposes, especially in the area of Liquidity Risk; (iii) the performance of targeted activities, including unplanned activities, aimed at verifying the adequacy of specific processes for the assessment of Risks, in light of requests made by the Supervisory Authority, Corporate Bodies or by the internal structures themselves within the sphere of specific working groups.

As far as the Audit Unit is concerned, the vacancy period of the Manager did not have an impact on the operational stability of the structure and the activities were carried out without interruption thanks to an adequate definition of roles and responsibilities and the professionalism of the persons in charge of the structures in which the Unit is structured. In 2019, in a context of ongoing audits and in-depth analyses of core processes (and therefore higher risk processes) carried out within a risk-based logic, the Audit Department made a special effort to carry out activities (also in terms of the certification of measures and the performance of targeted audits) aimed at ascertaining the effectiveness of the measures adopted by the Group as part of the implementation of the Action Plans gradually approved by the Board of Directors, as well as to deal with specific requests which the Supervisory Body made as part of or as a result of the aforementioned inspection processes. Constant attention was maintained by the Audit Unit: (i) on lending processes, also with reference to the evolution of internal modelling and projects related to compliance with regulatory provisions, such as the new definition of default; (ii) on Finance and Markets, also in relation to the effectiveness of the operational development of certain project measures (including MiFID II, Corporate & Investment Banking, extension of the Market Risk measurement model); (iii) on Governance, also in relation to primary processes such as ICAAP/ILAAP and Risk Appetite Framework and specific areas such as Privacy, Outsourcing, Product Governance. Other audits carried out in 2019 of specific interest to the Board of Statutory Auditors concerned the handling of Conflicts of Interest and the management of Operational Risk.

In general, across all the Control Units, the Board of Statutory Auditors has found a number of unplanned and unforeseeable activities, in early 2019, that were made necessary upon a request by the Supervisory Authorities, the Corporate Bodies and/or following assessments made by the Units themselves concerning the exposure to new risks or to an increase in the already identified risks.

Within the scope of its broader supervision of the Control System, the Board of Statutory Auditors of Banco BPM has reviewed the "Report for the assessment of the Group's Internal Control System", drawn up by the Audit Unit for the year 2019, in order to ensure the completeness, adequacy, functionality and the reliability of the different components of this System.

In drawing up the aforementioned Report, the Audit Unit has taken into consideration its assessments as well as those expressed by the other Corporate Control Units. The Report provides an overall assessment of the essential adequacy of the Group's Internal Control System, despite the presence of certain areas that have highlighted the need to adjust the safeguards.

In acknowledging the overall judgement, the Board of Statutory Auditors has endorsed the actions undertaken in those areas identified as needing improvement, what is more already identified on conclusion of the checks carried out during the year.

In this regard, the Board of Statutory Auditors has, among other things, paid specific attention and furthered corrective and strengthening measures, most of which have already been finalized: *(i)* in the Operational Risk area, in order to strengthen the regulatory and organisational framework as a whole, taking into account the findings of the Supervisory Authority with regard to the management of this risk, also with regard to the management of claims relating to the "diamonds case"; *(ii)* in the Transparency area, in order to ensure that the measures (including those of a restorative nature) following the issuance of the Bank of Italy's Guidelines and the related impacting inspections are carried out, especially with regard to the definition of the conditions applied to customers; *(iii)* in the Anti-Money Laundering area, in order to improve the processes of adequate verification and monitoring of risk profiles and to make IT implementations aimed at fostering the completeness and availability of data by the Control Unit (in line with the post-inspection recommendations on the online channels used by the Group), especially in order to strengthen and facilitate line and second-level controls; *(iv)* in the area of Credit management and monitoring, in continuity with the initiatives adopted so far by the Bank in a logic of continuous strengthening of processes; *(v)* in the area of Finance and Markets for the overcoming of

shortcomings detected in certain processes/procedures, resulting mostly from a not fully adequate functioning of IT systems (with potential impacts on regulatory reporting).

In addition to the above observations, the Board of Statutory Auditors has consistently monitored the findings emerging at the conclusion of the activities carried out by the Control Units and/or identified by the Supervisory Authority while carrying out its inspections, thus acknowledging the assumption of responsibilities by the competent structures, as well as the tracking and monitoring by the Control Units.

The Board of Statutory Auditors also shared with the Control Units some prospective attention profiles that will commit their activities in 2020 with regard to, among other things: *(i)* the risks arising from cross-cutting issues related to corporate data quality and IT implementations necessary to overcome some of the issues currently open; *(ii)* the developmental measures on internal risk measurement models (especially Credit) in light of the regulatory provisions that will come into force; *(iii)* the effective consolidation of those credit processes that have shown the existence of areas for further improvement; *(iv)* the development of IT tools to support the management of money laundering risk with the production of the new platform and the improvement of certain qualitative aspects of the evaluation process of potentially suspicious transactions, especially through targeted training; *(v)* the continuous implementation of the remote control framework; *(vi)* the strengthening of the safeguards against computer fraud; *(vii)* the development of the methods necessary to adapt the increasingly new guidelines issued by the Authorities and international bodies in charge.

With specific reference to the Distribution Network, the Board of Statutory Auditors periodically examined the results of both the checks on the Sales Network and the checks aimed at investigating anomalous (and potentially fraudulent) behaviour of employees. In this regard, with reference to the operations of the Sales Network, it emerges that it is essentially adequate, even though there are areas for improvement, especially in the anti-money laundering sphere. In order to further the overcoming of the most recurrent shortcomings, specific training measures were carried out (also with the participation of the Audit Unit). Disciplinary measures have been taken in the event of conduct-related anomalies. In this regard, as a result of its ongoing verification activities and considering the irregularities identified, the Board of Statutory Auditors shall continue to promote – both through Corporate Control Units and through commercial structures and the Human Resources Unit – the diffusion of an increasingly consolidated culture around risk and respect for the rules at all levels of company operations, with the aim of guaranteeing conduct in line with internal and external regulations and corporate strategies.

Finally, within the scope of the Control System, the functional and informational connection between the Board of Statutory Auditors and the Supervisory Board of Banco BPM, established pursuant to legislative Decree no. 231/2001, is here highlighted and ensured, in addition to the periodic exchange of the appropriate information flows, also by the fact that one of the Auditors is also a member of the Supervisory Board;

14. as regards the adequacy of the administrative and accounting system, during the periodic meetings with the Board of Statutory Auditors, aimed at an exchange of information and the supervision of which the Control Body is responsible, the Executive in charge of financial reporting did not identify any significant deficiency in the operational and control processes which, due to their impact potential, could affect the judgement regarding the adequacy and actual application of the administrative-accounting procedures for the correct representation of operational activities, in compliance with the applicable international accounting standards.

In his/her Report, for the purpose of issuing the certification set forth in Article 154 bis of CFL, the Executive in charge of financial reporting has expressed a judgement on the substantive adequacy and actual application of the administrative and accounting procedures governing the preparation of the financial statements, formulated in light of the residual risk assessment present in the analysed macro areas and in the identified mitigation actions. In expressing his/her judgement, the Executive in charge of financial reporting has also taken into account, *inter alia*, the measures adopted in light of the findings identified thereby in the previous year, thus acknowledging the presence of other areas needing improvement (mainly of an organisational nature and/or updating the internal regulations and/or IT implementations), which moreover do not influence the overall evaluation expressed.

The Auditing Firm has also identified (and reported in its Additional Report provided to the Board of Statutory Auditors) some areas needing improvements which were not assessed as significant deficiencies of the internal control system as regards the financial information process. These areas shall be brought to the attention of the Management of the Bank by the Auditing Firm and presented to the Board of Directors by the Board of Statutory Auditors for the necessary resolutions.

The Board of Statutory Auditors of Banco BPM has no issues to report regarding the adequacy of the administrative-accounting system and its reliability in correctly representing the operational performance. With reference to the accounting reports contained in the Separate and Consolidated Financial Statements at 31 December 2019 of Banco BPM, it must be noted that the certification with no findings was issued by the

Managing Director and the Executive in charge of financial reporting pursuant to Article 81 *ter* of the applicable Consob Regulation No. 11971 of 14 May 1999;

15. the Board of Statutory Auditors has found no issues regarding the adequacy of the internal regulations which govern the guidelines to be provided to the Subsidiaries in order to obtain the information flows that are necessary to ensure the timely fulfilment of the reporting obligations set forth by the law.

The Board of Statutory Auditors also furthered the performance of a specific review of the system and its functionality with regard to the handling of insider information and the exchange of information flows between the various Group companies involved, the results of which showed overall compliance, attesting to the proper functioning of the process analysed, as well as a system of safeguards in terms of internal regulations and a complete IT procedure that is in line with the guidelines issued by Consob in October 2017.

From the relationships established with the corresponding Control Bodies of the Subsidiaries, as well as from the findings submitted by the Control Units of the Parent Company, in particular by the Compliance Unit, no critical issues worthy of being reported have emerged.

16. as already stated, the Board of Statutory Auditors has met periodically with the Managers of the Auditing Firm responsible for the legally-required auditing of the company's records in compliance with the provisions of article 150, paragraph 3, of Legislative Decree No. 58/1998 for the purpose of exchanging information. The Auditing Firm did not find any acts or facts to be considered as censurable or irregular, which might have required the formulation of any specific remarks pursuant to article 155, paragraph 2 of Legislative Decree No. 58/1998, as well as pursuant to article 19, paragraph 3, of Legislative Decree No. 39/2010;
17. with regard to corporate governance, it should be noted that Banco BPM has adopted the current Code of Conduct for listed companies furthered by Borsa Italiana S.p.A., as communicated to the market through the publication on the corporate website of the Report on corporate governance and ownership structure, drawn up pursuant to Article 123 *bis* of Legislative Decree No. 58/1998, as amended.

The aforementioned report describes the methods and the behaviours with which the principles and criteria stated in the Code of Conduct have been actually applied, as well as the non- or partial adoption or application of any of the recommendations from this Code of Conduct, thus providing, in these cases, all the related reasons;

18. following the supervisory activities carried out, as described above, no omissions, censurable facts or irregularities worth mentioning in this report were identified;

19. in conclusion, with regard to the supervisory activities carried out, the Board of Statutory Auditors of Banco BPM does not believe that there are preconditions that make it necessary to formulate recommendations to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of Italian Legislative Decree 58/1998 regarding the approval of the Separate Financial Statements of Banco BPM at 31 December 2019 and the subject matters falling under its competence. The Board of Statutory Auditors, having carried out the necessary checks also in relation to the recommendations made to the Banking System by the European Supervisory Authority, has no observations to make regarding the proposal to the Shareholders' Meeting to distribute a dividend of € 0.08 per share.

Milan, 13 March 2020

The Board of Statutory Auditors of Banco BPM S.p.A.  
signed Prof. Marcello Priori, Chairman  
signed Mr Gabriele Camillo Erba  
signed Ms Maria Luisa Mosconi  
signed Prof. Claudia Rossi  
signed Mr Alfonso Sonato