PROSPECTUS DATED 16 APRIL 2019

BANCO BPM S.P.A.

(incorporated as a joint stock company (società per azioni) in the Republic of Italy)

€300,000,000 8.750% Additional Tier 1 Notes

The €300,000,000 Additional Tier 1 Notes (the "**Notes**") will be issued by BANCO BPM S.p.A. (the "**Issuer**" or the "**Bank**" or "**Banco BPM**"). Defined terms used hereunder shall have the meanings given to such terms below or in the terms and conditions of the Notes (the "**Conditions**" and each of them, a "**Condition**").

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, as described in Condition 3 (*Status of the Notes*) and will be governed by, and construed in accordance with, Italian law, as described in Condition 18 (*Governing Law and Submission to Jurisdiction*) in the Conditions. The Notes will bear interest at their Outstanding Principal Amount, payable semi-annually in arrear on 18 June and 18 December in each year (each, an "**Interest Payment Date**"), as follows: (i) in respect of the period from (and including) 18 April 2019 (the "**Issue Date**") to (and excluding) 18 June 2024 (the "**First Reset Date**"), at the rate of 8.750 per cent. per annum (the "**Initial Rate of Interest**"); and (ii) in respect of each period from (and including) the First Reset Date and each fifth anniversary thereof (each, a "**Reset Date**") to (but excluding) the next succeeding Reset Date (each such period, a "**Reset Interest Period**"), at the rate per annum (first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention), corresponding to the sum of 8.921% (the "**Margin**") and the 5-year Mid-Swap Rate in relation to that Reset Interest Period, all as determined in accordance with Condition 4 (*Interest*) (the "**Reset Rate of Interest**").

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. In addition, the Issuer shall not make an interest payment on the Notes (and such interest payment shall therefore be deemed to have been cancelled and shall not be due and payable) in the circumstances described in Condition 5.2 (*Restriction on interest payments*). Any interest cancelled (whether in whole or in part) shall not be due and shall not accumulate or be payable at any time thereafter nor constitute any default for any purpose on the part of the Issuer, and holders have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise, or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. See further Condition 5 (*Interest Cancellation*). Further, following the occurrence of a Trigger Event and a Write-Down of the Notes in accordance with Condition 6 (*Loss Absorption following a Trigger Event*), any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled and following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

If the CET1 of the Issuer on a solo basis (or of the Group on a consolidated basis) falls below 5.125%, then the Issuer shall write down the Outstanding Principal Amount of the Notes, on a *pro rata* basis with the write-down or conversion into equity of other Loss Absorbing Instruments, as described in Condition 6 (*Loss Absorption following a Trigger Event*). Following any Write-Down of the Notes, the Issuer may, at its sole and absolute discretion, but subject to a positive Net Income or Consolidated Net Income being recorded, reinstate and write-up the Outstanding Principal Amount of the Notes on a *pro rata* basis with other Loss Absorbing Written-Down Instruments, subject to compliance with the reinstatement limit under Applicable Banking Regulations, on the terms and subject to the conditions set forth in Condition 6.3 (*Principal Reinstatement*).

The Notes are perpetual and have no fixed redemption date. The Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganization), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 18 April 2019 provide for the duration of the Issuer to expire on 23 December 2114, but if such expiry date is extended, maturity of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

The Issuer may, at its option, redeem the Notes in whole but not in part: (a) on the First Reset Date and on any Reset Date thereafter pursuant to Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*), (b) upon the occurrence of a Regulatory Event pursuant to Condition 8.3 (*Redemption for regulatory reasons*), or (c) following a Tax Event pursuant to Condition 8.2 (*Redemption for tax reasons*), in each case, at their prevailing Outstanding Principal Amount together with any accrued interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) and any additional amounts due and payable pursuant to Condition 9 (*Taxation*) and subject to satisfaction of certain conditions set out in Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

This document constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**"), which is the competent authority in Luxembourg for the purposes of the Prospectus Directive, to approve this document as a prospectus under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005, as amended (the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive in Luxembourg. Application has also been made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and their admission to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market (the "**Regulated Market**") is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). By approving the Prospectus, the CSSF gives no undertaking as to the economic or financial opportuneness of the transaction or the quality and solvency of the Issuer in line with the provisions of Article 7(7) of the Luxembourg Prospectus Law.

The Notes are expected, on issue, to be rated "Caa1" by Moody's Investor Service España, S.A. ("**Moody's**") and "B" by DBRS Ratings GmbH ("**DBRS**"). Each of Moody's and DBRS is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk as being registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").

Payments of interest or other amounts relating to the Notes may in certain circumstances be subject to a substitute tax (referred to as *imposta sostitutiva*) of 26 per cent. pursuant to Legislative Decree No. 239 of 1 April 1996. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in "*Taxation – Italian Taxation*" and to certify, prior to or concurrently with the delivery of the Notes, that such Noteholder is, inter alia, (i) resident in a country which allows for a satisfactory exchange of information with the Republic of Italy (such countries are listed in the Ministerial Decree of 4 September 1996, as amended and supplemented from time to time and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Legislative Decree No. 239 of 1 April 1996) and (ii) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in "*Taxation – Italian Taxation*".

On each Reset Date, interest amounts payable under the Notes will be calculated by reference to the mid-swap rate for euro swaps with a term of five years which appears at the relevant time on the "ICESWAP/ISDAFIX2" page, which is provided by the ICE Benchmark Administration Limited, or by reference to EURIBOR, which is provided by the European Money Markets Institute. At the date of this Prospectus, ICE Benchmark Administration Limited appears, and the European Money Markets Institute does not appear, on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration.

An investment in the Notes involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

MIFID II product governance / target market – The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in MiFID II. Prospective investors are referred to the section headed "*Restrictions on marketing, sales and resales to retail investors*" hereunder for further information.

GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Barclays **Goldman Sachs International**

JOINT BOOKRUNNERS

Banca Akros S.p.A. – Gruppo Banco BPM **BNP PARIBAS** **J.P. Morgan Securities plc** **UniCredit Bank**

RESPONSIBILITY STATEMENT

The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

None of the Global Coordinators and Joint Bookrunners nor any of their respective affiliates have authorised this Prospectus or any part thereof nor independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Global Coordinator and Joint Bookrunner or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Notes. No Global Coordinator and Joint Bookrunner accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes.

No person is or has been authorised by the Issuer or the Global Coordinators and Joint Bookrunners to give any information or to make any representation not contained in (or not consistent with) this Prospectus or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Global Coordinators and Joint Bookrunners.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Global Coordinators and Joint Bookrunners that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group (as defined herein).

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Global Coordinators and Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer or the Issuer and the Group during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act except in certain transactions exempt from the registration requirements of the Securities Act. See "*Subscription and Sale*".

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Global Coordinators and Joint Bookrunners do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Global Coordinators and Joint Bookrunners which would permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor

any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, the Republic of Italy and Japan. See "*Subscription and Sale*".

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Group, plans and expectations regarding developments in the business, growth and profitability of the Group and general industry and business conditions applicable to the Group. The Issuer has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Group or those of its industry to be materially different from or worse than these forward- looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

DEFINITIONS, INTERPRETATION AND ROUNDING

All references in this document to: "Euro", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and references to the "Banco BPM Group" or the "Group" are to BANCO BPM S.p.A. and its subsidiaries.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

References to websites or uniform resource locators ("URLs") are inactive textual references and are included for information purposes only. The contents of any such website or URL shall not form part of, and shall not be deemed to be incorporated into, this Prospectus.

STABILISATION

In connection with the issue of the Notes, Goldman Sachs International acting as the stabilising manager (the "Stabilisation Manager") (or persons acting on its behalf) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilising shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager (or persons acting on its behalf).

Restrictions on Marketing, Sales and Resales to Retail Investors

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the UK Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the **PI Instrument**). In addition: (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended or superseded, the **PRIIPs Regulation**) became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the **Regulations**.

The Regulations set out various obligations in relation to: (i) the manufacture and distribution of financial instruments; and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

Each of the Global Coordinators and Joint Bookrunners (and/or their affiliates) are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any Global Coordinator and Joint Bookrunner, you represent, warrant, agree with and undertake to the Issuer and each of the Global Coordinators and Joint Bookrunners that:

(a) you are not a retail client in the EEA (as defined in MiFID II);

(b) whether or not you are subject to the Regulations, you will not:

  (i) sell or offer the Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II); or

  (ii) communicate (including by the distribution of this Preliminary Prospectus) or approve any invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case, within the meaning of MiFID II) and in selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in the PI Instrument;

(c) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction;

(d) if you are a purchaser in Singapore, you are an accredited investor or an institutional investor as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) and you will not sell or offer the Notes (or any beneficial interest therein) to persons in Singapore other than such accredited investors or institutional investors;

(e) you will act as principal in purchasing, making or accepting any offer to purchase any Notes (or any beneficial interest therein) and not as an agent, employee or representative of any of the Global Coordinators or Joint Lead Managers; and

(f) if you are a Hong Kong purchaser, your business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent) and you fall within the category of persons described as "professional investors" under the Securities and Futures Ordinance (Cap.571) of Hong Kong (the SFO) and any rules made under the SFO.

You further acknowledge that:

(a) the identified target market for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and

(b) no key information document (KID) under the PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or any of the Global Coordinators or the Joint Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client(s).

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes . Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

*Words and expressions defined in the "Terms and Conditions of the Notes" (the "**Conditions**" and each of them, a "**Condition**") below or elsewhere in this Prospectus have the same meaning in this section.*

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES ISSUED

Risks related to the impact of global macro-economic factors, the Euro Area sovereign debt crisis and the national and international political climate on the performance of the Issuer and of the Banco BPM Group

Risks related to the impact of global macro-economic factors

The performance of the Banco BPM Group is influenced by: Italian and EU-wide macroeconomic conditions, the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of those geographical areas in which Banco BPM conducts its activity. The earning capacity and solvency of the Banco BPM Group are affected, *inter alia*, by factors such as investor perception, long-term and short-term interest rate fluctuations, exchange rates, liquidity of financial markets, availability and costs of funding, sustainability of sovereign debt, family incomes and consumer spending, unemployment levels, inflation and property prices. Adverse changes in these factors, especially during times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Overall, 2017 was characterized by a global economic recovery. In the Eurozone, the overall positive scenario masks different trends of the member states' economies, although differences have lessened over the course of the last few quarters. In the favourable international and European scenario, Italy recorded a period of economic recovery, increasing its GDP compared to previous recent years. Although still wide, the gap with the best performing economies of the Eurozone was reduced in 2017.

Subsequently, an inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian president and a coalition government was finally formed at the beginning of June 2018. This resulted in market instability and the economic implications of the policies of the new Italian government remain uncertain.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) trends in the economy and the prospects of recovery and consolidation of the economies of countries like the US and China, which have shown consistent growth in recent years; (b) future development of the European Central Bank's ("**ECB**") monetary policy in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (c) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (d) the consequences and potential lingering uncertainties caused by the Brexit vote.

All of these factors, in particular in times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to the crisis of the Euro Area sovereign debt

The global financial crisis contributed to and accelerated the worsening of public debt problems in European Union countries with large public debts and budget deficits, causing the most damage to banks that had greater exposure to domestic sovereign debt and a revaluation of sovereigns' credit risk. As a consequence, in several euro-area countries yield spreads on government bonds with respect to the German Bund widened markedly and domestic banks' funding capacity was affected, especially in the wholesale segment. The repercussions of the global economic slowdown and market turmoil were particularly severe in Italy.

From autumn 2011, the ECB implemented important measures to support the European economy and financial stability, including: the SMP (Securities Market Programme) that entails the purchase of government securities by the ECB itself; the provision of liquidity to banks through the purchase of covered bonds, and provisions of loans to banks.

In September 2012, the ECB Council approved the plan for secondary market purchases by the ECB of Eurozone sovereign debt securities with a maturity of between one and three years and without setting any quantitative limit (so-called Outright Monetary Transactions). The plan was to be complemented by the ESM's (European Stability Mechanism) measures on the primary market upon the imposition of conditions (in the form of macroeconomic adjustments or preventive financial assistance, being the so- called Enhanced Conditions Credit Line or ECCL).

On 5 June 2014, the ECB announced its decision to conduct a series of Targeted Longer-Term Refinancing Operations (TLTROs) over a period of two years, aimed at improving and supporting bank lending to the euro area non-financial private sector. On 22 January 2015, the ECB launched its Expanded Asset Purchase Programme (more commonly known as Quantitative Easing), under which the ECB began purchasing euro-denominated, investment-grade securities issued by euro area governments and European institutions up to Euro 60 billion each month. The programme was intended to be carried out until September 2016, and in any case until there are signs of a sustained adjustment in the path of inflation or deflation that is consistent with the aim of achieving inflation rates approaching 2%.

On 10 March 2016, with a view to further facilitating access to funding in the EU and achieving inflation rates of 2%, the ECB announced an increase of the monthly average amount of security purchases under "Quantitative Easing" programme, from Euro 60 billion to Euro 80 billion, expanding the asset purchase to the bonds issued by non-financial entities with high credit ratings, which was reduced back to Euro 60 billion from April 2017. As part of the liquidity support action, the ECB introduced a new series of Targeted Longer-Term Refinancing Operations (TLTRO-II) with even more favourable terms: counterparties had access to financing for up to 30 per cent of the stock of loans eligible as at 31 January 2016 and interest rates applicable to the transactions were those that applied to the Eurosystem's main refinancing transactions at the time of each such transaction and for its entire duration.

In recent years Italy has witnessed various downgrades of its sovereign rating and a fluctuating trend in the 10-year BTP/Bund spread. In 2012, the negative estimates for growth in Italy had an adverse impact on Italian public debt with a downgrade of the rating assigned to Italy and an increase in the 10-year BTP/Bund spread. This crisis continued into 2013.

As a result of moderate improvements in political and economic conditions in Italy there was a gradual decrease of Italian Government and corporate bond risk premia in the period between 2014 and 2017. This trend was interrupted in May 2018 after the inconclusive general elections of March 2018, during the negotiations to form a coalition government, as financial markets feared the stability of any government appointed and the critical positions of the involved parties towards the European Commission policies. After three months of negotiation, the Five Star Movement and the Northern League – who have in the past expressed opposition to the Euro - received approval to form the new government. This period of uncertainty led to an increase in the BTP/Bund spread to 288 bps at the end of May 2018 with an unprecedented widening of up to 120 bps on the 2-4 tenors, a segment that was pricing the redenomination risk.

A narrowing of the spread in the short-term segment of the sovereign curve occurred only in December 2018 when agreement was reached with the European Commission on the contents of the budget package. The 10-year spread, which had stopped at 280 bps in May 2018 (from 120 bps in January 2018), reached 320 bps in mid-November 2018, before returning to 255 bps at the end of 2018. The material improvement in the Italian sovereign market, that led the 10-year spread to below 250 bps in March 2019, is also due to the postponement of monetary policy normalisation and the prospect of a new liquidity injection through the TLTRO III.

In addition, the lingering uncertainties arising from geopolitical tensions, including the Brexit vote and the withdrawal of the UK from the European Union, could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential upsurge of the sovereign debt crisis.

Although in recent years the fiscal and macroeconomic imbalances that contributed to the Euro Area sovereign's debt crisis have been reduced in several countries, there are still concerns about the possible dissolution of the European Monetary Union, or the exit of individual countries from the monetary union (with a possible return to local currencies), fostered, among other factors, by the electoral surge of anti- EU parties across the euro area. Any scenario of this kind would generate unpredictable consequences.

All the factors described above, and particularly any re-emergence or further deterioration of the sovereign debt crisis, could result in potential losses to the Issuer, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

Risks related to Italian economic conditions and political instability

The dynamics described in the previous paragraphs and the consequent effects on the Banco BPM Group's activities are influenced by the international and Italian socioeconomic context and its impact on financial markets.

The Banco BPM Group primarily operates in Italy and in particular in Northern Italy. As of the year ended 31 December 2018, 1,380 of the overall 1,804 branches of the Banco BPM Group are located in Northern Italy, with Lombardy, Piedmont and Veneto being the three regions with the highest number of branches (663, 209 and 212, respectively).

The business of the Banco BPM Group is particularly sensitive to adverse macroeconomic conditions in Italy and in particular in Northern Italy. Any adverse economic condition in Italy could have a material adverse effect on the business, results of operation or financial condition of the Banco BPM Group.

A return to declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy could decrease consumer confidence and investment, and result in higher rates of loan impairment and/or NPLs and default and insolvency, and cause an overall reduction in demand for the Group's services. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

One of the elements creating economic uncertainty is the political situation in Italy. An inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian President and a coalition government was finally formed at the beginning of June 2018. Italy's government submitted to the European Commission its draft 2019 budget that includes plans to increase spending. The EC rejected the proposed budget for 2019 and requested the Italian government to review it. At the end of December 2018, after a period marked by tensions between the European Commission and Italy's government, an agreement was reached on the basis of a lower deficit.

The economic implications of the policies of the new Italian government remain uncertain. Political instability, if material, could negatively affect the country's economic recovery, and it cannot be ruled out that changes to economic policies and/or political instability could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks related to the United Kingdom leaving the European Union

On 23 June 2016, the UK held a referendum on the country's membership of the European Union ("**Brexit**"). The results of Brexit showed that the UK voted to leave the European Union. The referendum does not directly bind the government to specific actions.

On 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union. Article 50(2) requires that, in the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union, taking account of the framework for its future relationship with the Union. Article 50 requires that such agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union and concluded on behalf of the Union by

the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. Under Article 50(3) of the Treaty, the EU Treaties shall cease to apply to United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in Article 50(2), unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

On 15 December 2017, the European Council declared the first phase of the negotiations with the United Kingdom concluded and started preparations to engage in preliminary and preparatory discussions on the second phase, which will involve, among other things, future economic cooperation between the European Union and the United Kingdom. In November 2018 a withdrawal agreement was finally reached between the UK government and the EU. The UK House of Commons voted against the deal by a wide margin in January 2019 and again on 12 March 2019. After that defeat, the UK Prime Minister Theresa May asked the EU Council to postpone Brexit until 30 June 2019. Both sides agreed to push back the Brexit date, but two new possible dates have been agreed instead of 30 June. Brexit would occur on 22 May 2019 if members of the UK Parliament were to approve Theresa May's deal in a new vote. If members of the UK Parliament were to reject again Theresa May's proposed deal, the UK would need to inform the EU what it proposes to do next by 12 April 2019: the UK could potentially ask for another extension or leave the European Union without a deal. On the basis of the latest extension agreed between the parties, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 31 October 2019.

The outcomes of the negotiations around Brexit and the consequences of Brexit itself are still uncertain, with respect to the European Union integration process, the relationship between the United Kingdom and the European Union, and the impact on economies and European businesses. Accordingly, there can be no assurance that the Banco BPM Group's results of operations, business and financial condition will not be affected by market developments such as the increased exchange rate of the British Pound versus the Euro, and higher financial market volatility in general due to increased uncertainty.

Risks related to competition in the banking and finance sector

The Issuer and the other companies of the Banco BPM Group operate in a highly competitive market, with particular reference to the geographical areas where the activity is mainly concentrated (in particular, Northern Italy).

The Italian market is currently in the process of consolidation and is characterized by significant competitive pressures, due partly to: (i) the implementation of European Union directives regarding the liberalization of the banking sector, which incentivized competition in the traditional banking sector and led to a progressive reduction in the margin between lender and borrower interest rates; (ii) changes to certain Italian tax and banking laws; and (iii) the introduction of services with a strong technological innovative component.

Competitive pressure may be generated by consumer demand for new services as well as technological demands with the consequent necessity to make investments, or as a result of competitors' specific actions.

In the event that the Banco BPM Group is not able to respond to increasing competitive pressure by, for example, offering profitable and innovative services, or products that meet client demands, the Banco BPM Group could lose its market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins that it has achieved in the past (with reference to the banks participating in the merger between Banca Popolare di Milano S.c.a r.l. ("**BPM**") and Banco Popolare Società Cooperativa ("**Banco Popolare**") (the "**Merger**")). This loss may have possible adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to the Issuer's business

Credit risk

The business, economic and financial solidity of the Banco BPM Group, as well as its profits, depend, among other things, on its customers complying with their payment obligations and on the credit rating of its customers.

Credit risk is the risk that debtors may not fulfil their obligations or that their credit rating may suffer a deterioration (such debtors include the counterparties of financial transactions involving OTC (over the counter) derivatives traded outside of regulated markets) or that the Banco BPM Group's companies grant

credit that they would not otherwise have granted, or would have granted upon different terms, on the basis of information that is untruthful, incomplete or inaccurate.

A number of factors affect a bank's credit risk in relation to individual credit exposures or for its entire loan book. These include the trend in general economic conditions or those in specific sectors, changes in the rating of individual counterparties, deterioration in the competitive position of counterparties, poor management on the part of firms or counterparties given lines of credit, and other external factors, also of a legal and regulatory nature.

Asset quality is measured by means of various indicators, including historic data of bad loans as a percentage of loans to customers. At a macroeconomic level, good asset quality is an important prerequisite for the due performance of the financial sector in general and permits individual banks to operate with a high level of efficiency.

Risk management methodologies, assessments and processes used by the Banco BPM Group to identify, measure, evaluate, monitor, prevent and mitigate any risks to which the Banco BPM Group is or might be exposed, are intended to guarantee adequate capital resources and an adequate liquidity profile of the Banco BPM Group, but might not be sufficient to protect the Group against, for example, unexpected changes in the creditworthiness if a counterparty.

The deterioration of the creditworthiness of major customers and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute the said guarantees successfully and/or in a timely manner, as well as any errors in assessing customers' creditworthiness, could have a material negative effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks connected to the deterioration of the credit quality

The Banco BPM Group is subject to credit risk. The Banco BPM Group's policies for managing and controlling the quality of the loan portfolio, and the associated risks, are based on rules of sound and prudent management. The policies are implemented through the processes of distributing, managing and monitoring credit risks that varied according to the circumstances of the market, business sector and characteristics of each borrower. The loan portfolio is closely monitored on a continuous basis in order to promptly identify any signs of imbalance and to take corrective measures aimed at preventing any deterioration.

The recent crisis in the financial markets and the global economic slowdown have reduced and may further reduce the disposable income of households, as well as the profitability of companies and/or adversely affect the ability of bank customers to honour their commitments, resulting in a significant deterioration in credit quality in the areas of activity of the Issuer.

The coverage of the non-performing exposures of the Banco BPM Group as at 31 December 2018 is equal to 43.1%. The coverage of the bad loans of the Banco BPM Group as at 31 December 2018 is equal to 59.6%.

Banco BPM Group's net non-performing loans, as of 31 December 2018, amounted to Euro 6,727 million, with a decrease of Euro 6,300 million or 48.4%, as compared to 31 December 2017, and represented 6.5% of Banco BPM Group's total net loans.

Even though the Banco BPM Group periodically makes provisions to cover potential losses on the basis of its experience and statistics, the Banco BPM Group may have to increase these provisions further should there be a rise in bad loans or an increasing number of the Banco BPM Group's debtors subject to insolvency proceedings (including bankruptcy or creditors' composition). In this regard, any significant increase in the provisions for non-performing exposures, change in the estimates of credit risk, or any losses that exceed the level of the provisions already made, could have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks related to the disposal of non-performing loans

In light of the Merger and the fact that the combined entity resulting from the Merger is one of the largest banking groups in Italy as at 31 December 2016, based on revenues, assets and net income, the ECB has highlighted the need for the Banco BPM Group to accelerate the reduction of non-performing loans including, for the avoidance of doubt, loans classified in its financial statements as bad loans, unlikely to pay ("**UTP**") and past due ("**NPLs**"), and requested the preparation of a clear action plan for reducing NPLs

and increasing the average coverage ratios of NPLs. In compliance with the requirements of the ECB, the Strategic Plan (as defined below) included the details of a plan to reduce the holding of NPLs by the end of 2020 by way of disposals for an approximate aggregate amount of Euro 8 billion. The Issuer proposed a revised target to the ECB in 2018, highlighting an acceleration in the NPLs disposal plan, with a new objective of Euro 13 billion of disposals by the end of 2020. As at the date of this Prospectus, approximately Euro 17.2 billion of the NPLs have now been sold.

It is possible that additional disposals will take place. Further, in accordance with the terms and results of the disposals undertaken to reduce the number of NPLs, the Issuer can give no assurance that no further adjustments to the income statement in respect of the value of the loans will be made, on account of the difference between the value at which the NPLs are recorded in the balance sheet of banks, and the price which investors specialised in "distressed debt" management are prepared to pay for the acquisition of the same, in view of the returns that such investors consider achievable. Such adjustments may have a material negative impact on the finances, assets and business of the Banco BPM Group.

Liquidity risk

Liquidity risk is the risk that the Issuer may not have the cash resources to be able to meet its payment obligations, scheduled or unscheduled, when due. "Funding Liquidity Risk" refers to the risk that the Issuer is not able to meet its scheduled or unscheduled payment obligations in an efficient manner due to its inability to access funding sources, without prejudicing its banking activities and/or financial condition. "Market Liquidity Risk" refers to the risk that the Issuer is only able to realise its assets at a loss as a result of the market conditions and/or timing requirements. Having access to adequate liquidity and long-term funding, in any form, to run its core activity is crucial for Banco BPM to achieve its strategic objectives. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Starting in 2007, the international economic environment has been subject to long periods of high volatility, extraordinary uncertainty and instability in the financial markets. This was initially caused by the default of certain financial institutions and then by the sovereign debt crisis in certain countries, including Italy. During these periods, this state of uncertainty and volatility has led to considerable difficulties in finding liquidity on the wholesale market, a contraction in inter-bank loans and a significant increase in the cost of funding in the retail markets, worsened by the growing distrust towards European bank operators, substantially limiting access to credit by operators.

A deterioration of market conditions, further loss of investors' confidence in financial markets, an increase in speculation about the solvency or credit standing of the financial institutions present in the market (including that of the Issuer), or that of the country where they are based, can adversely impact the ability of banks to obtain funding in future. The inability of Banco BPM or any Banco BPM Group company to access the debt market (Funding Liquidity Risk) or sell its assets (Market Liquidity Risk) would, in turn, adversely affect the Banco BPM Group's ability to achieve its objectives.

The Banco BPM Group constantly monitors its own liquidity and funding risk. There can, however, be no assurance that any negative developments in the conditions of the markets, in the general economic environment and/or in the Issuer's credit standing, combined with the need to align the Issuer's liquidity position to regulatory requirements, would not have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failure of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, which is the risk of losses deriving from breaches of laws or regulations, contractual, out-of-contract liabilities or other disputes, ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included. The Banco BPM Group has procedures in place to mitigate and monitor operational risks in order to limit the adverse consequences arising from such risks. These risks are managed and supervised by the Issuer and by other Banco BPM Group companies through a structured series of processes, functions and resources for the identification, measurement, valuation and control of risks that are characteristic of the Banco BPM Group's activities.

Nonetheless, the Banco BPM Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks (especially those due to potential exogenous factors such as external frauds), including risks that the Banco BPM Group fails to identify or anticipate.

Market risk

The Banco BPM Group is exposed to market risk, being the risk that the value of a financial asset or liability could vary because of changes of market factors, such as share prices, interest rates, exchange rates and their volatilities, as well as changes in the credit spreads of the relevant issuer. To the extent that any of the instruments and strategies used by the Banco BPM Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Banco BPM Group may not be able to effectively mitigate its risk exposure in particular market conditions, or against particular types of risk. The Banco BPM Group's trading revenues and interest rate risk exposure depend on its ability to identify properly, and mark to market, changes in the value of financial instruments caused by movements in market prices or interest rates. The Banco BPM Group's financial results also depend on how effectively the Banco BPM Group determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

(a) Risks related to interest rates

The Banco BPM Group's performance is influenced by interest rate trends and fluctuations, mainly in the European markets, which in turn are caused by different factors beyond the control of the Banco BPM Group, such as monetary policies, general trends in the national and international economy and the political conditions of Italy.

The performance of the Banco BPM Group's banking and financing operations depends upon the management and sensitivity of their interest rate exposure, *i.e*. the effect of changes in interest rates in the relevant markets on the interest margin and economic value of the Banco BPM Group. Any mismatch between the interest income accrued by the Banco BPM Group and the interest expense incurred (in the absence of protection taken out to cover this mismatch) could have material adverse effects on the Banco BPM Group's and/or the Issuer's business, financial condition or results of operations (such as an increase of the cost of funding that is more marked than any increase in the yield from assets or the reduction in the yield from assets that is not matched by a decrease in the cost of funding).

The Banco BPM Group has specific policies and procedures to identify, monitor and manage these types of risk. However, it is not possible to rule out that unexpected variations of market interest rates may have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

(b) Risks related to the performance of financial markets

The Banco BPM Group's results depend in part on the performance of financial markets. In particular, the unfavourable development of the financial markets in recent years has affected: (i) the placement of products relating to assets under management and assets under administration, with resulting adverse effects on the amounts of placement commissions received; (ii) management commissions due to the reduced value of assets (direct effect) and redemptions resulting from unsatisfactory performance (indirect effect); (iii) the operations of the *Treasury & Investment Banking* line of business, in particular with respect to placement of financial products and customer dealing, with adverse effects on the amount of commissions received; and (iv) results from the management of the banking and trading portfolios.

The Banco BPM Group has specific policies and procedures in place to identify, monitor and manage these types of risk. However, the volatility and possible insufficient liquidity of the markets, as well as the change of investor preferences towards different kinds of products and/or services, may have an adverse effect on the business, financial condition and results of operations of the Issuer and/or of the Banco BPM Group.

(c) Counterparty risk

In the conduct of its operations, the Banco BPM Group is exposed to counterparty risk. Counterparty risk is the risk that a counterparty of a transaction (including operations in derivatives and repurchase agreements) involving particular financial instruments may default before the transaction is settled. The Banco BPM Group trades derivative contracts with a wide variety of underlying assets and instruments, including interest rates, exchange rates, equity indices, commodities and loans, with counterparties from the financial services sector, commercial banks, government entities, financial and insurance firms, investment banks, funds and other institutional clients as well as with non-institutional clients.

Transactions in derivatives and repurchase transactions expose the Banco BPM Group to the risk that the counterparty defaults or becomes insolvent before settlement or expiry of the transaction, where the Issuer or other Banco BPM Group company has an outstanding claim against such counterparty, in addition to market risks and operational risks.

Such risks, which were accentuated as a result of the financial crisis and the consequent volatility in financial markets, could result in further adverse effects, if collateral provided to the Issuer or other companies of the Banco BPM Group cannot be realised or liquidated according to the envisaged timetable, in a manner, or to an extent, sufficient to cover the exposure to the counterparty.

The Banco BPM Group has specific policies and procedures for identifying, monitoring and managing these types of risk. Any breach by the counterparties of the obligations they assume under derivative or repurchase contracts they have made with the Issuer or other companies of the Banco BPM Group, and/or the realisation or liquidation of such collateral as they have provided that delivers a lower value than expected, may result in adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks related to the Strategic Plan

On 16 May 2016, the management board of BPM and the board of directors of Banco Popolare approved the strategic plan of the Banco BPM Group (the "**Strategic Plan**"), containing the strategic guidelines and economic, financial and capital objectives of the group resulting from the Merger for the period of 2016-2019.

The Strategic Plan contains objectives of Banco BPM through to 2019 prepared on the basis of macroeconomic projections and strategic actions that need to be implemented. Since the Strategic Plan was prepared, the Issuer has proposed a revised and increased target for NPL disposals to the ECB.

As of the date of this Prospectus, the Banco BPM Group has already completed a significant number of projects of the Strategic Plan, including the IT system integration, the merge of BPM Spa into the parent company, the reorganization of the distribution network, the cost optimization, the overall derisking with a significant portfolio disposal, the rationalization of the product factories in the asset management and in the bancassurance business and the reorganization of private and investment banking activities. Moreover, in 2019 the Group is mainly focusing on the digital transformation project, the rationalization of the consumer credit factories and the definition of a partnership for the NPL Business Unit to leverage on the positive results achieved.

The Strategic Plan is based on numerous assumptions and hypotheses, some of which relate to events not fully under the control of the board of directors and management of Banco BPM. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by, *inter alia*, the board of directors of Banco BPM, in the period from 2016 to 2019, which include, among other things, hypothetical assumptions of different natures subject to risks and uncertainties arising from the current economic environment, relating to future events and actions of directors and the management of the Issuer that may not necessarily occur, events, actions, and other assumptions including those related to the performance of the main economic and financial variables or other factors that affect their development over which the directors and management of Banco BPM do not have, or have limited, control. The Strategic Plan further assumes the achievement of expected synergies and the absence of unexpected costs and liabilities arising from the Merger. These assumptions may or may not occur to an extent and may occur at times different from those projected. Furthermore, events may occur which are unpredictable at the time of approval of the Strategic Plan.

Given that the assumptions underlying the Strategic Plan are inherently affected by subjective assessments, hypotheses and discretionary judgments, should one or more of the underlying assumptions fail to materialise (or materialise only in part) or should the actions taken and choices made by management in the implementation of the Strategic Plan produce effects different from those expected, the targets set forth in the Strategic Plan may not be met (or may be met only partially) and the actual results of the Banco BPM Group may differ, possibly significantly, from the estimated results of the Banco BPM Group envisaged in the Strategic Plan with a consequential negative impact on the business, financial conditions and/or results of operations of Banco BPM and/or of the Banco BPM Group.

Risks Related to Sanctions

The Banco BPM Group has clients and partners located in a number of different jurisdictions. The Group is therefore required to comply with sanctions regimes in the jurisdictions in which it operates. In particular, the Group must comply or may in the future be required to comply with economic sanctions imposed by the United States, the European Union and the United Nations on certain countries, in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted. Such sanctions may limit the ability of the Group to continue to transact with clients or to maintain commercial relations with

sanctioned counterparties and/or counterparties that are located in sanctioned countries. As of the date of this Prospectus, the Group has limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations. In addition and on the basis of advice obtained from an independent third party consultant, the Group is implementing new procedures to monitor compliance with sanctions in the various countries in which it operates. However, were the Group or its counterparties to be affected by sanctions and/or by sanctions investigations, the investigation costs, remediation required and/or payment or other legal liability incurred could potentially negatively affect Banco BPM's net assets and net results. Such an adverse outcome could have a material adverse effect on the Group's reputation and business, results of operations or financial condition.

Risks related to legal proceedings

The Banco BPM Group is subject to litigation in the ordinary course of its business, including civil and administrative legal proceedings, as well as several arbitration and tax proceedings. Negative outcomes in such proceedings or in any investigation by the supervisory authority may create liabilities which reduce the Issuer's ability to meet its obligations.

Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability to which the Banco BPM Group may be exposed when such proceedings are decided.

The Issuer considers that it has made appropriate provisions in its consolidated financial statements to cover the possible losses that could arise from legal proceedings or other pending disputes, also taking into account indications provided by external legal counsels.

With regard to the diamond sales investigation, see further the paragraph headed "*Recent Developments - Provisions of the AGCM (Italian Antitrust Authority) regarding Banco BPM*" of the EMTN Base Prospectus as well as updates thereto contained in the Fourth EMTN Supplement, the Fifth EMTN Supplement, the Press Release dated 20 February 2019, the Press Release dated 27 February 2019 and the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018, all incorporated by reference in this Prospectus.

There can be no assurance that legal proceedings which are not included in these provisions would not give rise to additional liabilities in the future, nor that the amounts already set aside in these provisions will be sufficient to fully cover the possible losses deriving from these proceedings if the outcome is worse than expected. This could have a material adverse effect on the business, financial condition or results of operations of the Issuer and/or of the Banco BPM Group. The Banco BPM Group is furthermore subject, in the course of its ordinary activities, to inspections by the supervisory authority that could require organisational interventions or the strengthening of internal functions which are aimed at addressing weaknesses that have been identified during inspections which might, furthermore, result in sanction proceedings being brought against officers of the Issuer.

Risks relating to the real estate market

The Banco BPM Group is exposed to the real estate sector, as it is a lender to companies in the real estate sector and to real estate investment funds, whose cash flows are mainly, or exclusively, backed by proceeds deriving from the construction, lease and/or sale of real estate.

The "real estate sector" includes loans to construction and real estate companies/economic groups, to real estate investment funds and to private individuals (in the form of mortgage loans or finance leases to buy a house), together with loans to companies categorised within this sector but whose core business is not real estate (*indotto immobiliare*) as well as to companies in the public infrastructure construction sector.

The real estate sector has been particularly affected by the economic and financial crisis resulting in a fall in asset prices as well as in the number of transactions, accompanied by an increase in the cost of funding and greater difficulties in obtaining access to credit. Consequently, companies operating in the real estate sector have experienced a decrease in transactions both in terms of volumes and margins, an increase in financial expenses, as well as greater difficulties in refinancing their debt. Continuing stagnation of the Italian economy in those geographic areas where the Banco BPM Group operates, an increase in unemployment and reduced earnings of customers in the real estate sector could increase the bankruptcy

rate of both individual and corporate borrowers of the Banco BPM Group, resulting in defaults in the payment of lease and/or mortgage instalments.

In this scenario, falling prices in the real estate market could adversely affect the Banco BPM Group, both directly as a result of the impact on customers operating in this sector, and indirectly as a result of the fall in the value of real estate properties posted as collateral for loans granted by the Banco BPM Group.

The Banco BPM Group has put procedures in place to handle and monitor the risk of default by the borrowers and is supported, where appropriate, by external and internal experts to evaluate any real estate projects and any exposure to the real estate sector is subject to increased capital requirements imposed by the Bank of Italy or the ECB. Notwithstanding the foregoing, any further deterioration of the real estate market conditions or of the economic and financial conditions in general and/or fall in the value of real estate properties placed as collateral could adversely affect the debt servicing ability of the Banco BPM Group's borrowers and, in turn, have a negative adverse impact on the business, financial conditions and/or results of operations of the Issuer and/or of the Banco BPM Group.

Catastrophic events, terrorist attacks and similar events

Catastrophic events, terrorist attacks and other similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

Risks relating to European and Italian banking regulations

Risks related to inspections by the Supervisory Authority

The Banco BPM Group is subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority (the "**Supervisory Authority**") in the ordinary course of its business. The outcomes of any such enquiries and inspections may lead to organisational interventions and the Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. The Supervisory Authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

As regards NPLs (considering NPLs as being all the exposures classified in its financial statements as past due, UTP and bad loans), Banco BPM, in the context of the grant of the banking licence by the ECB, was requested to send the ECB, before 28 February 2017, a plan relating to the reduction of such loan positions and to update the Supervisory Authority on the progress of the implementation of the plan on a quarterly basis. In compliance with the requirements of the ECB, the plan included details of a program to reduce the holding of bad loans during the course of 2016, 2017 and 2018 by way of disposals for an approximate aggregate amount of Euro 8 billion. Taking into account the outcomes of the NPL taskforce assessment which was undertaken by the ECB in relation to the former banks (i.e. BPM and Banco Popolare), the ECB in a letter sent on 21 July 2017 recognized that the Bank had made improvements with respect to enhancing its operational capabilities, yet highlighted the need to continue to improve both work out and restructuring given the large volume of NPLs.

In a letter dated 18 December 2017, the ECB informed the Bank of its observations regarding the 2017 plan to reduce NPLs and its expectations regarding the update of the plan for 2018.

The update of the Group's NPL plan has been sent to the Supervisory Authority on 30 March 2018 providing for a target level of gross NPLs for 2020 of Euro 13.1 billion, and therefore Euro 10.8 billion lower than the previous target set in the Strategic Plan. As at the date of this Prospectus, approximately Euro 17.2 billion of the NPLs have now been sold.

Compliance with any measures required by the Supervisory Authority may require the Banco BPM Group to take actions which have, and any sanction imposed by the Supervisory Authority may have, a potentially negative effect on the Group's business, financial condition or results of operations.

Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Banco BPM Group

The Banco BPM Group, as with all banking groups, is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy, CONSOB and IVASS with respect to its bancassurance operations. As of and from 3 November 2014, the

Banco BPM Group is also subject to the supervision of the ECB which, pursuant to rules establishing a single supervisory mechanism (the "**Single Supervisory Mechanism**" or "**SSM**"), has the duty to, among other things, guarantee the uniform application of the rules of the Euro currency area.

In particular, the Banco BPM Group is subject to the laws and regulations applicable to companies with financial instruments listed on regulated markets, the rules governing banking services (aimed to maintain the stability and the solidity of the banks as well as to limit their risk exposure) and financial services (that govern, among other things, the sale and placement of financial instruments as well as marketing operations). Supervisory authorities have broad administrative powers over many aspects of the financial services business, including liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, transparency, record keeping, and marketing and selling practices.

Following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a number of capital adequacy and liquidity requirements ("**Basel III**"), aimed at strengthening the existing capital rules, including raising the quality of CET1 capital in a harmonised manner, introducing also requirements for Additional Tier 1 ("**AT1**") and Tier 2 capital instruments.

At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the "**CRD IV**") and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**"), whose provisions are directly binding and applicable in each member state. The CRD IV and the CRR were approved by the European Council on 20 July 2013 and entered into force on 1 January 2014. Furthermore, on 14 March 2016 the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law (the "**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) No. 2016/445.

In addition, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (the "**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks directly supervised by NCAs (*i.e.* the so called "less significant institutions"). Both documents are intended to further harmonise the way banks are supervised by the NCAs. The aim is to ensure a level playing field and the smooth functioning of the Euro area banking system as a whole.

In Italy, the Bank of Italy published the supervisory regulations on banks with circular No. 285 of 17 December 2013 ("**Circular No. 285**"), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a Total Capital Ratio of 8.0%. These minimum ratios are complemented by the following capital buffers to be met with CET1 capital:

1. *capital conservation buffer*: the capital conservation buffer applies to the Issuer pursuant to Circular No. 285 and, starting from 1 January 2019, is equal to 2.5% of risk-weighted assets ("**RWAs**");

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive;

3. *capital buffers for global systemically important institutions ("**G-SIIs**")*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (*e.g.*

size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), and has become fully effective starting from 1 January 2019; and

4. *capital buffers for other systemically important institutions at domestic level ("**O-SIIs**")*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. On 30 November 2017 the Bank of Italy identified the Banco BPM Group as an O-SII. Banco BPM Group is required to reach gradually a reserve equal to 0.25% with linear increments between 1 January 2019 and 1 January 2022.

In addition, supervisors may require institutions to maintain capital to cover other risks (so called Pillar 2 capital requirements). The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macro-prudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements. Non-compliance with these minimum capital requirements (including Pillar 1, Pillar 2 and capital buffer requirements) may result in application of the restrictions on distributions provisions by reference to Maximum Distributable Amount ("**MDA**"). See further the risk factor below headed "*The determination of Maximum Distributable Amount is complex*".

On 8 February 2019, the ECB notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process ("**SREP**") conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.50% was introduced to be added to the minimum capital requirements. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2019, the following capital ratios at consolidated level: (i) CET1 ratio of 9.31%; (ii) Tier 1 ratio of 10.81%; (iii) Total Capital ratio of 12.81%; and (iv) Total SREP Capital requirement of 10.25%. The Banco BMP Group satisfied these prudential ratios at 31 December 2018, with a CET1 ratio of 12.1%, a Tier 1 ratio of 12.3% and a Total Capital ratio of 14.7%, in each case at phase-in level. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group.

Further, the Basel III agreements provided for the introduction of a Liquidity Coverage Ratio or ("**LCR**"), in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress, and a Net Stable Funding Ratio ("**NSFR**"), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the proposed amendments to the CRR comprised in the EU Banking Reform referred to below.

In November 2016, the European Commission announced a comprehensive package of reforms to further strengthen the resilience of EU banks (the "**EU Banking Reform**"), which proposed a binding 3% leverage ratio and a binding detailed NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, under the proposal, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - beginning two years after date of entry into force of the amending regulation - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any CET1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

In addition, under the proposed new Article 92(1a) to the CRR, each institution that is a G-SII is expected to be required to comply with, commencing 1 January 2022, a leverage ratio buffer requirement (equal to 50% of the G-SII buffer referred to above) above the minimum leverage ratio. Failure by a G-SII to meet this leverage ratio buffer requirement is expected to result in, under the EU Banking Reform, application of the restrictions on distributions provisions by reference to the Leverage ratio related Maximum Distributable Amount ("**L-MDA**"). The EU Banking Reform furthermore proposes to amend Article 131(5) of the CRD IV by increasing the O-SII buffer to up to 3% of the total risk exposure amount, and requires the Commission to investigate whether a leverage ratio buffer is appropriate also for O-SII. The 3% leverage

ratio, the G-SII leverage ratio buffer requirement and the NSFR proposed to be introduced by the EU Banking Reform are consistent with the corresponding requirements agreed upon at international level by the Basel Committee on Banking Supervision (the "**Basel Committee**").

In December 2018, the European Parliament and the Council of the European Union reached a provisional political agreement on the proposed amendments to the CRD IV, the CRR, the BRRD and the SRM Regulation comprised in the EU Banking Reform. The political agreement will be followed by further technical talks to finalise the text, so it is possible that further modifications will be made to the latest versions of these proposed amendments before final adoption. As a result, it is not possible to give assurances as to the ultimate scope, nature and timing of any resulting obligations of these proposed amendments, or their impact on the Issuer and on the Notes once implemented.

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to the Banco BPM Group on the basis of the EU Banking Reform and other laws or regulations that may be adopted in the future could adversely affect the Banco BPM Group's business, results of operations, cash flow and financial position, as well as the possibility of distributing dividends to the shareholders and making payments on Additional Tier 1 instruments such as the Notes. In particular, problems could arise when subordinated bonds which are no longer eligible for regulatory capital purposes reach maturity, as they will have to be replaced by alternative funding sources that comply with the new rules. This could make it harder to comply with the new minimum capital requirements, at least with respect to the combined buffer requirement (and any other relevant buffer requirement applicable to the Issuer from time to time), potentially limiting the Banco BPM Group's ability to distribute dividends and to pay interests on the Notes as a result of operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount contained in the Applicable Banking Regulations.

Moreover, supervisory authorities have the power to bring administrative or judicial proceedings against the Banco BPM Group, which could result, among other things, in suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action. Such proceedings could have adverse effects on the Issuer's and the Banco BPM Group's business, financial condition or results of operations.

The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under it could materially affect the value of the Notes

On 2 July 2014, Directive 2014/59/EU, providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force.

The BRRD provides the competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so that it can ensure the continuity of the institution's critical financial and economic functions, whilst minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that: (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Additional Tier 1 instruments such as the Notes into shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"), which equity could also be subject to any future application of the General Bail-In Tool.

The BRRD also provides for a Member State as a last resort, after having assessed and made use of the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst

maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirement of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

An institution will be considered to be failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the General Bail-In Tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as the Notes at the point of non-viability and before any other resolution action is taken ("**non-viability loss absorption**"). Any shares issued to holders of the Notes upon any such conversion into equity capital instruments may also be subject to any application of the General Bail-In Tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution and/or its group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution and/or its group will no longer be viable unless the relevant capital instruments (such as the Notes) are written-down/converted or extraordinary public support is to be provided and the appropriate authority determines that without such support the institution would no longer be viable.

In the context of these resolution tools, the resolution authorities also have the power - with reference to subordinated debt instruments (such as the Notes) and other eligible liabilities issued by an institution under resolution - to amend or alter the maturity of such debt instruments and other eligible liabilities or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 of 16 November 2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. All the provisions contained in the BRRD Decrees have since entered into force.

With respect to the BRRD Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also the regulation of the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 introduces certain amendments to the Italian Banking Act and the Financial Services Act, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (*amministrazione straordinaria*), in order to make them compliant with the European regulation. The liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

On 1 June 2016, the Commission Delegated Regulation (EU) No. 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the General Bail-In Tool is applied. The Delegated Regulation (EU) No. 2016/860 entered into force on 21 June 2016.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD

does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. Article 108 of the BRRD has been further amended further to proposals by the European Commission to introduce a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments, by creating, *inter alia*, a new asset class of "non-preferred" senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency. In such perspective, the proposed amendments to Article 108 of the BRRD aim at enhancing the implementation of the bail-in tool and at facilitating the application of the "minimum requirement for own funds and eligible liabilities" requirement concerning the loss absorption and recapitalisation capacity of credit institutions and investment firms described further below. The amendment to Article 108 has been 'fast tracked' through the adoption of Directive (EU) No. 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017. Italian Law No. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledges, lien or collateral which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool, and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Notes may be subject to write-down or conversion upon application of the General Bail-In Tool while other Additional Tier 1 instruments of the Issuer or other *pari passu* ranking liabilities are partially or fully excluded from such application of the General Bail-In Tool. The safeguard set out in Article 75 of the BRRD would not provide any protection since Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings rather than to address any such possible unequal treatment.

Legislative Decree No. 181/2015 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. The Conditions expressly state that each Noteholder unconditionally and irrevocably waives any rights of set-off, netting, counterclaim, abatement or other similar remedies which it might otherwise have, under the laws of any jurisdiction, in respect of such Notes . Accordingly, it is clear that the statutory right of set-off available under Italian insolvency laws will not apply.

The powers set out in the BRRD will impact credit institutions and investment firms and how they are managed as well as, in certain circumstances, the rights of creditors. Holders of the Notes may be subject to write-down/conversion into equity capital instruments on any application of the General Bail-In Tool as well as non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of holders of the Notes, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. See further the risk factor headed "*The Notes may be subject to mandatory write-down or conversion into equity under BRRD*" below.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the "**MREL**"). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution. The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not subject to supervision by the ECB) or to the Single Resolution

Board (the "**SRB**") (for banks subject to direct supervision of the ECB). Commission Delegated Regulation (EU) 2016/1450 supplementing the BRRD specifies the criteria which further define the way in which resolution authorities or the SRB shall calculate MREL and provides that an appropriate transitional period to reach the final MREL requirement may be determined.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform introduces amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. Under the proposed amendments, resolution authorities will also be able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement).

Under the amendments to the BRRD proposed to be introduced by the EU Banking Reform, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions (including payments on Additional Tier 1 instruments) in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV (including the power to restrict or prohibit distributions on Additional Tier 1 instruments such as the Notes) in case of breach of the minimum requirement for own funds and eligible liabilities. See further the risk factors headed "*The Issuer may elect in its full discretion to cancel interest on the Notes and may, in certain circumstances, be required to cancel such interest*" and "*The determination of Maximum Distributable Amount is complex*".

The powers set out in the BRRD and the application of the MREL requirement will impact the management of credit institutions and investment firms as well as, in certain circumstances, the rights of creditors of the Issuer, including holders of Notes.

Risks related to forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV and the BRRD, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2018 subject to certain transitional arrangements. A new framework for European securitisation (implemented through Regulation (EU) 2017/2042 and Regulation (EU) 2017/2401) introduces the long awaited rules for issuing simple, transparent and standardised transactions and replaces the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms. Moreover, the Basel Committee has embarked on a very significant RWAs variability agenda. This includes the "Fundamental Review of the Trading Book", revised standardised approaches (*e.g.* credit, market, operational risk), constraint to the use of internal models, as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against the exposures assessed via standardised approach and on those evaluated via an internal ratings based approach ("**IRB**"), due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardised approach. Implementation of these new rules on risk models will take effect from 1 January 2022.

Other forthcoming regulatory changes include the EU Banking Reform that amend many of the existing provisions set forth in CRD IV, the BRRD and the SRM Regulation. See further the two preceding risk factors for a description of some of these amendments. On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk weighted capital buffer, will take effect from 1 January 2022 and will be phased in over five years. These are being introduced in the EU through proposed amendments to the CRR contained in the EU Banking Reform. In addition, the EU Banking Reform aims at changing the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR. The proposal seeks to transpose the work done by the Basel Committee (but not yet finalised in all its elements at that time) with the Fundamental Review of the Trading Book into EU law by establishing clearer and more easily enforceable rules on the

scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The proposed new rules envisage a phase-in period.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuer's return on equity and other financial performance indicators.

The Banco BPM Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of certain transactions (and the related income and expense). Investors should be aware that implementation of new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to new regulatory measures on NPLs

On 14 March 2018, the European Commission (the "**EC**") published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation (the "**Proposed NPLs Regulation**") amending the CRR as regards minimum loss coverage for NPLs; (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs. On 18 December 2018, the co-legislators reached a provisional agreement which resulted in a final compromise text of the Proposed NPLs Regulation that has introduced several significant modifications to the original proposal. In particular, the distinction between exposures classified as non-performing because the obligor is past due more than 90 days or if it is non-performing for other triggers contained in the original proposal has been removed. In addition, write-offs and forbearance measures will also be taken into account when calculating the specific credit risk adjustments and when applying the relevant coverage factor.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum (the "**ECB Addendum**") to its "Guidance to banks on NPLs of March 2017" (the "**NPLs Guidance**"). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions. While the goals pursued by the ECB under the ECB Addendum are the same as those underlying the Proposed NPLs Regulation, there are some significant differences between the EC and ECB measures on NPLs.

The Proposed NPLs Regulation will impose a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Proposed NPLs Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection), in accordance with the criteria set forth in the Proposed NPLs Regulation. In particular, under the Proposed NPLs Regulation the Issuer will be required to apply a minimum provisioning level for NPLs equal to 100% after ten years (in case of exposures secured by immovable property or residential loan), eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

The statutory prudential backstop to be introduced under the Proposed NPLs Regulation shall only apply to exposures originated after the date of entry into force of the regulation and not to prior legacy exposures. However, the Proposed NPLs Regulation specifies that where the terms and conditions of an exposure which was incurred prior to the date of entry into force of the regulation are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date of the modification so that such exposure becomes subject to the new regime

including the statutory prudential backstop.

While the Proposed NPLs Regulation is aimed at introducing common provisioning requirements applying to credit institutions established in all EU Member States, the ECB Addendum specifies the ECB's (non-binding) supervisory expectations for significant credit institutions directly supervised by the ECB under the SSM. These supervisory expectations will apply to all exposures classified as non- performing after 1 April 2018. However, the compliance with such supervisory expectations will be assessed by the ECB only from the 2021 SREP process.

Even though the calibration criteria used under the ECB Addendum to determine the expected minimum provisioning level are similar to those provided under the Proposed NPLs Regulation, the quantitative expectations set out under the ECB Addendum are higher than those provided in the Proposed NPLs Regulation. In particular, under the ECB Addendum significant banks are expected to cover 100% of the amount of NPLs that are secured after seven years of the date when such exposure was classified as non-performing by the relevant bank.

The ECB reserves the right to discuss on a case-by-case basis any divergences from the prudential provisioning expectations outlined in the ECB Addendum in the context of the SREP. Each bank shall inform its joint supervisory team ("**JST**") on the coverage levels. The JST will assess any differences between coverage levels and supervisory expectations through off-site activities, on-site examinations or both. The outcome of the supervisory assessment will be taken into account in the SREP. The ECB will consider specific circumstances which may make the prudential provisioning expectations inappropriate for a specific portfolio or exposure. If, after giving due consideration to such specific circumstances, the ECB is of the view that the prudential provisions do not adequately cover the expected credit risk, supervisory measures under the Pillar 2 framework might be adopted.

At the date of this Prospectus there is no clarity on when the Proposed NPLs Regulation will be finally approved, and whether the proposed legislative measures will be enacted in their current form. However, the introduction of a minimum statutory backstop for prudential provisioning on NPLs could require the Issuer to increase its coverage ratios on newly originated NPLs. The same outcomes may derive from the satisfaction of the quantitative expectations set out in the ECB Addendum. This may cause adverse effects on the business, financial condition and results of operation of the Issuer and/or of the Banco BPM Group.

Risks related to the ratings assigned to the Issuer

The ratings assigned to the Issuer by the main international rating agencies are an indication of the credit ratings of the Issuer itself and the outlook represents the parameter which indicates the expected trend in the near future, of the ratings assigned to the Issuer. However, such indications may not properly reflect developments in the solvency position of the Issuer and the Banco BPM Group.

Any reduction of the rating levels assigned to the Issuer could have a negative effect on the opportunities for the Issuer and for the Banco BPM Group to access the various liquidity instruments and could lead to an increase in funding costs or require the constitution of additional collateral guarantees for the purpose of accessing liquidity. This may cause adverse effects on the business, financial condition and results of operations of the Issuer and/or of the Banco BPM Group.

Risks related to the Merger between BPM and Banco Popolare

The Merger between BPM and Banco Popolare to create Banco BPM Società per Azioni ("**Banco BPM**" or the "**Issuer**", and, together with its subsidiaries, the "**Banco BPM Group**") came into effect on 1 January 2017.

Merger transactions in general involve risks that include, *inter alia*: loss of customers; legal risks; risks related to the integration of IT systems, which can be implemented at times and in ways different from those envisaged; loss of key personnel and risks related to the integration of the existing structures and services of the banks. These risks could have adverse effects on the operations and synergies in the production, distribution, and commercial expectations of the Banco BPM Group. There may also be consequent negative effects on the business, financial condition and results of the operations of the entity resulting from the Merger arising from negative events, unexpected costs or liabilities or reductions in revenues.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes are complex instruments and may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost, including following the exercise by the relevant resolution authority of any bail-in power or through the application of non-viability loss absorption, as further described below, and including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) thoroughly understand the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios of economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield as an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of Interest Amounts or a write-down and the market value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may be subject to mandatory write-down or conversion into equity under the BRRD

Investors should be aware that the powers provided to "resolution authorities" under the Bank Recovery and Resolution Directive include write down/conversion powers to ensure that capital instruments (including the Notes) and eligible liabilities fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken (in addition to the General Bail-In Tool). Accordingly, the Bank Recovery and Resolution Directive contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into shares or other instruments of ownership. The Bank Recovery and Resolution Directive provides, *inter alia*, that resolution authorities shall exercise the write down power in a way that results in (i) CET1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including Additional Tier 1 instruments such as the Notes) being written down or converted into CET1 instruments on a permanent basis, and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

The powers set out in the Bank Recovery and Resolution Directive may impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The holders of the Notes may be subjected to write-down or conversion into equity on any application of the General Bail-In Tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the Bank Recovery and Resolution Directive, or any exercise which is suggested could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. See further the risk factor headed "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under it could materially affect the value of the Notes*" above.

Reform of EURIBOR may impact the calculation of the 5-year Mid-Swap Rate and may adversely affect the value and return of the Notes

The 5-year Mid-Swap Rate used to calculate the Reset Rate of Interest on the First Reset Date and on each subsequent Reset Date is linked to the Euro Interbank Offered Rate ("**EURIBOR**") and the annual mid-

swap rate for euro swap transactions, which are deemed "benchmarks" and are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes.

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the "**Benchmarks Regulation**").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for "critical" benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No. 596/2014 (the "**Market Abuse Regulation**") have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on the Notes in any of the following circumstances:

1. any "benchmark" for determining the relevant 5-year Mid-Swap Rate could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, , the Notes could be impacted;

2. the methodology or other terms of any "benchmark" related to the Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the 5-year Mid-Swap Rate, including the Reference Rate Determination Agent determining the rate or level of such benchmark at its discretion.

Any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. . These reforms may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks", including EURIBOR and the annual mid-swap rate for euro swap transactions. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to

the Notes.

Pursuant to the Conditions of , if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page has been discontinued, or the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) or, as applicable, the Mid-Swap Floating Leg Benchmark Rate (the "**Original Reference Rate**") has ceased (or will, prior to the next following Reset Determination Date, cease) to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed) or following the adoption of a decision to withdraw the authorisation or registration of the relevant administrator of the Original Reference Rate as set out in Article 35 of the Benchmarks Regulation, the Issuer will appoint a Reference Rate Determination Agent (which may be (i) a leading bank or a broker-dealer appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (but in which case any such determination shall be made in consultation with an independent financial advisor), or any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a Replacement Reference Rate, as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Original Reference Rate, in a manner consistent with industry-accepted practices. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Noteholders, the Issuer, the Calculation Agent and the Fiscal Agent and any other person, and will apply to the Notes without any requirement that the Issuer obtain consent of any Noteholders.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. These and other changes could significantly affect the performance of an alternative rate compared to the historical and expected performance of the Original Reference Rate. There can be no assurance that any adjustment factor applied to the Notes will adequately compensate for this impact. This could in turn impact the rate of interest on, and trading value of, the Notes. Moreover, any holders of such Notes that have entered into hedging instruments based on the Original Reference Rate may find their hedges to be ineffective, and they may incur costs from unwinding hedges or replacing such hedges with instruments tied to the Replacement Reference Rate. The trading value of the Notes could as a consequence be adversely affected.

If the Issuer is unable to appoint a Reference Rate Determination Agent or for any reason a Replacement Reference Rate is not determined or adopted prior to the relevant cut-off date, the Terms and Conditions of the Notes provide that the relevant Reset Rate of Interest on the Notes shall be determined by reference to the relevant fallback provisions set out in Condition 4.3 (*Fallbacks*).

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to the Notes.

Risks related to the structure of the Notes

Potential conflicts of interest

The Calculation Agent is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Notes are of perpetual nature

The Notes have no fixed final redemption date and holders have no right to call for the redemption of the Notes. Although the Issuer may redeem the Notes in certain circumstances, there are limitations on its ability to do so. Therefore, Noteholders should be aware that they may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

Notes subject to optional redemption by the Issuer

The Notes are redeemable at the Issuer's option pursuant to Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*), and the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low.

Such optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Further, during any period in which there is an actual or perceived increase in the likelihood that the Issuer may redeem the Notes, the price of the Notes may also be adversely impacted. This also may be true prior to any redemption period.

The Issuer may elect to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

Redemption for tax reasons

In the event that the Issuer were obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 9 (*Taxation*)), or the Issuer has lost or will lose the ability to deduct interest payable on the Notes from its taxable income, in each case, as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Notes in accordance with Condition 8.2 (*Redemption for tax reasons*). In such circumstances the price of the Notes may be adversely impacted and an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

The Issuer's obligations under Notes are deeply subordinated

If the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other unsubordinated creditors (including unsecured creditors) as well as any higher ranking subordinated creditors in full before it can make any payments on the Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay the amounts due under the Notes.

The Issuer's obligations under the Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer, the Issuer's obligations in respect of any Tier 2 instruments and any other present or future subordinated obligations of the Issuer that rank (or are expressed to rank) senior to the Notes. Although the Notes may pay a higher rate of interest than notes which are not (or less) subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment should the Issuer become failing or likely to fail, or insolvent.

Regulatory classification of the Notes

The intention of the Issuer is for the Notes to qualify on issue as "Additional Tier 1 capital" for so long as this is permitted under the laws and regulations on capital adequacy applicable from time to time. Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of the Notes that they will be treated as such.

Although it is the Issuer's expectation that the Notes qualify as "Additional Tier 1 capital", there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If there is a change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes that results, or would be likely to result, in their exclusion in full (or to the extent permitted under the Applicable Banking Regulations, in part) from the "Additional Tier 1 capital" of the

Issuer or a reclassification as a lower quality form of Own Funds, the Issuer will have the right to redeem the Notes in accordance with Condition 8.3 (*Redemption for regulatory reasons*) of the Terms and Conditions of the Notes, subject to the prior approval of the Relevant Authority. During any period in which there is an actual or perceived increase in the likelihood that the Issuer may exercise such rights to redeem the Notes, the price of the Notes may be adversely impacted and may not rise above the redemption price. There can be no assurance that holders of the Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes. The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

Early redemption of the Notes may be restricted

The rules under the CRR prescribe certain conditions for the granting of permission by the Relevant Authority to a request by the Issuer to redeem or repurchase the Notes. In this respect, the CRR provides that the Relevant Authority shall grant permission to a redemption or repurchase of the Notes provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds would, following such call, redemption, repayment or repurchase, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirements as defined in the Italian provisions transposing or implementing point (6) of Article 128 of the CRD IV by a margin that the Relevant Authority considers necessary. The proposed amendments to Article 78 of the CRR provides that the institution needs to demonstrate to the satisfaction of the Relevant Authority that its own funds and eligible liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements laid down in CRR, CRD IV and BRRD by a margin that the Relevant Authority considers necessary.

In addition, the rules under the CRR provide that the Relevant Authority may only permit the Issuer to redeem the Notes before five years after the Issue Date of the Notes if and to the extent required under Article 78(4) of the CRR or the related implementing regulations, policies and guidelines:

(i) the conditions listed in paragraphs (i) or (ii) above are met; and

(ii) in the case of redemption upon the occurrence of a Tax Event in accordance with Condition 8.2 (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(iii) in the case of redemption upon the occurrence of a Regulatory Event in accordance with Condition 8.3 (*Redemption for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

See further Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes

The Conditions place no restriction on the amount of debt or other securities that the Issuer may issue that ranks senior to, or *pari passu* with, the Notes. The issue of any such debt or securities may reduce the amount recoverable by holders of the Notes should the Issuer become insolvent. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including cancellation of interest and reduction of principal and, if the Issuer were liquidated, the Noteholders could suffer loss of their entire investment.

The Issuer may elect in its full discretion to cancel interest on the Notes and may, in certain circumstances, be required to cancel such interest

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a no-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. Further:

- the Issuer shall not make any interest payment on the Notes on any Interest Payment Date (and such interest payment shall be deemed to have been cancelled and shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts thereon, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and on all other Own Funds items (including any Additional Amounts in respect thereof but excluding any distributions or interest payments on Tier 2 instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Additional Tier 1 instruments, in each case paid or made, or scheduled to be paid or made, in the then current financial year. See further Condition 5.2.1(i) and the risk factor below headed "*– The Issuer's ability to make interest payments under the Notes depends on its Distributable Items*";
- in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes if and to the extent that such payment (whether by way of principal, interest or otherwise) – when aggregated with (x) other distributions of the kind referred to in Article 141 of the CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups (where applicable) on any Loss Absorbing Written Down instruments – would cause the Maximum Distributable Amount then applicable to the Issuer or the Group to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations. See further Condition 5.2.1(ii) and the risk factor below headed "*The determination of Maximum Distributable Amount is complex"*; and
- the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes scheduled to be paid. See further Condition 5.2.1(iii).

In particular, the Relevant Authority has the power under Article 104 of the CRD IV Directive to restrict or prohibit payments of interest by the Issuer to holders of Additional Tier 1 instruments such as the Notes. The risk of any such intervention by the Relevant Authority is most likely to materialise at a time when the Issuer or the Banco BPM Group is failing, or is expected to fail, to meet its capital requirements. Also, in accordance with Article 63(j) of the BRRD (as implemented in Italy by Article 60(1)(i) of Legislative Decree No. 180/2015), the Relevant Authority has the power to alter the amount of interest payable under debt instruments issued by banks subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period). The Relevant Authority also has the power under Articles 53-*bis* and 67-*ter* of the Italian Banking Act to impose requirements on the Issuer, the effect of which can be to restrict or prohibit payments of interest by the Issuer to Noteholders, which is most likely to materialise at a time when the Issuer is failing, or is expected to fail, to meet its capital or liquidity requirements. In addition, under the proposed amendments to Article 45 of the BRRD comprised in the EU Banking Reform, a breach of the minimum requirement for own funds and eligible liabilities can be addressed by the Relevant Authority also on the basis of measures under Article 104 of the CRD IV, and therefore, its power to restrict or prohibit distributions or interest payments on Additional Tier 1 instruments such as the Notes.

Furthermore, upon the occurrence of a Trigger Event (as defined in Condition 6.1 (*Loss absorption following a Trigger Event*)), any accrued and unpaid interest on the Notes through to the Write-Down Effective Date shall be automatically cancelled and shall not be due and payable. See further Condition 5.2.1(iv).

The cancellation of any Interest Amounts shall not constitute a default for any purpose on the part of the Issuer. Interest on the Notes is not cumulative and any Interest Amounts that the Issuer elects not to pay or is prohibited from paying will not accumulate or be payable at any time thereafter, and shall not entitle the Noteholders to receive any additional interest or compensation. See further Condition 5.3 (*Interest Cancellation – Effect of interest cancellation*).

Because the Issuer is entitled to cancel Interest Amounts in its full discretion, it may do so even if it could make such payments without exceeding the limits of Distributable Items or Maximum Distributable Amounts

described above. Interest Amounts on the Notes may be cancelled even if holders of the Issuer's shares continue to receive dividends and/or the Issuer continues to make payments of interest or other amounts on other Additional Tier 1 instruments.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that, for example, the Issuer may not have sufficient Distributable Items and/or may fail to meet the relevant requirements under the Applicable Banking Regulations such as to trigger operation of the restrictions on distributions by reference to Maximum Distributable Amount may have an adverse effect on the market price of the Notes.

The Issuer's ability to make interest payments under the Notes depends on its Distributable Items

Condition 5.2.1(i) (*Interest Cancellation*) provides that the Issuer shall not make any interest payment on the Notes on any Interest Payment Date (and such interest payment shall be deemed to have been cancelled and shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts thereon, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and on all other Own Funds items (including any Additional Amounts in respect thereof but excluding any distributions or interest payments on Tier 2 instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Additional Tier 1 instruments, in each case paid or made, or scheduled to be paid or made, in the then current financial year.

The Issuer's ability to make interest payments under the Notes therefore depends on the level of its Distributable Items, which is a function of its existing Distributable Items as well as its future profitability. As at 31 December 2018, the Issuer had approximately €718 million of Distributable Items (represented by reserves booked in line item 140 "Reserves" of the Liabilities of the non-consolidated financial statements of Banco BPM). This amount is already net of the Loss resulting from the financial statements as at and for the year ended 31 December 2018. The availability of Distributable Items to fund interest payments on the Notes may be adversely affected by distributions paid and/or scheduled to be paid on instruments ranking *pari passu* with or senior to the Notes, as well as on more junior ranking instruments such as dividends on the Issuer's shares. The actual level of the Issuer's Distributable Items may furthermore be affected by changes to accounting rules, and is impacted by the Issuer's decisions to allocate sums to distributable reserves or to make any earnings adjustments as well as other factors that influence the Issuer's profitability in general.

The determination of Maximum Distributable Amount is complex

The Maximum Distributable Amount imposes a cap on the Issuer's ability to pay interest on the Notes as well as to reinstate the Outstanding Principal Amount of the Notes following a Write-Down, as a result of the restrictions on distributions provisions contained in the Applicable Banking Regulations.

Under the CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8.0% of risk-weighted assets (the so called "**Pillar 1 requirement**"). CRD IV also introduces the combined buffer requirement (namely, the capital conservation buffer, the institution-specific counter-cyclical buffer, the G-SII buffer, the O-SII buffer and the systemic risk buffer) that is required to be met with CET1 capital. In addition, supervisory authorities may impose extra capital requirements above the Pillar 1 requirement. It has been clarified that the level of own funds above the Pillar 1 requirement will comprise a Pillar 2 requirement (which is binding) and a Pillar 2 guidance which is not directly binding. The EBA Guidelines on SREP published in July 2018 furthermore clarifies that the Pillar 2 requirement is stacked below the capital buffers, thus directly affecting the application of Maximum Distributable Amount, while the Pillar 2 guidance is stacked above the capital buffers.

The proposed amendments to the CRR contained in the EU Banking Reform provide further clarification on the role of Pillar 2 guidance, referred to as the supervisory guidance on additional own fund. In particular, competent authorities may communicate to an institution an adjustment to the amount of capital in excess of the minimum own funds requirements, the additional own funds requirement and the combined buffer requirement that they expect such institution to hold in order to deal with forward looking stress scenarios. Such supervisory guidance on additional own funds constitutes a capital target and is to be regarded as positioned above the aforementioned requirements. Failure to meet such target does not trigger restrictions on distributions by reference to Maximum Distributable Amount.

Under Article 141 of the CRD IV, institutions that fail to meet the combined buffer requirement are subject to restrictions on discretionary payments (including payments on Additional Tier 1 instruments such as the Notes). Such restrictions are scaled according to the extent of the breach of the combined buffer requirement, and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount". As a result, in the event of breach of the combined buffer requirement, it may be necessary to reduce discretionary payments, including potentially cancel interest payments on the Notes. Because the Issuer will have discretion to determine how to allocate the Maximum Distributable Amount among the different types of discretionary payments, the Issuer may elect to allocate available amounts to discretionary payments other than in respect of the Notes. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Conditions do not impose any obligation on the Issuer to preserve any portion of the Maximum Distributable Amount for interest payments on the Notes. The precise level of Maximum Distributable Amount will depend on the amount of net income earned during the course of the relevant period, which is necessarily difficult to predict.

Under the EU Banking Reform, the restrictions on distributions provisions by reference to Maximum Distributable Amount set forth in Article 141 of the CRD IV are being extended to apply also in situations where:

- an institution does not have Tier 1 capital in the amount needed to meet at the same time its leverage ratio buffer requirement, the leverage ratio requirement and additional own funds requirement to address excessive leverage risk not sufficiently covered by the leverage ratio requirement. In such a situation, the institution is required to calculate the Leverage ratio related Maximum Distributable Amount ("**L-MDA**"), and shall not make any discretionary payments in excess of such L-MDA; and
- an institution fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities. In such a situation, the resolution authority has the power to prohibit the institution from making discretionary payments (including payments on Additional Tier 1 instruments such as the Notes) in excess of the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities (the "**M-MDA**"). The resolution authority shall assess whether to exercise such power on a monthly basis and shall – following a nine months grace period – exercise such power subject to certain limited exceptions.

The extended application of the restrictions on distributions provisions by reference to the L-MDA (to the extent applicable to the Issuer) and the M-MDA proposed to be introduced by the EU Banking Reform will - if implemented in the current form following their entry into force - increase the risk of a cancellation of interest payments under the Notes as well as impose further limitations on the Issuer's ability to reinstate principal on the Notes following a Write-Down. Holders of the Notes may not be able to predict accurately the proximity of the risk of discretionary interest payments or principal reinstatements on the Notes being restricted from time to time as a result of operation of the aforementioned restrictions on distributions provisions by reference to Maximum Distributable Amount.

The Outstanding Principal Amount of the Notes may be written down to absorb losses

If, at any time, the CET1 Ratio of the Issuer on a solo basis or of the Group on a consolidated basis is less than 5.125% (the "**Trigger Level**"), as determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority (a "**Trigger Event**"), the Issuer shall irrevocably and mandatorily write down the Outstanding Principal Amount of each Note with effect from the Write-Down Effective Date in accordance with the provisions set out in Condition 6 (*Loss Absorption following a Trigger Event*). A Trigger Event may occur on more than one occasion, and the Outstanding Principal Amount of each Note may be written down on more than one occasion, provided that the Outstanding Principal Amount of a Note may never be reduced to below once cent.

The Issuer's current and future outstanding junior and *pari passu* ranking securities might not include in their contractual terms write-down or similar loss absorption features with triggers comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a Write-Down under the Conditions, while other junior or *pari passu* ranking securities remain outstanding and continue to receive payments, thus exposing the Noteholders to losses ahead of holders of such other junior or *pari passu* ranking securities.

In addition, although a Write-Down of the Notes is expected to occur concurrently, or substantially concurrently, and on a *pro rata* basis, with the write-down or conversion into equity of other Loss Absorbing Instruments of the Issuer, to the extent that the write-down or conversion of any such other Loss Absorbing Instrument is not effective for any reason, (i) such ineffectiveness shall not prejudice the requirement to effect a write-down of the Notes; and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of the Notes. Accordingly, a

failure to write down or convert into equity other Loss Absorbing Instruments may result in an increase in the Write-Down Amount of the Notes. Any Write-Down of a Note shall not constitute an Event of Default or a breach of any other obligations of the Issuer, and shall not entitle the Noteholders to any compensation or to petition for the insolvency or dissolution of the Issuer or otherwise.

Although Condition 6.3 (*Principal Reinstatement*) permits the Issuer to reinstate the written-down Outstanding Principal Amount of the Notes, any Principal Reinstatement is at the full discretion of the Issuer and there is no obligation for the Issuer to operate or accelerate any Principal Reinstatement under specific circumstances. Any Principal Reinstatement at the discretion of the Issuer is conditional on there being positive net income or consolidated net income, needs to be made on a *pro rata* basis with other Loss Absorbing Written-Down Instruments and is subject to the limits imposed by operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount. See further Condition 6.3(v). There can be no assurance that these conditions will be met or that the Issuer will exercise its discretion to effect a Principal Reinstatement.

Following each Write-Down, interest will accrue (subject to any subsequent Write-Down or Principal Reinstatement) on the Outstanding Principal Amount of the Notes as so written down. Furthermore, any accrued and unpaid interest on the Notes through to the Write-Down Effective Date shall be automatically cancelled and shall not be due and payable. In the event of a liquidation of the Issuer prior to the Notes being written up in full pursuant to Principal Reinstatement(s), the Noteholders' claim will be based on the then prevailing Outstanding Principal Amount of the Notes. Accordingly, Noteholders may lose all or some of their investment as a result of one or more Write-Down(s), and the market price of the Notes is expected to be affected by fluctuations in the Issuer's solo or consolidated CET1 Ratio and consequential actual or potential Write-Down of the Notes.

The Notes may furthermore be subject to write-down or conversion into equity on application of the General Bail-In Tool as well as non-viability loss absorption under the BRRD, which may result in the Noteholders losing some or all of their investment. See further the risk factor headed "*The Notes may be subject to mandatory write-down or conversion into equity under the BRRD regulatory framework*" above.

The Issuer may be required to reduce the principal amount of the Notes to absorb losses, which would also impact the Interest Amounts payable on any Interest Payment Date while the Notes are written down

The Notes may trade, and/or the prices for the Notes may appear, on the Official List of the Luxembourg Stock Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date. This may affect the value of any investment in the Notes.

Noteholders will bear the risk of changes in the CET1 Ratio

The market price of the Notes is expected to be affected by changes in the Issuer's solo and consolidated CET1 Ratio. The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. Because the CET1 Ratio may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the CET1 Ratio could be affected by one or more factors including, among other things, changes in the mix of the Issuer's businesses, its ability to manage risk-weighted assets in its businesses, events affecting its earnings, dividend payments, changes in its group structure as well as changes in applicable accounting rules or the manner in which accounting policies are applied (or permitted discretions are exercised).

The Issuer's CET1 Ratio will be affected by regulatory changes (including imposition of additional own funds and eligible liabilities or buffer requirements and/or changes to the definitions, calculations and interpretations of capital requirements or their application to the Issuer). Other regulatory initiatives such as the new risk assessment framework endorsed by the Basel Committee (see further the risk factor headed "*Risks related to forthcoming regulatory and accounting changes*") will impact calculation of the Issuer's Risk Weighted Assets and accordingly, its CET1 Ratio.

Because of the inherent uncertainty regarding occurrence of a Trigger Event, it will be difficult to predict when, if at all, a Write-Down may occur and interest payments will be cancelled. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the CET1 Ratio of the Issuer, on a solo or consolidated level, is approaching the Trigger Level may have an adverse effect on the market price and liquidity of the Notes.

The Issuer's interests may not be aligned with those of the Noteholders

The Issuer's CET1 Ratio, Distributable Items and Maximum Distributable Amount will depend, in part, on decisions made by the Issuer relating to its businesses and operations as well as the management of its capital position. The Issuer has no obligation to consider the interests of the Noteholders when making its strategic or capital management decisions and may, for example, decide not to raise capital to remedy a potential breach of its CET1 Ratio at a time when feasible to do so. Noteholders will not have any claim against the Issuer relating to decisions taken by the Issuer that impact the capital position of the Issuer on a solo or consolidated basis, regardless of whether they result in the occurrence of a Trigger Event or would otherwise trigger restrictions on payments on the Notes, thereby causing the Noteholders to lose all or part of their investment in the Notes.

Some aspects of the manner in which the CRD IV, the CRR, the BRRD and the SSM Regulation will be interpreted, and implementation of the EU Banking Reform, remain uncertain

The CRD IV Package has imposed a series of requirements some of which remain to be phased in as of the date of this Prospectus. Although a number of interpretational issues have already been resolved, or are being addressed by the proposed amendments to be introduced under the EU Banking Reform, other interpretational issues remain to be resolved or may arise in the future. Furthermore, many matters are left to the discretion of the Relevant Authority and the circumstances under which the Relevant Authority would exercise such discretion (such as application of the General Bail-In Tool) may not be certain. Although the amendments proposed under the EU Banking Reform are expected to be adopted and implemented in large part by the end of 2019, there can be no assurance that this will take place when expected, or that they will be adopted in the form as currently proposed. Furthermore, changes to the CRD IV and the BRRD under the EU Banking Reform will need to be transposed into Italian law.

Changes in applicable law (or the interpretation or application thereof) may, in certain circumstances to the extent they result in a change in the regulatory classification of the Notes or a change in the tax treatment of the Notes, entitle the Issuer to redeem the Notes pursuant to Condition 8.2 (*Redemption for tax reasons*) or Condition 8.3 (*Redemption for regulatory reasons*). In such event, the Issuer may exercise its option to redeem the Notes, which could materially and adversely affect investors and frustrate their investment strategies and objectives.

These and other uncertainties could affect an investor's ability to value the Notes accurately and adversely impact the trading price and liquidity of the Notes.

The Rate of Interest applicable to the Notes will be reset on every Reset Date

The Rate of Interest applicable to the Notes will be reset on the First Reset Date and on every Reset Date thereafter. Such Rate of Interest will be determined two TARGET Settlement Days before the relevant Reset Date and as such, is not pre-defined at the Issue Date. A Reset Rate of Interest determined for a Reset Interest Period may be lower than the Rate of Interest of the immediately preceding Reset Interest Period. The uncertainty regarding the Reset Rate of Interest of the Notes for future Reset Interest Period(s) may adversely affect the yield and the market value of the Notes.

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Issuer may, without the consent of Noteholders, agree to any modification of the Notes, the Coupons or the Agency Agreement which is: (i) in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; (ii) of a formal, minor or technical nature or to correct a manifest error or to cure any ambiguity or defective or inconsistent provision contained therein; or (iii) to comply with mandatory provisions of the law, in the circumstances described, and subject to the provisions set forth, in Condition 16.1 (*Meetings of Noteholders, modification and waiver*) of the Terms and Conditions of the Notes. In addition, the Issuer may without the consent of the Noteholders, in accordance with the provisions of Condition 16.2 (*Modification of the Notes*), modify the terms of the Notes, where a Regulatory Event or a Tax Event has occurred or in order to ensure the effectiveness and enforceability of the Bail-In Power. See further the risk factor headed "*Notes may be subject to modification*

without Noteholder consent" below.

Change of law

The Terms and Conditions of the Notes are expressed to be governed by Italian law. No assurance can be given as to the impact of any possible judicial decision or change to Italian law or its administrative practice after the date of this Prospectus.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes are represented by one or more Global Notes. Such Global Notes will be in NGN form and will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes once the paying agent has paid Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

While the Notes are in global form, there may be a delay in reflecting any Write-Down or Principal Reinstatement of the Notes in the clearing systems

For so long as the Notes are in global form, in the event that any Write-Down or Principal Reinstatement is required pursuant to the Conditions, the records of the clearing systems may not be immediately updated to reflect the amount of Write-Down or, as the case may be, Principal Reinstatement, and may continue to reflect the Outstanding Principal Amount of the Notes prior to such Write Down or, as the case may be, Principal Reinstatement, for a period of time. The update process of the relevant clearing system may be completed only after the effective date for such Write-Down or, as the case may be, Principal Reinstatement. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices or other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Notes in global form, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Denominations of the Notes; definitive Notes

Because the Notes are issued in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000, it is possible that the Notes may be traded in amounts that are not integral multiples of the minimum denomination of €200,000. Where a holder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system at the relevant time, the holder may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination of €200,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes may be subject to modification without Noteholder consent

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing , and/or (ii) in order to ensure

the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled to modify the terms of the Notes, provided that certain conditions set out in the Terms and Conditions of the Notes are met.

While it is difficult to foresee the exact impact of any such changes, a modification which is required to ensure the effectiveness and enforceability of the Bail-In Power may have a material adverse effect on Noteholders' investment in the Notes.

Waiver of set-off

As specified in Condition 3.3, each holder of a Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

Notes have limited Event of Default and remedies

Event of Default in respect of the Notes - upon the occurrence of which the Notes shall become immediately due and repayable - is limited to circumstances in which the Issuer becomes subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with the relevant provisions of the Italian Civil Code and/or Article 97 of the Italian Banking Act, otherwise than for the purposes of an Approved Reorganisation. Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the holders of the Notes will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. If investors decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with a similar credit maturity and other structural characteristics. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes. The trading market for, and current market value of, the Notes may also be affected by the level, direction and volatility of market interest rates. These and other factors unrelated to the creditworthiness of the Issuer may affect the price holders receive for the Notes and their ability to sell them at all. Investors should not purchase the Notes unless they understand and know they can bear the related investment risks.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease; (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes, and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. See also the risk factor headed "*The Rate of Interest applicable to the Notes will be reset on every Reset Date*" above.

Credit ratings may not reflect all risks

The Notes are rated by Moody's and DBRS, each of which is established in the European Union and is registered under the CRA Regulation. Investors should be aware that:

(i) such rating will reflect only the views of the rating agency and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes; and

(ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

An adverse change in a credit rating could adversely affect the trading price for the Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with structures similar to the Notes, as opposed to any revaluation of the Issuer's financial strength, or other factors such as conditions affecting the financial services industry generally.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent; (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEWOF THE NOTES

This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "*Terms and Conditions of the Notes*" shall have the same meanings in this section.

Issuer:	BANCO BPM S.p.A.
Global Coordinators and Joint Bookrunners:	Barclays Bank PLC, Goldman Sachs International
Joint Bookrunners:	Banca Akros S.p.A. – Gruppo Banco BPM, BNP Paribas, J.P. Morgan Securities plc and UniCredit Bank AG
FiscalAgent and Paying Agent:	Citibank, N.A., London Branch
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Notes:	€300,000,000 8.750% Additional Tier 1 Notes
Issue Price:	100% of the principal amount of the Notes
Issue Date:	18 April 2019
Form and denomination of Notes:	The Notes will be in bearer form in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000.
Negative pledge:	None
Status of the Notes:	The Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Additional Tier 1 capital of the Issuer in accordance with Article 52 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations). The payment obligations of the Issuer under the Notes and the Coupons related to them shall at all times rank: (a) junior to all present or future unsecured and unsubordinated obligations of the Issuer, the Issuer's obligations in respect of any Tier 2 Instruments and any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes; (b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Notes (including Additional Tier 1 instruments); and (c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the CET1 capital of the Issuer).
Interest and Interest Payment Dates:	Each Note bears interest on its Outstanding Principal Amount, on a non-cumulative basis, at: (a) in respect of the period from (and including) the Issue Date to (but excluding) 18 June 2024 (the "**First Reset Date**"), 8.750 per cent. per annum (the "**Initial Rate of Interest**"); and (b) in the case of each Interest Period from (and including) the First Reset Date, the Reset Rate of Interest in respect of the relevant Reset Interest Period, as determined by the Calculation Agent, (the "**Rate of Interest**") payable, subject as provided in these

	Conditions, semi-annually in arrear on 18 June and 18 December in each year (each, an "**Interest Payment Date**"). The first interest payment shall be made on 18 June 2019 in respect of the period from (and including) the Issue Date to (but excluding) 18 June 2019.
Discretionary interest payments:	Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be payable only out of Distributable Items. If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.
Restriction on interest payments:	Payment of interest on the Notes on any Interest Payment Date is subject to restrictions by reference to the amount of Distributable Items and to the Maximum Distributable Amount applicable to the Issuer and/or the Group. Furthermore, the Issuer shall not make any interest payment on the Notes on any Interest Payment Date if so ordered by the Relevant Authority, or following the occurrence of a Trigger Event. "**Distributable Items**" has the meaning given to such term in CRR, as interpreted and applied in accordance with Applicable Banking Regulations; "**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Issuer and/or the Group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Applicable Banking Regulation(s) (or any provision of Italian law transposing or implementing the CRD IV Directive and/or, if relevant, any other Applicable Banking Regulation(s).
Non-cumulative interest:	Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 5.1 (*Discretionary interest payment*) or Condition 5.2 (*Restriction on interest payments*). Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute an Event of Default under Condition 11 (*Event of Default and Enforcement*) or any other default for any purpose, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.
Interest in case of Write-Down:	Following a Write-Down, Noteholders shall automatically and

irrevocably lose their rights to receive, and shall no longer have any rights against the Issuer with respect to, repayment of the Write-Down Amount, or any other amount on or in respect of such Write-Down Amount (but without prejudice to their rights in respect of any principal amount reinstated pursuant to Condition 6.3 (*Principal Reinstatement*). If a Trigger Event occurs at any time, the Issuer shall not make any future interest payment on the Notes and any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled in accordance with Condition 5.2.1(iv), and shall not be due and payable.

Following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

Write-Down following a Trigger Event:

If at any time a Trigger Event occurs, the Issuer shall irrevocably and mandatorily (without any requirement for the consent or approval of the Holders) write down the Outstanding Principal Amount of each Note (in whole or, as applicable, in part), with effect as from the Write-Down Effective Date, by the relevant Write-Down Amount.

"**CET1 Ratio**" means, at any time, the ratio of CET1 capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage.

A "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes.

"**Trigger Level**" means 5.125%.

"**Loss Absorbing Instrument**" refers to, at any time, any Additional Tier 1 instrument (other than the Notes) of the Issuer or, as applicable, the Group that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted, in each case, in accordance with its conditions or otherwise, upon the occurrence or as a result of the CET1 Ratio of the Issuer or, as applicable, the Group, falling below a certain trigger level.

"**Write-Down Amount**" means the amount by which each Note shall be written-down, with effect as from the Write-Down Effective Date, being:

(a) the amount that - together with: (x) the write-down on a *pro rata* basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument – would be sufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level; or

(b) if the write-down (together with (x) the write-down on a *pro rata* basis of the other Notes; and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument) is insufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations,

subject as provided in Condition 6.2 (*Effect of Trigger Event*).

Principal Reinstatement: If a positive Net Income or Consolidated Net Income has been recorded, the Outstanding Principal Amount may (at the discretion of the Issuer) be increased up to a maximum of its Original Principal Amount on a *pro rata* basis with other Loss Absorbing Written-Down Instruments (based on their then prevailing Outstanding Principal Amount), in accordance with (and subject to the limits of) the provisions of Condition 6.3 and the Applicable Banking Regulations (including, *inter alia*, Article 21 of the Delegated Regulation).

In particular, where restrictions on distributions by reference to Maximum Distributable Amount applies, the proposed Principal Reinstatement of the Notes shall be limited to an amount so that - when aggregated with the payment of all other amounts that fall within the scope of the restrictions on distributions provisions contained in the CRD IV and/or the BRRD from time to time applicable to the Issuer and taking into account any principal reinstatements on other Loss Absorbing Written-Down Instruments - the Maximum Distributable Amount then applicable to the Issuer and/or the Group shall not be exceeded.

Any Principal Reinstatement of the Notes is furthermore subject to limitations by reference to the Maximum Reinstatement Amount. See further Condition 6.3(v).

No fixed redemption: The Notes have no fixed redemption date.

Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganization), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 18 June 2019 provide for the duration of the Issuer to expire on 23 December 2114, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal

	Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).
Redemption at the option of the Issuer:	The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding on the First Reset Date or on any Reset Date thereafter (each, an "**Optional Redemption Date (Call)**") at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).
Redemption due to a Regulatory Event:	The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding, following the occurrence of a Regulatory Event at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*). "**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Additional Tier 1 capital of the Issuer or the Group (as the case may be) or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds.
Redemption for tax reasons:	The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding, following the occurrence of a Tax Event at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*). A "**Tax Event**" shall be deemed to have occurred if: (a) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*), or (y) part of the interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, deductible for Italian corporate income tax purposes, in each case, as a result of any Tax Law Change; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.
Conditions to redemption and purchase:	The Notes may only be redeemed, purchased, substituted or modified pursuant to the Conditions with the prior approval of the Relevant Authority. Any such redemption or purchase is furthermore subject to the conditions set out in Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

Notes subject to Bail-In Power:

Each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), agrees to be bound by and consent to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof: (A) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (B) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions; (C) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of the Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-In Power by the Relevant Authority.

"**Bail-In Power**" means any statutory write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and/or group entities in effect and applicable to the Issuer or other entities of the Group (as the case may be) including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (or other entities of the Group, where applicable) in the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities or obligations of a credit institution can be reduced, cancelled, transferred, modified, suspended or restricted for a temporary period and/or converted into shares or obligations of the obligor or any other person.

Non-viability loss absorption

The Notes may furthermore be subject to write-down or conversion into equity on application of the non-viability loss absorption under the BRRD.

Modification following a Regulatory Event or a Tax Event, or to ensure effectiveness and enforceability of the Bail-In Power:

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing, and/or (ii) in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled to either modify the terms and conditions of the Notes, or substitute all (but not some only) of such Notes with other securities, in accordance with and subject to the conditions set out in Condition 16.2 (*Modification of the Notes*).

Taxation:	All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, or on account of, withholding taxes imposed by or on behalf of any Tax Jurisdiction, unless a withholding or deduction is required by law. In that event, the Issuer will be required to pay – to the extent such payment can be made out of Distributable Items on the same basis as for payment of interest in accordance with Condition 5 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations, and subject as provided in Condition 9 (*Taxation*) – additional amounts in respect of interest (but not on principal) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Risk Factors:	There are certain risks related to the holding of the Notes which investors should ensure they fully understand. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed in the section headed "*Risk Factors*".
Governing Law:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Notes and the Coupons, will be governed by, and shall be construed in accordance with, Italian law.
Listing and Trading:	The CSSF has approved this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange.
Rating:	The Notes are expected to be rated "Caa1" by Moody's and "B" by DBRS. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. See "*Risk Factors – Risks related to the market generally – Credit ratings may not reflect all risks*".**
Form of the Notes:	The Notes are represented by one or more Global Notes in NGN form deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Notes are not intended to be held in a manner which would allow Euro-system eligibility. While all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any Write-Down or Principal Reinstatement of the Outstanding Principal Amount of the Notes shall be treated on a *pro rata* basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the relevant pool factor.
ISIN/Common Code:	XS 1984319316; 198431931
Clearing systems:	Euroclear, Clearstream Luxembourg
Selling restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy, France and the United Kingdom) and Japan. See "*Subscription and Sale*".
Prohibition of Sales to EEA Retail Investors:	The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus, each to the extent specified in the cross-reference list further below:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018 (the "**2018 Annual Consolidated Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017 (the "**2017 Annual Consolidated Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the €25,000,000,000 Euro Medium Term Note Programme prospectus dated 13 July 2018 (the "**EMTN Base Prospectus**");

(d) the Supplement to EMTN Base Prospectus dated 13 December 2018 (the "**Second EMTN Supplement**");

(e) the Supplement to EMTN Base Prospectus dated 15 February 2019 (the "**Third EMTN Supplement**");

(f) the Supplement to EMTN Base Prospectus dated 22 February 2019 (the "**Fourth EMTN Supplement**");

(g) the Supplement to EMTN Base Prospectus dated 28 February 2019 (the "**Fifth EMTN Supplement**");

(h) Press Release dated 20 February 2019;

(i) Press Release dated 27 February 2019;

(j) Press Release dated 1 March 2019;

(k) Press Release dated 28 March 2019;

(l) Press Release dated 6 April 2019;

(m) the articles of association (*statuto*) of the Issuer (incorporated for information purposes),

save that any statement contained in this Prospectus or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the principal office in Luxembourg of BNP Paribas Securities Services, Luxembourg Branch (the "**Luxembourg Listing Agent**") for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

Any documents which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus (unless they are being separately incorporated by reference in this Prospectus under this section). Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are considered as additional information and are not required by the relevant schedules of Commission Regulation (EC) No. 809/2004.

Cross-Reference List for Documents Incorporated by Reference

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2018	Consolidated financial statements:	
	Group structure	14 - 15
	Group territorial network	16 - 17
	Group financial highlights and economic ratios	18 - 19
	Group's report on operations (excluding the paragraph headed "Capital ratios" at pages 68 and 69)	21 – 131
	Consolidated balance sheet	152 - 153
	Consolidated income statement	154
	Statement of consolidated comprehensive income	155
	Statement of changes in consolidatedshareholders' equity	156 - 157
	Consolidated cashflow statement	158 - 159
	Explanatory notes	161 - 505
	Report of the independent auditors	137 - 149
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2017	Consolidated financial statements:	
	Banco BPM Group structure	14 – 15
	Group territorial network	16 - 17
	Group financial highlights and economic ratios	18 – 19
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EMTN Base Prospectus	Description of the Issuer and the Group	
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	- Activities of the Group	104 – 113
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	- Inspection activities conducted by the ECB on Banco BPM S.p.A.	113 – 114
	- Legal Proceedings of the Group	114
	- Ongoing Legal and Administrative Proceedings	115 – 117
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Second EMTN Supplement	Description of the Issuer and the Group	6 – 11
Third EMTN Supplement	Description of the Issuer and the Group	7 – 8
Fourth EMTN Supplement	Precautionary seizure as part of the diamond sales inquiry	2
Fifth EMTN Supplement	Update on the precautionary seizure as part of the diamond sales inquiry	2
Press release dated 20 February 2019		All
Press release dated 27 February 2019		All
Press release dated 1 March 2019		All
Press release dated 28 March 2019		All
Press release dated 6 April 2019		All
Articles of association (*statuto*) of the Issuer		All

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be endorsed on each definitive Note

The issuance of the €300,000,000 8.750% Additional Tier 1 Notes (the "**Notes**") by BANCO BPM S.p.A. (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 28 March 2019.

References herein to the "**Notes**" shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 18 April 2019 and made between the Issuer, Citibank, N.A., London Branch as fiscal agent (and paying agent and as calculation agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent or paying agent or calculation agent (as applicable)) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**" or "**Agents**", which expression shall include any additional or successor paying agents).

The definitive Notes have interest coupons ("**Coupons**") and talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

Copies of the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Fiscal Agent being, as at the Issue Date, at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the other Paying Agents. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and these Conditions, these Conditions will prevail.

1 FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered.

The Notes are issued in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000.

Definitive Notes are issued with Coupons and Talons attached.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Fiscal Agent and the other Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer

and the Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**", "**Holder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, each Paying Agent may rely, without liability, on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as the Notes are represented by a Global Note, they will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer and the Agents.

2 DEFINITIONS

2.1 In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**5-year Mid-Swap Rate**" means, in relation to a Reset Interest Period and the Reset Determination Date in relation to such Reset Interest Period, (a) the annual mid-swap rate for euro swap transactions with a term of five years, expressed as a percentage, which appear on the Relevant Screen Page as of 11.00 (CET) on such Reset Determination Date; or (b) in the circumstances described in Condition 4.3 (*Fallbacks*), the Reset Reference Bank Rate determined in accordance with Condition 4.3 (*Fallbacks*).

"**5-year Mid-Swap Rate Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

(a) has a term of five years commencing on the relevant Reset Date;

(b) is in a Representative Amount; and

(c) has a floating leg (calculated on an Actual/360 day count basis) based on EURIBOR (the "**Mid-Swap Floating Leg Benchmark Rate**") for a 6-month period ("**EURIBOR 6-month**"). EURIBOR 6-month shall – subject to Condition 4.4 (*Benchmark event*) – be the rate for deposits in euro for a six-month period which appears on the Relevant Screen Page as of 11.00 (CET) on the Reset Determination Date for the relevant Reset Date; or (y) if such rate does not appear on the Relevant Screen Page at such time on such Reset Determination Date, the arithmetic mean of the rates at which deposits in euro are offered by four major banks in the Eurozone interbank market, as selected by the Issuer, at such time on such Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the Calculation Agent to request the principal Eurozone office of each such major bank to provide a quotation of its rate.

"**Actual/360**" means the actual number of days in the relevant period divided by 360;

"**Additional Tier 1**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy and applicable to the Issuer or the Group (as the case may be), including, without limitation, the CRD IV Package, the Capital Instruments Regulations, the Circular No. 285, the BRRD (where the context requires) and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group, as the case may be);

"**Approved Reorganisation**" means a solvent and voluntary reorganization involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise *provided that* the principal resulting, surviving or

transferee entity (a "**Resulting Entity**") is a banking company and effectively assumes all the obligations of the Issuer, under, or in respect of, the Notes;

"**Bail-In Power**" means any statutory write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and/or group entities in effect and applicable to the Issuer or other entities of the Group (as the case may be) including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (or other entities of the Group, where applicable) in the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities or obligations of a credit institution can be reduced, cancelled, transferred, modified, suspended or restricted for a temporary period and/or converted into shares or obligations of the obligor or any other person.

"**Benchmarks Regulation**" means Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014, as amended, supplemented or replaced from time to time;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time;

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Milan; and

(b) a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open;

"**Calculation Agent**" means the Fiscal Agent;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD IV Package;

"**CET1 capital**" or "**Common Equity Tier 1 capital**" has the meaning, in respect of either the Issuer on a solo basis or the Group on a consolidated basis (as the case may be), given to it in the CRR complemented by the transitional provisions of Part Ten of the CRR as implemented in Italy, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders;

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**CET1 Ratio**" means, at any time, the ratio of CET1 capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage;

"**Consolidated Net Income**" means the net income of the Group as set out in the most recently published audited consolidated financial statements after such financial statements have been formally approved by the board of directors of Banco BPM;

"**Circular No. 285**" means the Bank of Italy Circular No. 285 of 17 December 2013, setting forth the supervisory provisions for banks (*Disposizioni di Vigilanza per le Banche*), as amended, supplemented or replaced from time to time;

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013

on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended, supplemented or replaced from time to time;

"**CRD IV Package**" means the CRD IV and the CRR;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended, supplemented or replaced from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with Condition 4 (*Interest*), "**Actual/Actual (ICMA)**", which means:

(A) where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Interest Determination Dates that would occur in one calendar year; or

(B) where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year;

"**Deed of Covenant**" means the deed of covenant relating to the Notes to be executed by the Issuer on the Issue Date, as amended or supplemented from time to time;

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time;

"**Determination Period**" means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

"**Distributable Items**" has the meaning given to such term in CRR, as interpreted and applied in accordance with Applicable Banking Regulations;

"**First Interest Payment Date**" means 18 June 2019;

"**First Reset Date**" means 18 June 2024;

"**Group**" means the Issuer and its consolidated Subsidiaries (or any other entities that are consolidated in the Issuer's calculation of its Own Funds on a consolidated basis in accordance with Applicable Banking Regulations);

"**Interest Commencement Date**" means the Issue Date of the Notes;

"**Interest Determination Date**" means 18 June and 18 December in each year;

"**Interest Payment Date**" means the 18 June and 18 December in each year from (and including) the First Interest Payment Date ;

"**Issue Date**" means 18 April 2019;

"**Italian Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as amended, supplemented or replaced from time to time;

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**Loss Absorbing Instrument**" refers to, at any time, any Additional Tier 1 instrument (other than the Notes) of the Issuer or, as applicable, the Group that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted, in each case, in accordance with its conditions or otherwise, upon the occurrence or as a result of the CET1 Ratio of the Issuer or, as applicable, the Group, falling below a certain trigger level;

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership;

"**Loss Absorbing Written-Down Instrument**" refers to, at any time, a Loss Absorbing Instrument that has had all or some of its principal amount written down on a temporary basis;

"Margin" means 8.921%, being equal to the margin used to calculate the Initial Rate of Interest;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Issuer and/or the Group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Applicable Banking Regulation(s) (or any provision of Italian law transposing or implementing the CRD IV Directive and/or, if relevant, any other Applicable Banking Regulation(s));

"**Maximum Reinstatement Amount**" has the meaning given to such term in Condition 6.3 (*Principal Reinstatement*);

"**Original Principal Amount**" means the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes or, as the case may be, the Loss Absorbing Instrument, upon issuance without regard to any subsequent write-down or principal reinstatement;

"Outstanding Principal Amount" means (i) in respect of a Note or the Notes, the outstanding principal amount thereof, as adjusted from time to time for any reduction as required by then current legislation and/or regulations applicable to the Issuer (including as a result of the Loss Absorption Requirement), or pursuant to a Write-Down under these Conditions and (if applicable) reinstated on one or more occasions following a Principal Reinstatement under these Conditions; and (ii) in respect of a Loss Absorbing Instrument, the principal amount thereof calculated on a basis analogous to the calculation of the Outstanding Principal Amount of the Notes;

"**Optional Redemption Date (Call)**" means the First Reset Date and any Reset Date thereafter;

"**Own Funds**" shall have the meaning given to such term in the CRR, as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Net Income**" means the non-consolidated net income of the Issuer as calculated on a statutory basis and as set out in the most recently published audited financial statements after such financial statements have been formally approved by the shareholders' meeting;

"**Principal Reinstatement Amount**" means the amount by which the Outstanding Principal Amount of each Note in effect prior to the relevant Principal Reinstatement, is to be reinstated and written up on the Principal Reinstatement Effective Date on the balance sheet of the Issuer;

"**Principal Reinstatement Effective Date**" means the date on which Outstanding Principal Amount of each Note is reinstated and written up (in whole or in part) on the balance sheet of the Issuer;

"**Reference Banks**" means five leading swap dealers in the Eurozone interbank market as selected by the Issuer in its discretion;

"**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Additional Tier 1 capital of the Issuer or the Group

(as the case may be) or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism, or any successor or replacement authority having responsibility for the prudential oversight and supervision of the Issuer or the Group (as the case may be), and/or (ii) the Single Resolution Board, the European Council, the European Commission or the Bank of Italy, acting within the framework of the Single Resolution Mechanism, or any successor or replacement authority having responsibility for the resolution of the Issuer or other entities of the Group (as the case may be);

"**Relevant Screen Page**" means the display page on the relevant Reuters information service designated as:

(a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP/ISDAFIX2" page; or

(b) in the case of EURIBOR 6-month, the "EURIBOR01" page,

or in each case such other page, section or other part as may replace that page on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates equivalent or comparable thereto;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

"**Reset Date**" means the First Reset Date and every fifth anniversary thereof;

"**Reset Determination Cut-off Date**" means the date which falls fifteen (15) calendar days before the end of the Reset Interest Period relating to the Reset Determination Date in respect of which the provisions of Condition 4.4 (*Benchmark event*) shall be applied by the Issuer;

"**Reset Interest Period**" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"**Reset Determination Date**" means, in relation to a Reset Interest Period, the day falling two TARGET Settlement Days immediately preceding the Reset Date on which such Reset Interest Period commences;

"**Reset Rate of Interest**" means, in relation to a Reset Interest Period, the sum of (a) subject to Condition 4.4 (*Benchmark event*), the 5-year Mid-Swap Rate in relation to that Reset Interest Period; and (b) the Margin, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Calculation Agent on the relevant Reset Determination Date;

"**Reset Reference Bank Rate**" means, in relation to a Reset Interest Period and the Reset Determination Date in relation to such Reset Interest Period, the percentage rate determined in accordance with the provisions set out in Condition 4.3 (*Fallbacks*).

"**Risk Weighted Assets**" means, at any time, the aggregate amount of the risk weighted assets of the Issuer on a solo basis or the Group on a consolidated basis (as the case may be) as of such date, as calculated by the Issuer in accordance with the Applicable Banking Regulations, including any applicable transitional arrangements;

"**Single Resolution Mechanism**" means the single resolution mechanism established pursuant to the SRM Regulation;

"**Single Supervisory Mechanism**" means the single supervisory mechanism established pursuant to the SSM Regulation;

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended, supplemented or replaced from time to time;

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent;

"**Subsidiary**" means any company or person that is controlled by the Issuer pursuant to Article 23 of the Italian Banking Act;

"**TARGET Settlement Day**" means any day on which TARGET2 System is open for the settlement of payments in euro;

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date. For the avoidance of doubt, changes in the assessment of the Relevant Authority regarding tax effects are not considered as a Tax Law Change.

"**Tier 2 Capital**" means at any time tier 2 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

a "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes;

"**Trigger Level**" means 5.125%; and

"**Write-Down**" means, with reference to these Notes, a reduction of the Outstanding Principal Amount of each Note by the relevant Write-Down Amount in accordance with Condition 6 (*Loss Absorption following a Trigger Event*) and "**written down**" shall be construed accordingly.

3 STATUS OF THE NOTES

3.1 The Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Additional Tier 1 capital of the Issuer or the Group in accordance with Article 52 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations).

The payment obligations of the Issuer under the Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future unsecured and unsubordinated obligations of the Issuer, the Issuer's obligations in respect of any Tier 2 Instruments and any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes;

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Notes (including Additional Tier 1 instruments); and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the CET1 capital of the Issuer).

3.2 No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders. In the event of the liquidation, dissolution, winding-up (including, inter alia, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the

Consolidated Banking Act) of the Issuer that occurs after the date on which a Trigger Event occurs but before the Write-Down Effective Date (as defined in Condition 6.2(ii)), the rights and claims (if any) of the Noteholders in respect of their Notes shall be limited to such amount, if any, as would have been payable to Holders on a return of assets in such liquidation or bankruptcy of the Issuer if the Write-Down Effective Date had occurred immediately before the occurrence of such liquidation, dissolution or winding up of the Issuer.

3.3 Each holder of a Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note.

3.4 It is the intention of the Issuer that the Notes shall, for regulatory purposes, be treated as Additional Tier 1 capital, but the obligations of the Issuer and the rights of the Noteholders shall not be affected if the Notes no longer qualify as Additional Tier 1 capital. However, the Issuer may redeem the Notes in accordance with Condition 8.3 (*Redemption for regulatory reasons*).

3.5 The Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that the application of the Loss Absorption Requirement to the Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

4 INTEREST

4.1 Initial Rate of Interest and Reset Rate of Interest

Each Note bears interest on its Outstanding Principal Amount, on a non-cumulative basis, at:

(a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the First Reset Date, 8.750 per cent. per annum (the "**Initial Rate of Interest**"), being the rate that is equal to the sum of (x) the mid-swap rate for euro swap transactions with a term of five years commencing on the Issue Date; and (y) the Margin, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down); and

(b) in the case of each Interest Period from (and including) the First Reset Date, the Reset Rate of Interest in respect of the relevant Reset Interest Period, as determined by the Calculation Agent,

(the "**Rate of Interest**") payable, subject as provided in these Conditions, semi-annually in arrear on each Interest Payment Date. The first interest payment shall be made on 18 June 2019 in respect of the period from (and including) the Issue Date to (but excluding) 18 June 2019.

4.2 Determination of Reset Rate of Interest in relation to a Reset Interest Period

The Calculation Agent will, as soon as reasonably practicable after 11:00 a.m. (Central European time) on each Reset Determination Date in relation to a Reset Interest Period, determine the Reset Rate of Interest for such Reset Interest Period.

4.3 Fallbacks

(i) If on any Reset Determination Date, the Relevant Screen Page is not available or the 5-year Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its 5-year Mid-Swap Rate Quotations as at approximately 11.00 (CET) on such Reset Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate for such Reset Period will be the percentage reflecting the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided.

(ii) If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period shall be: (x) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest

Period; or (y) in respect of the Reset Interest Period commencing on the First Reset Date, 0.01% per annum (being the 5-year Mid-Swap Rate at the time of pricing).

4.4 Benchmark event

If (1) the Issuer or the Calculation Agent determines at any time prior to any Reset Determination Date, that the Relevant Screen Page has been discontinued, or (2) the 5-year Mid-Swap Rate (or the relevant component part(s) thereof) or, as applicable, the Mid-Swap Floating Leg Benchmark Rate (for the purposes of this Condition 4.4, the "**Original Reference Rate**") has ceased (or will cease, prior to the next following Reset Determination Date) to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate), or (3) following the adoption of a decision to withdraw the authorisation or registration of the relevant administrator of the Original Reference Rate as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Reset Determination Date) appoint an agent (the "**Reference Rate Determination Agent**"), which will not later than the Reset Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Original Reference Rate on each Reset Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Original Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Original Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining the Original Reference Rate on each Reset Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Original Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Original Reference Rate in these Conditions will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (i) above; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the Fiscal Agent, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (i) above.

Notwithstanding any other provision of this Condition 4.4, no Replacement Reference Rate will be adopted, nor will any other changes will be made or adjustment factor be adopted, if and to the extent that in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Additional Tier 1 instruments, or otherwise result in the Relevant Authority treating the next Interest Payment Date or Reset Date as the effective maturity of the Notes.

The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent, the Paying Agents, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Original Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in this Condition 4.4, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent, the Paying Agents and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

If, despite the circumstances set out in (1), (2) or (3) of the first paragraph of this Condition 4.4, the Issuer is unable to appoint a Reference Rate Determination Agent or for any reason a Replacement Reference Rate has not been determined or adopted prior to the Reset Determination Cut-off Date, no Replacement Reference Rate will be adopted, and the Reset Rate of Interest for the next Reset Interest

Period shall be determined by reference to the relevant fallback provisions set out in Condition 4.3 (*Fallbacks*) above, as determined by the Calculation Agent.

The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), or (iii) any other entity which the Issuer considers has the necessary competences to carry out such role.

4.5 Determination of Reset Rate of Interest and calculation of Interest Amounts

The Calculation Agent will at or as soon as practicable after each time at which the Reset Rate of Interest is to be determined, determine the Reset Rate of Interest for the relevant Reset Interest Period.

From (and including) the First Reset Date, the Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable – subject to these Conditions - on the Notes for the relevant Interest Period by applying the Rate of Interest to the Outstanding Principal Amount of such Note during such Interest Period, and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

4.6 Notification of Reset Rate of Interest and Interest Amounts

The Calculation Agent will cause the Reset Rate of Interest for each Reset Interest Period and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent, and the stock exchange or listing agent (if any) on which the Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as reasonably practicable after their determination. The Reset Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the stock exchange or listing agent (if any) on which the Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*).

4.7 Certificates to be final

All certificates, communications, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent and/or, if applicable, the Reference Rate Determination Agent, shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, negligence or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or, as applicable, the Reference Rate Determination Agent, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.8 Accrual of interest

Each Note will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of:

(a) the day on which all sums due in respect of such Note up to such day are received by or on behalf of the relevant Noteholder; and

(b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders in accordance with Condition 15 (*Notices*) that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5. INTEREST CANCELLATION

5.1 Discretionary interest payments

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest

Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be payable only out of Distributable Items.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

5.2 Restriction on interest payments

5.2.1 Without prejudice to (i) full discretion of the Issuer to cancel interest payments on the Notes; and (ii) the prohibition to make payments on Additional Tier 1 instruments pursuant to the restrictions on distributions provisions contained in the Applicable Banking Regulations before the Maximum Distributable Amount (in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies) is calculated:

(i) subject to the extent permitted in Condition 5.2.2 below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and all other Own Funds items (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Instruments, in each case paid (or made) and/or scheduled to be paid (or made) in the then current financial year;

(ii) subject to the extent permitted in Condition 5.2.2 below, in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment – when aggregated with (x) other distributions of the kind referred to in the restrictions on distributions provisions contained in Article 141 of the CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups (where applicable) on any Loss Absorbing Written-Down Instruments - would cause the Maximum Distributable Amount then applicable to the Issuer or the Group (as the case may be) to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations;

(iii) the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes scheduled to be paid; and

(iv) if a Trigger Event occurs at any time, the Issuer shall not make any further interest payment on the Notes (including any Additional Amounts in respect thereof). Any accrued and unpaid interest through to the Write-Down Effective Date relating to such Trigger Event (whether or not such interests have become due for payment) shall be automatically cancelled, and shall not be due and payable.

5.2.2 The Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without

breaching the restrictions set out in sub-paragraphs (i), (ii), (iii) and (iv) of Condition 5.2.1 above.

5.3 Effect of interest cancellation

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 5.1 (*Discretionary interest payments*) or Condition 5.2 (*Restriction on interest payments*) above. Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute: (i) an Event of Default under Condition 11 (*Event of Default and Enforcement*) or any other default for any purpose, (ii) any breach of any obligation of the Issuer under the Notes; (iii) the occurrence of any event related to the insolvency of the Issuer; and shall not entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Issuer, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

5.4 Notice of interest cancellation

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders on or prior to the relevant Interest Payment Date at least five (5) Business Days prior to the relevant Interest Payment Date. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment on the Notes that will be paid on the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

5.5 Interest Amount in case of Write-Down

Subject to Condition 5.1 (*Discretionary interest payments*) and Condition 5.2 above (*Restriction on interest payments*), in the event that a Write-Down occurs during an Interest Period, any accrued and unpaid interest shall be cancelled pursuant to Condition 6.2 (*Effect of Trigger Event*) and the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated in accordance with Condition 4 (*Interest*), provided that the Day Count Fraction shall be determined as if the Interest Period started on, and included, the Write-Down Effective Date.

5.6 Interest Amount in case of Principal Reinstatement

Subject to Condition 5.1 (*Discretionary interest payments*) and Condition 5.2 above (*Restriction on interest payments*), in the event that one or more Principal Reinstatement(s) occur(s) during an Interest Period, any Interest Amount payable on the Interest Payment Date immediately following such Principal Reinstatement(s) shall be calculated by determining the amount of interest accrued on the Notes for each period (ending on (and excluding) the write-up date on which a Principal Reinstatement occurs) within such Interest Period during which a different Outstanding Principal Amount subsists (for the purpose of this Condition 5.6, a "**Relevant Period**"), which shall be the product of (x) the applicable Rate of Interest, (y) the Outstanding Principal Amount before (and excluding) the write-up date on which such Principal Reinstatement occurs, and (z) the Day Count Fraction (determined as if the Calculation Period ended on, but excluding, the date of such Principal Reinstatement); and the Interest Amount payable – subject to these Conditions - for such Interest Period shall be the aggregate of the amounts of accrued interest calculated as aforesaid for all Relevant Periods.

6. LOSS ABSORPTION FOLLOWING A TRIGGER EVENT

6.1 **Notice Following a Trigger Event**

If at any time a Trigger Event occurs, the Issuer shall without delay notify the Relevant Authority and, in accordance with Condition 15 (*Notices*), the Holders (such notice, a "**Trigger Event Notice**" and the date of delivery of such notice, the "**Trigger Event Notice Date**") and shall irrevocably and mandatorily (without any requirement for the consent or approval of the Holders) write down the Outstanding Principal Amount of each Note (in whole or, as applicable, in part), with effect as from the Write-Down Effective Date in accordance with Condition 6.2 (*Effect of Trigger Event*). The Trigger Event Notice shall be sufficient evidence of the occurrence of such Trigger Event and, together with

the underlying calculations and any determination of the relevant Write-Down Amount, shall be conclusive and be binding on the Noteholders.

The Issuer shall specify in the Trigger Event Notice, *inter alia*, the Write-Down Amount and the Write-Down Effective Date. If the Write-Down Amount and/or the Write-Down Effective Date have/has not been determined at the time of the Trigger Event Notice, or if there is any change to the amount or, as the case may be, the date previously notified, the Issuer shall, as soon as reasonably practicable, give a further notice to the Relevant Authority and, in accordance with Condition 15 (*Notices*), the Holders, to confirm the definitive Write-Down Amount and, if applicable, the definitive Write-Down Effective Date.

A Trigger Event may occur on more than one occasion and the Outstanding Principal Amount of each Note may be written down on more than one occasion, provided that the Outstanding Principal Amount of a Note may never be reduced to below the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations.

Failure to give the Trigger Event Notice, to notify Holders as provided in this Condition 6 or to give any other notices in connection with the Write-Down of the Notes shall not in any way impact on the effectiveness of, or otherwise invalidate or prejudice, the write down of these Notes as described below or give Holders any rights as a result of such failure.

6.2 **Effect of Trigger Event**

If at any time a Trigger Event occurs:

(i) each Note shall be written-down, with effect as from the Write-Down Effective Date, by writing down its Outstanding Principal Amount by an amount, being:

(a) the amount that - together with: (x) the write-down on a *pro rata* basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument – would be sufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level; or

(b) if the write-down (together with (x) the write-down on a *pro rata* basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument) is insufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations

(the "**Write-Down Amount**");

(ii) the principal write-down of the Notes shall take place without delay and (unless the Relevant Authority determines otherwise) in any event not later than one month from the time it is determined that the Trigger Event has occurred (the "**Write-Down Effective Date**");

(iii) following a Write-Down, Noteholders shall automatically and irrevocably lose their rights to receive, and shall no longer have any rights against the Issuer with respect to, repayment of the Write-Down Amount, or any other amount on or in respect of such Write-Down Amount (but without prejudice to their rights in respect of any principal amount reinstated pursuant to Condition 6.3 (*Principal Reinstatement*) below; and

(iv) any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled in accordance with Condition 5.2.1(iv), and shall not be due and payable; and

(v) following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

If, in connection with a Write-Down or the calculation of a Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written-down or converted in full and not in part only ("**Full Loss Absorbing Instruments"**) or any Loss Absorbing Instruments the terms of which provide that they shall be written-down or converted when the CET1 Ratio falls below a level that is higher than the Trigger Level ("**Prior Loss Absorbing Instruments**"), then:

(A) the requirement that a Write-Down of the Notes shall be effected pro rata with the write-down or conversion, as the case may be, of any such Full Loss Absorbing Instruments shall not be construed as requiring the Notes to be written-down in full (or in full save for the one cent floor) simply by virtue of the fact that such Full Loss Absorbing Instruments will be written-down or converted in full; and

(B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal or conversion into Ordinary Shares, as the case may be, among the Notes and such other Loss Absorbing Instruments on a pro rata basis) as if their terms permitted partial write-down or conversion, such that the write-down or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written-down or converted *pro rata* with the Notes and all other Loss Absorbing Instruments (in each case subject to and as provided in the preceding paragraph) to the extent necessary to cure the relevant Trigger Event; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-down or converted, as the case may be, with the effect of increasing the Issuer's and/or the Group's, as the case may be, CET1 Ratio above the minimum required level under (a) above; and

(C) for the purposes of calculating the Write-Down Amount, the write-down or, as the case may be, conversion of any Prior Loss Absorbing Instrument shall be taken into account only to the extent required to restore the CET1 Ratio to the Trigger Level.

To the extent that the write-down or conversion of any Loss Absorbing Instrument is not effective for any reason, (i) such ineffectiveness shall not prejudice the requirement to effect a write-down of these Notes; and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of these Notes.

Any Write-Down of a Note shall not constitute an Event of Default or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not entitle the Noteholders to any compensation or to petition for the insolvency or dissolution of the Issuer or otherwise.

6.3 **Principal Reinstatement**

(i) For so long as each Note remains written down, provided that a positive Net Income or Consolidated Net Income has been recorded, its Outstanding Principal Amount may (at the discretion of the Issuer) be increased up to a maximum of its Original Principal Amount (a "**Principal Reinstatement**") on a *pro rata* basis with other Loss Absorbing Written-Down Instruments (based on their then prevailing Outstanding Principal Amount), in accordance with (and subject to the limits of) the provisions of this Condition 6.3 and the Applicable Banking Regulations (including, *inter alia*, Article 21 of the Delegated Regulation).

(ii) Any Principal Reinstatement of these Notes and any principal reinstatement of other Loss Absorbing Written-Down Instruments, and the payment of interests or other distributions on these Notes and such other Loss Absorbing Written-Down Instruments (if any), shall be operated at the full discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate any Principal Reinstatement under specific circumstances.

(iii) Principal Reinstatements on these Notes may be made on one or more occasions until the Outstanding Principal Amount of the Notes has been reinstated to the Original Principal Amount.

(iv) No Principal Reinstatement may take place if a Trigger Event has occurred and for so long it is continuing, or if such Principal Reinstatement (either alone or together with the *pro rata* principal

reinstatements of other Loss Absorbing Written-Down Instruments) would cause a Trigger Event to occur.

(v) The Principal Reinstatement Amount shall be determined by the Issuer at its discretion subject to the following limits and any other limitations from time to time set forth in Applicable Banking Regulations:

(a) in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, the proposed Principal Reinstatement of these Notes would - when aggregated with the payment of all other amounts that fall within the scope of the similar restrictions on distributions provisions contained in the CRD IV and/or the BRRD from time to time applicable to the Issuer and taking into account any principal reinstatements on other Loss Absorbing Written-Down Instruments - be limited to the extent necessary to ensure the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group is not exceeded; or

(b) the aggregate amount of (aa) the proposed Principal Reinstatement of these Notes, (bb) the *pro rata* concurrent (or substantially concurrent) principal reinstatement of other Loss Absorbing Written-Down Instruments, (cc) any previous Principal Reinstatements of these Notes and principal reinstatements of such other instruments made after the end of the then previous financial year out of the Net Income or, as the case may be, Consolidated Net Income, and (dd) payments of interest or other distributions in respect of these Notes and such other instruments paid, on the basis of an Outstanding Principal Amount that is lower than their Original Principal Amount, at any time after the end of the then previous financial year, shall not exceed the lower of:

(x) Net Income (aa) multiplied by the sum of the Original Principal Amount of the Notes and the aggregate Original Principal Amount of all Loss Absorbing Written-Down Instruments of the Issuer (on a solo basis) and (bb) divided by the Tier 1 capital of the Issuer (on a solo basis), as at the date of the Principal Reinstatement; and

(y) Consolidated Net Income (aa) multiplied by the sum of the Original Principal Amount of the Notes and the aggregate Original Principal Amount of all Loss Absorbing Written-Down Instruments of the Issuer (on a consolidated basis) and (bb) divided by the Tier 1 capital of the Issuer (on a consolidated basis), as at the date of the Principal Reinstatement

(the "**Maximum Reinstatement Amount**").

(vi) If the Issuer exercises its discretion to effect a Principal Reinstatement in accordance with and subject to the limits of this Condition 6.3, it shall give notice thereof to the Noteholders in accordance with Condition 15 (*Notices*) specifying the Principal Reinstatement Amount (which shall be conclusive and binding on the Noteholders) and the Principal Reinstatement Effective Date.

(vii) On the Principal Reinstatement Effective Date and subject to the prior consent of the Relevant Authority (if required under then prevailing Applicable Banking Regulations), the Issuer may write-up the Outstanding Principal Amount of each Note by the Principal Reinstatement Amount on a *pro rata* basis with other Notes.

(viii) Any decision by the Issuer to effect, or not to effect, a Principal Reinstatement on any occasion shall not prevent the Issuer from effecting, or not effecting, a Principal Reinstatement on any other occasion pursuant to this Condition 6.3.

7. PAYMENTS

7.1 Method of Payment

Subject as provided below, payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

7.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of Payment*) against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in these Conditions, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

On the due date for redemption in whole of any Note pursuant to these Conditions, all unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

7.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. On the occasion of each payment, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent, and such record shall be prima facie evidence that the payment in question has been made.

7.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

7.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10 (*Prescription*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (if applicable); and

(b) a TARGET Settlement Day.

7.6 Interpretation of principal and interest

Any reference in these Conditions to "**principal**" in respect of the Notes shall be construed as referring to the Outstanding Principal Amount of the Notes.

Any reference in these Conditions to "**interest**" in respect of the Notes shall be deemed to include - subject to these Conditions - any Additional Amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

8. REDEMPTION, PURCHASE AND CANCELLATION

8.1 No fixed redemption

The Notes have no fixed redemption date.

Unless previously redeemed or purchased and cancelled in accordance with these Conditions, the Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganization), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 18 April 2019 provide for the duration of the Issuer to expire on 23 December 2114, but if such expiry date is extended, maturity of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 8. The Notes may not be redeemed at the option of the Noteholders.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall – subject to these Conditions - be irrevocable), if:

(a) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*), or (y) part of the interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, deductible for Italian corporate income tax purposes, in each case, as a result of any Tax Law Change; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it

(a "**Tax Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be conclusive and binding on the Noteholders and the Couponholders). The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 8.2 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Any redemption pursuant to this Condition 8.2 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.3 Redemption for regulatory reasons

Upon the occurrence of a Regulatory Event, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall – subject to these Conditions - be irrevocable).

Upon the expiry of any such notice as referred to in this Condition 8.3, the Issuer shall redeem the Notes in accordance with this Condition 8.3, at their Outstanding Principal Amount together with accrued interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) thereon to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Prior to the publication of any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be conclusive and binding on the Noteholders and the Couponholders). The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 8.3 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Any redemption pursuant to this Condition 8.3 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.4 Redemption at the option of the Issuer (Issuer Call)

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (*Notices*); and

(b) not less than 7 days (or such shorter period as may be agreed with the Fiscal Agent) before the giving of the notice referred to in (a) above, notice to the Fiscal Agent,

(which notices shall – subject to these Conditions - be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes then outstanding on any Optional Redemption Date (Call) at their Outstanding Principal Amount together with interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Any redemption pursuant to this Condition 8.4 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.5 Purchases

The Issuer or any of its Subsidiaries may purchase the Notes (**provided that**, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

The Issuer may not purchase Notes prior to the fifth anniversary of their Issue Date, except for any purchases made for market making purposes, where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the principal amount of the Notes; and (ii) 3% of the total amount of Additional Tier 1 instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Any purchase pursuant to this Condition 8.5 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

References in these Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer or any of its Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a *bona fide* investment.

8.6 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.5 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

8.7 Regulatory conditions for call, redemption, repayment or purchase

Any call, redemption, repayment or repurchase of the Notes pursuant to Condition 8.2 (*Redemption for tax reasons*), Condition 8.3 (*Redemption for regulatory reasons*), Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 8.5 (*Purchases*) is subject, if and to the extent required, to the following conditions:

(a) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78 of the CRR, where either:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and, if applicable, eligible liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements laid down in the applicable provisions of the CRR, the CRD IV and the BRRD by a margin that the Relevant Authority considers necessary; and

(b) in respect of a redemption prior to the fifth anniversary of the Issue Date of the Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

(i) in the case of redemption pursuant to Condition 8.2 (*Redemption for tax reaso*ns), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(ii) in case of redemption pursuant to Condition 8.3 (*Redemption for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes.

8.8 Trigger Event post redemption notice

If the Issuer has elected to redeem the Notes in accordance with the aforementioned provisions of this Condition 8 but prior to the payment of the redemption amount with respect to such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and conversion shall apply in accordance with Condition 7 (*Loss Absorption following a Trigger Event*).

8.9 No redemption notice post Trigger Event

The Issuer shall not give a redemption notice in accordance with the aforementioned provisions of this Condition 8 after a Trigger Event occurs and for so long as it has not been remedied.

9. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present

or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer will – to the extent that such payment can be made out of Distributable Items on the same basis as for payment of interests in accordance with Condition 5 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations - pay such additional amounts ("**Additional Amounts**") on interest (but not on principal) as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the amounts of interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) presented for payment by, or on behalf of, a holder or a beneficial owner of a Note or Coupon being a resident in the Republic of Italy or who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy; or

(c) to the extent that interest or any other amount payable is paid to a non-Italian resident entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

(d) in all circumstances in which the requirements and procedures set forth in Italian Legislative Decree No. 239 of 1 April, 1996 (as amended or supplemented from time to time) have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.5 (*Payment Day*); or

(f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non.-residence or other similar claim for exemption but has failed to do so;

(g) where it will be required to withhold or deduct any taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, the U.S. Treasury Regulations thereunder any official interpretations thereof or any agreements, law, regulation or other official guidance implementing an intergovernmental approach thereto in connection with any payments.

As used in these Conditions:

(a) "**Tax Jurisdiction**" means the Republic of Italy or in either case, any political subdivision or any authority thereof or therein having power to tax; and

(b) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

10. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 7.2 (*Presentation of definitive Notes and Coupons*).

11. EVENT OF DEFAULT AND ENFORCEMENT

The Notes are, and they shall immediately become, due and repayable at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment, if the Issuer is subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with the relevant provisions of the Italian Civil Code and/or Article 97 of the Italian Banking Act otherwise than for the purposes of an Approved Reorganisation, provided that repayment of the Notes will only be effected after the Issuer has obtained the prior approval of the Relevant Authority (if so required), and provided further that no payments will be made to the Noteholders or Couponholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders and the Couponholders as described in Condition 3 (*Status of the Notes*) have been paid by the Issuer, as ascertained by the liquidator.

No remedy against the Issuer other than as specifically provided by this Condition shall be available to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing *"* in respect of the Notes and the related Coupons or in respect of any breach by the Issuer of any of its obligations under the Notes and the related Coupons or otherwise.

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD, is not an event of default.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts in accordance with the terms of the Agency Agreement, **provided that**:

(a) there will at all times be an Fiscal Agent and a Paying Agent with its specified office in a country outside the relevant Tax Jurisdiction; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority.

Any variation, termination, appointment or change shall only take effect once notice thereof shall have been given to the Noteholders in accordance with Condition 15 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Paying Agents are under no fiduciary duty and act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such

further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

15. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times), and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, on the Luxembourg Stock Exchange's website (*www.bourse.lu*) or, in each of the above cases, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or on the website of such stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the date of delivery to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the related Note or Notes, with the Fiscal Agent or the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent by delivery to Euroclear and/or Clearstream, Luxembourg as aforesaid.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

16.1 Meeting of Noteholders, modification and waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons defined as "**Reserved Matters**" in the Agency Agreement (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary

Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is: (a) in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; or (b) of a formal, minor or technical nature or to correct a manifest error or to cure or correct any ambiguity or defective or inconsistent provision contained therein; or (c) to comply with mandatory provisions of the law.

In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the Replacement Reference Rate as described in Condition 4.4 (*Benchmark event*) or such other relevant changes pursuant to Condition 4.4 (*Benchmark event*).

Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as reasonably practicable thereafter.

16.2 Modification of the Notes

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing, and/or (ii) in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), at any time to modify the terms and conditions of the Notes, which modification, for the avoidance of doubt, shall be treated as being outside the scope of the Reserved Matters, **provided that:**

(a) such modification is reasonably necessary in the sole opinion of the Issuer to ensure, as applicable, that no Regulatory Event or Tax Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail- In Power*) or in accordance with applicable law is ensured;

(b) following such modification of the existing Notes (the "**Existing Notes**"):

(A) the terms and conditions of the Notes, as so modified (the "**Modified Notes**") are - other than in the case of a modification to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law - not materially less favourable to a holder of the Existing Notes (as reasonably determined by the Issuer) than the terms and conditions applicable to the Existing Notes prior to such modification;

(B) the Modified Notes shall have a ranking at least equal to that of the Existing Notes and shall feature the same tenor, currency, principal amount, interest rates (including applicable margins), Interest Payment Dates and redemption rights as the Existing Notes;

(C) the Modified Notes are assigned (or maintain) the same solicited credit ratings (if any) as were assigned to the Existing Notes immediately prior to such modification, provided that such change in rating, if any, shall only be relevant for the purposes of this Condition 16.2(b)(C), if related specifically to the modification;

(D) the Modified Notes shall comply with the then current requirements of Applicable Banking Regulations in relation to Additional Tier 1 Capital

(E) the Modified Notes preserve any existing rights under the Existing Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of such modification; and;

(F) the Modified Notes continue to be listed on a recognised stock exchange, if the Existing Notes were listed immediately prior to such modification;

(c) the modification does not itself give rise to any right of the Issuer to redeem the Existing Notes, without prejudice to the provisions under Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*); and

(d) the Relevant Authority has approved such modification (if such approval is required under the Applicable Banking Regulations applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations applicable at that time) and, following the expiry of all relevant statutory time limits, the Relevant Authority is no longer entitled to object or impose changes to the proposed modification. In connection with any modification made pursuant to this Condition 16.2, the Issuer shall comply with the rules of any stock exchange on which the Notes are then listed or admitted to trading and of any authority that is responsible for the supervision or regulation of such exchange.

Any such modification shall be binding on all Noteholders and Couponholders and shall be notified by the Issuer as soon as reasonably practicable to the Noteholders in accordance with Condition 15 (*Notices*).

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Notes and the Coupons are governed by, and shall be construed in accordance with, Italian law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of Milan are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of such courts.

The Issuer waives any objection to the courts of Milan on the grounds that they are an inconvenient or inappropriate forum.

Nothing contained in this Condition shall limit any right to taking proceedings against the Issuer construed in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

19. CONTRACTUAL RECOGNITION OF BAIL-IN POWER

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer and any holder of the Notes and without prejudice to Article 55(1) of the BRRD, each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), agrees to be bound by and consent to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto;

(B) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions;

(C) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and

(D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-In Power by the Relevant Authority.

Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 15 *(Notices*) as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Fiscal Agent for information purposes. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-In Power nor the effects on the Notes described in this Condition 19.

The exercise of the Bail-In Power by the Relevant Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply to the Outstanding Principal Amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the Outstanding Principal Amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of the Bail-In Power.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be applied by the Issuer for its general corporate purposes and to improve the regulatory capital structure of the Group.

DESCRIPTION OF THE ISSUER

Please refer to the information on the Issuer and the Banco BMP Group in the documents incorporated herein by reference as set out in the section headed "*Documents Incorporated by Reference*".

Principal Shareholders

Pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Finance Act**"), shareholders who hold more than 3% of the share capital of a listed company are obliged to notify that company and the Italian regulator CONSOB of their holding.

As at 24 March 2019, the significant shareholders of Banco BPM are the following (source: CONSOB):

	% of Ordinary Shares
Invesco LTD	5.132
Capital Research and Management Company	5.198

SELECTED FINANCIAL DATA

The information set out in this Prospectus in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018, which were audited by PricewaterhouseCoopers S.p.A.; and

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017, which were audited by PricewaterhouseCoopers S.p.A.,

that are incorporated by reference into this Prospectus.

So long as any of the Notes remain outstanding, copies of the above-mentioned consolidated financial statements will be made available at the office of the Fiscal Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management reporting.

Considering the changes introduced with the application of IFRS 9, in order to ensure adequate information on the evolution of the Group's equity and financial situation, the reclassified balance sheet has been prepared providing for comparative purposes the information as at 1 January 2018 with the adoption of the new accounting standards, in addition to the information relating to 31 December 2017. With reference to the reclassified income statement, the adoption of IFRS 9 has led to a redefinition of the aggregates relating to net financial result and to value adjustments for impairment, according to the new categories of financial instruments and the relative measurement criteria.

Group financial highlights

(in thousands of Euro)	31 December 2017 IAS 39 (*)	31 December 2018 IFRS 9
Reclassified income statement figures (**)		
Financial margin	2,279,483	2,452,019
Net fee and commission income	1,950,410	1,848,760
Operating income	4,483,759	4,772,910
Operating expenses	(2,924,124)	(2,792,781)
Income (loss) from operations	1,559,635	1,980,129
Income (loss) before tax from continuing operations	(229,604)	(129,679)
Net income (loss) without Badwill and impairment	557,841	(56,503)
Badwill	3,076,137	-
Net income (loss)	2,616,362	(59,432)

(*) The figures for the previous period, originally calculated in compliance with IAS 39, have been reclassified to provide a like-for-like comparison

(**) *The reconciliation between the reclassified income statement figures and the income statement figures is reported in the related audited consolidated annual financial statements, incorporated by reference in this Prospectus.*

(in millions of Euro)	31 December 2017 IAS 39	1 January 2018 IFRS 9	31 December 2018 IFRS 9
Reclassified Balance sheet figures			
Total assets	161,206.8	160,206.1	160,464.8
Loans to customers (net)	107,742.7	106,108.2	104,014.6
Financial assets and hedging derivatives	34,533.2	34,884.8	36,852.9
Shareholders' equity	11,900.2	10,834.6	10,259.5
Customers' financial assets			
Direct funding (*)	107,509.8	107,525.1	105,219.7
Indirect funding	101,328.5	101,328,5	88,212,7
- Asset management	60,545,2	60,545,2	55,689,6
- Mutual funds and SICAVs	37,605,3	37,605,3	35,992,0
- Securities and fund management	6,941,1	6,941,1	4,804,7
- Insurance policies	15,998,8	15,998,8	14,892,9
- Administered assets	40,783,3	40,783,3	32,523,1
Information on the organisation			
Average number of employees and other staff (**)	23,227	23,227	21,846
Number of bank branches	2,320	2,320	1,804

(*) It is noted that Direct funding as at 31 December 2017 and 1 January 2018 include the volume of the custodian banking activity (€3.7 billion, of which €3.0 billion of current accounts and demand deposits and sight deposits and €0.7 billion of Other debts), sold in third quarter of 2018.

(**) Weighted average calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group companies.

Financial and economic ratios and other Group figures

	31 December 2017 IAS 39 (*)	31 December 2018 IFRS 9
Alternative performance measures		
Profitability ratios (%)		
Financial margin / Operating income	50.84%	51.37%
Net fee and commission income / Operating income	43.50%	38.73%
Operating expenses / Operating income	65.22%	58.51%
Operational productivity figures (000s of euro)		
Operating income per employee (**)	193.0	218.5
Operating expenses per employee (**)	125.9	127.8
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	6.02%	1.53%
Unlikely to pay/Loans to customers (net)	5.99%	4.85%
Net bad loans/Shareholders' equity	54.52%	15.51%
Other ratios		
Financial assets and hedging derivatives / Total assets	21.42%	22.97%
Derivative assets/Total assets	1.33%	1.16%
- trading derivatives/total assets	1.18%	1.08%
- hedging derivatives/total assets	0.15%	0.08%
Net trading derivatives (***)/Total assets	0.78%	0.62%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	12.36%	12.06%
Tier 1 capital ratio	12.66%	12.26%
Total capital ratio	15.21%	14.68%
Liquidity Coverage Ratio (LCR)	125.61%	154.13%
Leverage ratio	5.59%	4.57%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock	2.62	1.97
- Maximum	3.51	3.15
- Minimum	2.16	1.56
- Average	2.86	2.48
Basic EPS	0.368	(0.037)
Diluted EPS	0.368	(0.037)

(*) *The ratios are determined excluding the merger difference (badwill in the income statement) and with reference to the data calculated in compliance with IAS 39*

(**) *Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies, the amount of which is shown in the previous table.*

(***) *The aggregate of net trading derivatives corresponds to the mismatch, in absolute terms, between the derivatives included under Balance Sheet item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item 20 of liabilities, "Financial liabilities held for trading".*

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM for the years ended 31 December 2018 and 2017, the management has identified several Alternative Performance Measures ("**APMs**"). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the Issuer, because they facilitate the identification of significant operating trends and financial parameters. This Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), applicable as of 3 July 2016, which are used by the management of the Issuer to monitor the Issuer's financial and operating performance:

- "Core Total Income" is calculated as the sum of "net interest income" and "net fees and commissions";
- "Core direct funding" is calculated as the sum of current accounts and demand deposits;
- "Core customer loans" is calculated as the sum of mortgage loans, current accounts and personal loans.
- "Normalised net interest income" is calculated as net interest income net of the non-recurring economic components[1];
- "Normalised total income" is calculated as total income net of the non-recurring economic components[1];
- "Normalised operating costs" is calculated as operating costs net of the non-recurring economic components[1];
- "Normalised profit on operations" is calculated as profit on operations net of the non-recurring economic components[1];
- "Normalised loan loss provisions" is calculated as loan loss provisions net of the non-recurring economic components[1];
- "Normalised profit before tax" is calculated as profit before tax net of the non-recurring economic components[1];
- "Normalised net income" is calculated as net income net of the non-recurring economic components[1];
- "Financial margin/Operating income" is calculated as the ratio of Financial margin to Operating income;
- "Net fee and commission income/Operating income" is calculated as the ratio of Net fee and commission income to Operating income;
- "Operating expenses/Operating income" is calculated as the ratio of Operating expenses to Operating income;
- "Net bad loans/Loans to customers (net)" is calculated by dividing the net amount of bad loans by the net amount of loans to customers;
- "Unlikely to pay/Loans to customers (net)" is calculated by dividing the net amount of unlikely to pay by the net amount of loans to customers;
- "Net bad loans/Shareholders' equity" is calculated by dividing the net amount of bad loans by the amount of Shareholders' equity;
- "Financial assets and hedging derivatives/Total assets" is calculated by dividing the amount of financial assets and hedging derivatives by total assets;
- "Trading derivatives/total assets" is calculated by dividing the amount of the derivatives included under Balance Sheet[2] item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading" by total assets;
- "Hedging derivatives/total assets" is calculated by dividing the amount of Balance Sheet item[2] 50. of assets by total assets;
- "Net trading derivatives/Total assets" is calculated by dividing the mismatch, in absolute terms, between the derivatives included under Balance Sheet item[2] 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item[2] 20 of liabilities, "Financial liabilities held for trading", by total assets;
- "Gross loans/Direct funding" is calculated by dividing the amount of gross loans to customers by direct funding;
- ROE (Return on Equity) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by Shareholders' equity;

[1] Non-recurring economic components are reported and described in Group report on operations (pages 39-40).
[2] Official schedule envisaged by the Bank of Italy Circular no. 262.

- ROA (Return on Assets) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by total assets.

It should be noted that:

(a) the APMs are based exclusively on historical data of the Issuer and are not indicative of future performance;

(b) the APMs are not derived from IFRS and, while they are derived from the consolidated financial statements of Banco BPM prepared in conformity with these principles, they are not subject to audit;

(c) the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measures derived in accordance with IFRS or any other generally accepted accounting principles;

(d) the above-mentioned APMs are calculated on the basis of the reclassified financial statements, unless otherwise specified, and should be read together with the financial information of Banco BPM for the years ended 31 December 2018 and 2017 taken from their consolidated financial statements;

(e) since not all companies calculate APMs in an identical manner, the presentation of Banco BPM may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data;

(f) the APMs and definitions used herein are consistent and standardised for the period for which financial information in this Prospectus is included.

Credit quality

(in millions of Euro)	**31 December 2017**		**1 January 2018**		**31 December 2018**	
	Net exposure	**% impact**	**Net exposure**	**% impact**	**Net exposure**	**% impact**
Bad loans	6,487.6	6.0%	5,241.8	4.9%	1,591.4	1.5%
Unlikely to pay	6,458.8	6.0%	6,272.7	5.9%	5,047.9	4.9%
Past due	80.4	0.1%	80.4	0.1%	87,5	0.1%
Non-performing loans	**13,026.9**	**12.1%**	**11,594.9**	**10.9%**	**6,726.9**	**6.5%**
Performing loans	**94,715.8**	**87.9%**	**94,513.3**	**89.1%**	**97,287.7**	**93.5%**
Total loans to customers	**107,742.7**	**100.0%**	**106,108.2**	**100.0%**	**104,014.6**	**100.0%**

Capital Requirements for Banco BPM and the Group

On 8 February 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis.

The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013.

Therefore, in compliance with Article 16(2)(a) of the same Regulation (EU) No. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.25% was introduced to be added to minimum capital requirements.

Taking the above into account, in 2019, the Banco BPM Group is required to meet the following capital ratios at consolidated level:

- CET1 ratio: 9.31% (phase-in) and 9.50% (fully-loaded);
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%;
- Total SREP Capital requirement: 10.25%.

The above requirements include Pillar 2 requirement of 2.25% in CET1 ratio items and capital conservation buffer of 2.50%. Moreover, since Banco BPM is a systematically important institution, it is required to gradually reach an O-SII buffer of 0.25% of its total risk-weighted exposure. The Group is to reach this buffer through linear increments between 1 January 2019 and 1 January 2022. For 2019, the O-SII buffer is equal to 0.06% of the total risk-weighted exposure.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 December 2018 of 12.1% at phase-in level, a Tier 1 ratio of 12.3% at phase-in level a Total Capital ratio equal to 14.7% at phase-in level. The corresponding ratios of Banco BPM at solo level at 31 December 2018 were as follows: CET1 ratio of 11.9%, a Tier 1 ratio of 12.1% and a Total Capital of 14.7%, in each case, on phase-in basis. The aforementioned ratios are calculated applying the transitional provision under Article 473 bis of the CRR, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9.

Excluding the application of the transitional provision, the CET1 ratio of Banco BPM Group as of 31 December 2018 would be equal to 10.0% (CET1 ratio fully loaded).

Adjusted Capital Ratios

Adjusted to take into account the effect of: (a) transactions further to capital management actions pursuant to contractual agreements already signed with the counterparties and expected to be completed by 30 June 2019 (described further below) and (b) the agreed level of dividend pay out related to Agos Ducato S.p.A. ("**Agos**"), all other conditions being equal, Banco BPM Group's estimated CET1 ratio is expected to be 11.54% (fully loaded) and 13.48% (phased in) and Total Capital ratio is expected to be 16.16% (phase in) (the "**Adjusted Capital Ratios**").

The capital management actions that have been taken into account for the purpose of the Adjusted Capital Ratios and their expected impact on Banco BPM Group's Capital ratios are described below.

Reorganisation of consumer credit business

On 30 November 2018, Banco BPM announced that it signed a memorandum of understanding with Crédit Agricole aimed at strengthening the consumer credit partnership in Italy.

Pursuant to the memorandum of understanding, Agos will acquire, for a total consideration of Euro 310 million, ProFamily S.p.A., upon completion of the demerger of the non-banking distributed business of ProFamily S.p.A. which will be carved-out in a separate fully owned subsidiary of Banco BPM ("**New Company**"). In addition, Banco BPM will maintain its current shareholding of 39% in Agos and the other 61% will be owned by Crédit Agricole.

With effect from the completion of the transaction, ProFamily S.p.A., as part of Agos, will have an exclusive distribution agreement for 15 years via the Banco BPM Group's commercial network.

In the context of the transaction, Banco BPM and Crédit Agricole also agreed to explore the possible listing of Agos through an initial public offering ("IPO") within the next 2 years. As part of the IPO, Banco BPM will have the option but not the obligation to reduce its stake in Agos. Further, Banco BPM obtained from Crédit Agricole a put option for a stake of 10% of Agos at a price of Euro 150 million. Banco BPM will have the right to exercise the put option starting from 1 July until 31 July 2021 if, by 30 June 2021, it will have:

i. disposed or taken the actions to put under liquidation the fully owned New Company in which the non-banking distributed business of ProFamily S.p.A. will have been carved-out;

ii. initiated an IPO process of Agos but such process has not been completed due to adverse market conditions or fails to ensure a cash return for Banco BPM of more than Euro 150 million;

iii. started a sale process (outside of the IPO process) in respect of the target 10% stake of Agos.

Finally Banco BPM and Crédit Agricole agreed to increase the dividend pay out level related to Agos's 2018 net profit from 75% to 85%.

The expected impact on Banco BPM Group's fully loaded CET1 ratio, deriving from the capital gain that will be recognized at the time of the sale of ProFamily and the reduction in the deductions from CET1 capital connected to the shareholding held in Agos considering the impacts of the agreed level of dividend pay out on the 2018 profit and the purchased put option, is + 101 basis points.

Disposal of portfolio of bad loans and establishment of a dedicated NPL servicing partnership with a specialized bank

On 30 November 2018, Banco BPM granted powers to its Chief Executive Officer to negotiate the disposal of up to Euro 7.8 billion of bad loans in light of three binding offers received by the following consortia of investors: (A) Credito Fondiario S.p.A. ("**Credito Fondiario**") and Elliot International L.P. ("**Elliot**"), (B) DoBank, Fortress and Spaxs, and (C) Prelios and Christofferson Robb & Company.

On 10 December 2018, Banco BPM announced that its Board of Directors approved the binding offer submitted by Elliott and Credito Fondiario.

Pursuant to the agreement reached with Elliot and Credito Fondiario, the parties agreed:

i. the sale of a portfolio of bad loans for a nominal amount of Euro 7.8 billion in the context of a securitization transaction, Banco BPM maintaining the right to reduce the size of the portfolio to Euro 7 billion;

ii. that the senior notes could be issued in the context of a securitization transaction structure in order to benefit from the State guarantee of the securitization of non-performing loans pursuant to the Law Decree no. 18/2016 ("**GACS**") and before the expiration of the current GACS scheme; as an alternative, Banco BPM has the option to structure the transaction as a bilateral transaction in the context of which Banco BPM would subscribe the senior notes;

iii. that Elliott (through a controlled company) would subscribe the junior and mezzanine tranches of the notes that will be issued in the context of the securitization; and

iv. to create a NPL servicing platform in partnership with Credito Fondiario with the following main features: (a) 70% of the new platform will be held by Credito Fondiario and 30% will be held by Banco BPM, (b) the management of the portfolio will be sold in the context of the securitization transaction and (c) a 10-year agreement for the servicing of 80% of Banco BPM new flows of bad loan portfolios will be signed.

The aforementioned transactions envisage a valuation of approximately Euro 143 million for 100% of the NPL servicing platform referred to above.

On 28 December 2018 the sale of a portfolio of bad loans was completed to the company Leviticus SPV S.r.l., a vehicle specifically set up which does not belong to the Banco BPM Group, under the terms of the law on securitisations (Italian Law no. 130/1999). At the date of sale, the gross value of the portfolio transferred amounted to approximately Euro 6 billion, net of write-offs of approximately Euo 1.1 billion (the nominal value was Euro 7.4 billion, before write-offs, referred to the cut off date "30 June 2018").

On 6 February 2019, the securitisation was completed through the issue by Leviticus SPV S.r.l. of the following classes of securities (ABS - Asset-Backed Securities):

- senior securities for Euro 1,440.0 million;
- mezzanine securities for Euro 221.5 million;
- junior securities amounting to approximately Euro 248.8 million.

The expected impact on Banco BPM Group's fully loaded CET1 ratio of the combined transactions (portfolio disposal, considering GACS effects, and the sale of the 70% of the NPL servicing platform) is + 53 basis points.

At the date of this Prospectus, there can be no assurance that these transactions will be completed on the terms and at the times as currently contemplated or that the interpretation assumed by Banco BPM in the estimate of the impacts coming from the purchased put option will be confirmed by the ECB. Accordingly, the precise impact of these transactions on the capital ratios of the Group may differ from the Adjusted Capital Ratios illustrated above. Moreover, the Adjusted Capital Ratios consider only the capital managerial actions specifically indicated above; consequently, they do not take into account any other possible effects not mentioned (such as the impact on the first time adoption of the accounting principle "IFRS 16 – Leasing", the interim results, etc).

Buffers

The following table illustrates - with reference to Banco BPM's capital ratios (actual and, where specified, adjusted: see further paragraph headed "*Adjusted Capital Ratios*" above) as at 31 December 2018 - the buffer to the CET1 requirement and the Total Capital requirement, buffer to Trigger Event under the Notes as well as the buffer to trigger of restrictions by reference to Maximum Distributable Amount pursuant to Article 141 of the CRD IV Directive in effect as at the date of this Prospectus.

	As at 31 December 2018
Buffer to CET1 Requirement	
- Group CET1 ratio adjusted vs CET1 requirement (phase-in)	4.17%
- Group CET1 ratio adjusted vs CET1 requirement (fully loaded)	2.04%
Buffer to Total Capital Requirement	3.35%
- Group Total Capital ratio adjusted vs Total Capital requirement (phase-in)	
Buffer to Trigger Event	
- Group CET1 ratio adjusted (phase-in) vs 5.125% trigger	8.36%
- Group CET1 ratio adjusted (fully loaded) vs 5.125% trigger	6.42%
- Solo CET1 ratio actual (phase-in) vs 5.125% trigger	6.78%
Buffer to MDA Trigger on a CET1 only basis, calculated assuming AT1 and T2 buckets fully filled	
- Group CET1 ratio adjusted vs CET1 requirement (phase-in)	4.17%
- Group CET1 ratio adjusted vs CET1 requirement (fully loaded)	2.04%

Rating

As at the date of this Prospectus, the international agencies Moody's Investors Service España, S.A. ("**Moody's**") and DBRS Ratings GmbH ("**DBRS**") have assigned ratings to the Issuer. On 31 October 2011, Moody's and DBRS were registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies.

On 3 January 2017, Moody's assigned the following ratings to the Issuer: (i) Deposit Ratings of Ba1/Not Prime, with Stable Outlook; (ii) Long-Term Issuer Rating of Ba2, with Negative Outlook; (iii) Standalone Baseline Credit Assessment (BCA) and adjusted BCA of b1; and (iv) Counterparty Risk Assessments (CR Assessment) of Ba1 (cr)/Not Prime (cr). All the ratings, together with their Outlooks, were confirmed by Moody's on 5 October 2017. These ratings have remained unchanged as at the date of this Prospectus.

On 5 January 2017, DBRS assigned the following ratings to the Issuer: (i) Issuer Rating of BBB (low); (ii) Senior Long-Term Debt & Deposit rating of BBB (low); (iii) Short-Term Debt & Deposit rating of R-2 (middle); and (iv) Long and Short-Term Critical Obligations Ratings of BBB (high) / R-1 (low). All ratings had a Stable trend. The Intrinsic Assessment of the Group is BBB (low). The Support Assessment is SA3, implying no uplift from systemic support.

Subsequently:

- on 15 December 2017, DBRS confirmed all the ratings assigned to Banco BPM, maintaining them in the investment grade space, with the trend changing from Stable to Negative;
- on 13 December 2018, DBRS upgraded its outlook for the long-term and short-term Issuer ratings of Banco BPM from Negative to Stable. DBRS also confirmed the long-term issuer rating of Banco BPM at BBB (low) and the short-term issuer rating of Banco BPM at R-2 (middle); and
- on 14 December 2018, as part of a general approach to split between senior unsecured debt ratings and deposit ratings, DBRS upgraded the long-term deposits rating of Banco BPM from BBB (low) to BBB and the short-term deposit rating of Banco BPM from R-2 (middle) to R-2 (high). The outlook for such ratings was confirmed as Stable.

TAXATION

ITALIAN TAXATION

The following is a general summary of certain Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. This summary is based upon Italian tax laws and/or practice in force as at the date of this Preliminary Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree No. 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks. The provisions of Decree No. 239 only apply to those notes which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, bonds and debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value (with or without internal payments) and that do not give any right to directly or indirectly participate in the management of the issuer or to the business in relation to which the securities are issued nor any type of control on the management.

The tax regime set out under Decree No. 239 also applies to Interest paid under financial instruments relevant for capital adequacy purposes under EU legislation and domestic prudential legislation, issued by, *inter alia*, Italian banks (other than shares and securities similar to shares), as set out by Article 2, paragraphs 22 and 22-*bis*, of Law Decree No. 138 of 13 August 2011, as subsequently amended ("**Decree No. 138**") as converted with amendments by Law No. 148 of 14 September 2011 and as further amended by Law No. 147 of 27 December 2013.

Italian Resident Noteholders

Pursuant to Decree No. 239 and Decree No. 138, where an Italian resident Noteholder is:

(i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime (the "**Asset Management Regime**") according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"); or

(ii) a partnership (other than a *società in nome collettivo* or a *società in accomandita semplice* or similar partnership), a *de facto* partnership not carrying out commercial activities or a professional association; or

(iii) a private or public institution (other than companies), a trust not carrying out mainly or exclusively commercial activities, the Italian State or public and territorial entities; or

(iv) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a substitute tax ("***imposta sostitutiva***"), levied at the rate of 26 per cent. (either when Interest is paid or obtained by the Noteholder upon disposal of the Notes). All the above categories are qualified as "net recipients".

Where the Noteholders described above under (i) and (iii) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals holding the Notes not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Law No. 232**") and Article 1 (211-215) of Law No. 145 of 30 December 2018 (**Law No. 145**).

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stock brokers and other qualified entities identified by a decree of the Ministry of Finance ("**Intermediaries**" and each an "**Intermediary**") resident in Italy, or by permanent establishments in Italy of a non-Italian resident Intermediary, that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Payments of Interest in respect of Notes are not subject to the 26 per cent. *imposta sostitutiva* if made to Noteholders who are: (a) Italian resident corporations or similar commercial entities (such as partnerships carrying out commercial activities (*società in nome collettivo* or *società in accomandita semplice*)) or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (b) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, non-real estate SICAFs; Italian resident pension funds subject to the tax regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005 (**"Decree No. 252"**), Italian resident real estate investment funds and real estate SICAFs subject to the regime provided for by Law Decree No. 351 of 25 September 2001; and (c) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Regime. Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, Noteholders indicated above under (a) to (c) must be the beneficial owners of payments of Interest on the Notes and timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian Intermediary (or a permanent establishment in Italy of a foreign Intermediary).

Where the Notes and the relevant coupons are not deposited with an Italian Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is withheld by any Italian Intermediary paying Interest to the Noteholder or, absent that, by the Issuer.

Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due. Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – "**IRAP**") of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Where an Italian resident Noteholder is a Fund, a SICAV or a non-real estate SICAF and the Notes are deposited with an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, SICAV or non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **"Collective Investment Fund Tax"**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided by Article 17 of Decree No. 252) and the Notes are deposited with an Italian resident intermediary, Interest relating to the

Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of each tax period, to be subject to the to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest on the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 and Article 1 (211-215) of Law No. 145.

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate fund or of the real estate SICAF may be subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of the Notes will not be subject to *imposta sostitutiva* at the rate of 26 per cent. provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

(b) such beneficial owners are resident, for tax purposes, in a State or territory which allows for an adequate exchange of information with the Italian tax authorities included in the Ministerial Decree dated 4 September 1996, as amended and supplemented from time to time (the "**White List**"). According to Article 11, par. 4, let. c) of Decree No. 239, the White List will be updated every six months period. In absence of the issuance of the new White List, reference has to be made to the Italian Ministerial Decree dated 4 September, 1996 as amended from time to time; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met and complied with.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, which are established in a State or territory included in the White List and provided that they timely file with the relevant depositary the appropriate self-declaration; and (iii) central banks or entities managing, *inter alia*, official reserves of a foreign State.

In order to ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of the payments of Interest on the Notes;

(b) timely deposit the Notes with the coupons relating to such Notes directly or indirectly with (i) an Italian bank or "*societá di intermediazione mobiliare*" (so-called SIMs) or with (ii) a permanent establishment in Italy of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or with (iii) a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(c) file with the relevant depository a statement (*autocertificazione*) in due time stating, inter alia, that he or she is resident, for tax purposes, in one of the above mentioned States or territories included in the White List. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), shall be valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (*autocertificazione*) is not required for non-Italian resident investors that are international entities or organizations established in accordance with international agreements ratified in Italy, and central banks or entities which manage, *inter alia*, the official reserves of a foreign State.

Failure of a non-Italian resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-Italian resident Noteholder.

Capital gains tax

Italian resident Noteholders

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as *"imposta sostitutiva"*) is applicable to capital gains realised by (i) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, (ii) Italian resident partnerships not carrying out commercial activities, or (iii) Italian private or public institutions not carrying out mainly or exclusively commercial activities, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "*regime della dichiarazione*" ("**Tax Declaration Regime**"), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities, and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

As an alternative to the tax declaration regime, Italian resident Noteholders who are (i) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, (ii) Italian resident partnerships not carrying out commercial activities, or (iii) Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes under the so called "*regime del risparmio amministrato*" (the "**Administrative Savings Regime**"). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with any authorised intermediary and (ii) an express election for the Administrative Savings Regime being timely made in writing by the relevant Noteholder. The authorised intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any incurred capital loss of the same kind, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised on assets held by the Noteholder within the same securities management relationship in the same tax year or in the following tax years up to the fourth. Under the Administrative Savings Regime, the Noteholder is not required to declare the realised capital gains in the annual tax return and the Noteholder remains anonymous.

Special rules apply if the Notes are part of a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorised intermediary. In that case the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to *imposta sostitutiva* on capital gains but will contribute to the determination of the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio at the year-end may be carried forward against appreciation accrued in each of the following tax years up to the fourth. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1(100-114) of Law No. 232 and Article 1 (211-215) of Law No. 145.

In the case of Notes held by Funds, SICAVs or non-real estate SICAFs, capital gains on Notes will not be subject to 26 per cent. *imposta sostitutiva* but will contribute to determine the increase in value of the managed assets of the Funds, SICAVs or non-real estate SICAFs, accrued at the end of each tax year. The Fund, SICAV or non-real estate SICAF will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Noteholder who is an Italian resident pension fund (subject to the regime provided by Article 17 of Decree No. 252) will be included in the result of the relevant portfolio accrued at the end of each tax period and will be subject to the Pension Fund Tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains in respect of the Notes realized upon sale, transfer or redemption by Italian resident pension fund may be excluded from the taxable

base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 and Article 1 (211-215) of Law No. 145.

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate investment fund or of the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected will be included in in their corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for IRAP purposes), subject to tax in Italy in accordance with ordinary tax rules.

Non-Italian Resident Noteholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter f), of Decree No. 917, any capital gains realised by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Decree No. 461 and Decree No. 239, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* on any capital gains realised upon sale for consideration or redemption of the Notes provided that (i) they are resident, for tax purposes, in a State or territory included in the White List, and (ii) all the requirements and procedures set forth by Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

    Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected are subject to the Administrative Savings Regime or elect for the Asset Management Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating that they meet the requirements indicated above. The same exemption applies where the beneficial owners of the Notes are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors, even though not subject to income tax or to other similar taxes, established in countries which allow an adequate exchange of information with Italy for tax purposes included in the White List as amended from time to time; and (c) Central Banks or other entities, managing also official State reserves.

(b) In any event, non-Italian resident individuals or non-Italian resident entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

    Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected are subject to the Administrative Savings Regime or elect for the Asset Management Regime, exemption from Italian capital gains tax will apply upon condition that the non-Italian residents promptly file with the authorised financial intermediary a declaration attesting that all the requirements for the application of the relevant double taxation

treaty are met.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including bonds or other securities) as a result of death, gift or transfer without consideration are subject to "**Inheritance and Gift Tax**" (*imposta sulle successioni e donazioni*) under the Legislative Decree No. 346 of 31 October 1990, as amended, as follows:

(i) transfers in favour of spouses and direct descendents or direct ancestors are subject to Inheritance and Gift Tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000 for each beneficiary;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. Inheritance and Gift Tax on the value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary;

(iii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an Inheritance and Gift Tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an Inheritance and Gift Tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

In cases where the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding Euro 1,500,000.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 and Article 1 (211-215) of Law No. 145.

Transfer Tax

Agreements related to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration tax of Euro 200; (ii) private deeds are subject to registration tax of Euro 200 only in some cases set forth by the registration tax law (Presidential Decree 26 April 1986, No. 131, as amended) or in case of voluntary registration.

Stamp Duty

Pursuant to Article 13, para. 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed Euro 14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets (including the Notes) held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which is not mandatory nor the deposit, nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises a banking, financial or insurance activity in any form within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets, including the Notes, outside of the Italian territory are required to declare in its own annual tax declaration and pay a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990 ("**Decree 167/1990**"), as subsequently amended, Italian resident individuals, non-commercial entities, and non-commercial partnerships and similar institutions who, during a fiscal year, hold investments abroad or have foreign financial assets or are the actual owners, under the Italian anti-money laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets (including Notes held abroad) must, in certain circumstances, disclose the aforesaid investments and financial assets to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

It is not necessary to comply with the above reporting requirement in cases where (i) the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax, or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Proposed FTT has very broad scope and could, if introduced in the form proposed on 14 February 2013, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear.

Prospective holders of Notes are advised to seek their own professional advice in relation to the Proposed FTT.

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Barclays Bank PLC and Goldman Sachs International (together, the "**Global Coordinators**"), Banca Akros S.p.A. – Gruppo Banco BPM, BNP Paribas, J.P. Morgan Securities plc **and** UniCredit Bank AG (together with the Global Coordinators, the "**Joint Bookrunners**") have, in a subscription agreement dated 16 April 2019 (the "**Subscription Agreement**"), jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount, less commissions, on the terms and subject to the conditions set out in the Subscription Agreement. In the Subscription Agreement, the Issuer has agreed to reimburse the Global Coordinators and Joint Bookrunners for certain of their expenses in connection with the issue of Notes and to indemnify the Global Coordinators and Joint Bookrunners against certain liabilities incurred by them in connection therewith. The Global Coordinators and Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Global Coordinator and Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of the Notes as determined and certified to the Issuer by the relevant Global Coordinator and Joint Bookrunner, within the United States or to, or for the account or benefit of, U.S. persons. Each Global Coordinator and Joint Bookrunner has further agreed that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Global Coordinator and Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Global Coordinator and Joint Bookrunner has represented and agreed that:

(a) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) **general compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the CONSOB pursuant to Italian securities legislation and, accordingly, each Global Coordinator and Joint Bookrunner has represented and agreed that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each Global Coordinator and Joint Bookrunner has represented and agreed that, save as set out below, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) ("**Regulation No. 11971**"); or in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 24-ter of Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**") (in each case as amended from time to time);

(b) in compliance with Article 129 of the Italian Banking Act, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy, issued on 25 August 2015 (as amended on 10 August 2016), and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

France

Each Global Coordinator and Joint Bookrunner has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Global Coordinator and Joint Bookrunner has represented and agreed that it has not, directly or indirectly, offered or sold and will not,

directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

No action has been or will be taken in any jurisdiction by the Issuer or any Global Coordinator and Joint Bookrunner that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, or any offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Global Coordinator and Joint Bookrunner has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense; and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer nor any of the other Global Coordinators and Joint Bookrunners shall have any responsibility therefor. Other persons into whose hands this Prospectus comes are required by the Issuer and the Global Coordinators and Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 09722490969 in the companies' register of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**"). Its telephone number is +39 0277001. According to Article 2 of the Issuer's current by-laws, its duration is set at 23 December 2114, and may be extended.

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is to collect savings and provide loans in various forms, both directly and through subsidiaries. In compliance with applicable regulations and after obtaining the necessary authorisations, the Issuer may carry out, directly or through its subsidiaries, all banking, financial and insurance transactions and services, including the establishment and management of open or closed-end pension schemes, and other activities that may be performed by lending institutions, including the issuance of bonds, the exercise of financing activities regulated by special laws and the sale and purchase of company receivables.

The Issuer may carry out any other transaction that is instrumental or in any way related to the achievement of its corporate purpose. To pursue its objectives, the Issuer may adhere to associations and consortia of the banking system, both in Italy and abroad.

In its capacity as parent company of the Group, pursuant to the laws from time to time in force, including Article 61, paragraph 4, of the Italian Banking Act, in exercising the activity of direction and coordination the Issuer issues guidelines to the Group's members, also for the purpose of executing instructions issued by the regulatory authorities and in the interest of the stability of the Group.

Share Capital of the Issuer

Pursuant to Article 6 of the By-laws, the subscribed and paid-up share capital of the Issuer is Euro 7,100,000,000 and is represented by 1,515,182,126 ordinary shares without nominal value.

Authorisation

The issuance of the Notes has been authorised by resolution of the management board of the Issuer dated 28 March 2019.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banco BPM is 815600E4E6DCD2D25E30.

Approval, Listing of Notes and Admission to Trading

The CSSF has approved this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €10,600.

Documents Available

For as long as this Prospectus remains valid, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

(a) the by-laws (with an English translation thereof) of the Issuer;

(b) the most recently published audited consolidated annual financial statements of the Issuer in each case together with the audit report prepared in connection therewith and the most recently published unaudited consolidated condensed interim financial statements of the Issuer (with an English translation thereof), together with the limited review report prepared in connection therewith. The Issuer currently intends to prepare audited consolidated and accounts on an annual basis and unaudited consolidated condensed interim financial statements on a semi-annual and quarterly

basis;

(c) the Deed of Covenant and the Agency Agreement;

(d) this Prospectus and any information incorporated by reference herein.

In addition copies of this Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code is 198431931 and ISIN is XS1984319316. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

Save as described under "*Description of the Issuer – Recent Developments*" at pages 126-129 of the EMTN Base Prospectus, as supplemented by the Second EMTN Supplement (pages 9 – 11) and the Third EMTN Supplement (at pages 7 – 8), the Fourth EMTN Supplement (paragraph headed "*Precautionary seizure as part of the diamond sales inquiry*" at page 2), the Fifth EMTN Supplement (paragraph headed "*Update on the precautionary seizure as part of the diamond sales inquiry*" at page 2), the Press Releases dated 20 February 2019, 27 February 2019 and 1 March 2019 and Part A, Section 4 (*Events subsesquent to the reporting date*) of the explanatory notes to Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018 (at page 176), all incorporated by reference in this Prospectus, there has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

Litigation

Save as described under "*Description of the Issuer – Legal Proceedings of the Group – Ongoing Legal and Administrative Proceeding*" and "*– Ongoing Tax Proceedings*" at pages 114 - 120 of the EMTN Base Prospectus as supplemented by the Second EMTN Supplement (pages 7 – 8), the Fourth EMTN Supplement (paragraph headed "*Precautionary seizure as part of the diamond sales inquiry*" at page 2), the Fifth EMTN Supplement (paragraph headed "*Update on the precautionary seizure as part of the diamond sales inquiry*" at page 2), the Press Releases dated 20 February 2019 and 27 February 2019, Paragraph 10.6.1 (*Other provisions for risks and charges – legal and tax disputes*) of the explanatory notes to, and the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in, Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018 (at respectively pages 289 to 293 and pages 32 to 33), all incorporated by reference in this Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Material Contracts

The Issuer has no material contracts in place which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations under the Notes, other than those contracts entered into in the ordinary course of business.

Yield

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Notes calculated on the basis of the Issue Price and the Initial Rate of Interest from (and including) the Issue Date up to (but excluding) the First Reset Date and

assuming no Write-Down during such period would be 8.947 per cent. per annum calculated on an annual basis. It is not an indication of the actual yield for such period or of any future yield.

Independent Auditors

PricewaterhouseCoopers S.p.A. was appointed by the shareholders' meetings of Banca Popolare di Milano S.c. a r.l. and Banco Popolare – Società Cooperativa held on 15 October 2016 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2025.

PricewaterhouseCoopers S.p.A., is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa, 91, Milan, Italy.

Rating Agencies

Each of Moody's Investor Service España, S.A. and DBRS Ratings GmbH is established in the European Union and registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at *http://www.esma.europa.eu/supervision/credit-rating-agencies/risk*.

Interests of natural and legal persons involved in the issue/offer

The Global Coordinators and Joint Bookrunners and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. The Global Coordinators and Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Global Coordinators and Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Global Coordinators and Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Global Coordinators and Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Global Coordinators and Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, for the purpose of this paragraph the term "**affiliates**" also includes a parent company.

THE ISSUER

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FISCAL AGENT AND PAYING AGENT

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Canary Wharf
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United Kingdom

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To the Issuer as to Italian law
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20121 Milan
Italy

To the Global Coordinators and Joint Bookrunners as to Italian and English law
Clifford Chance
Studio Legale Associato
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AUDITORS

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25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

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Germany

LUXEMBOURG LISTING AGENT

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