PROSPECTUS DATED 8 APRIL 2022

BANCO BPM S.P.A.
(incorporated as a joint stock company (società per azioni) in the Republic of Italy)

€300,000,000 7.000% 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 on their Outstanding Principal Amount, payable semi-annually in arrear on 12 April and 12 October in each year (each, an "**Interest Payment Date**"), as follows: (i) in respect of the period from (and including) 12 April 2022 (the "**Issue Date**") to (but excluding) 12 April 2027 (the "**First Reset Date**"), at the rate of 7.000 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 6.041% (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 8 April 2022 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 Interest Payment 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 prospectus constitutes a prospectus for the purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019 (the "**Prospectus**"). The Notes are admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**"). The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2014/65/EU (as amended, "**EU MiFID II**") but is subject to the supervision of the financial sector and exchange regulator, the *Commission de Surveillance de Secteur Financier* (the "**CSSF**"). References in this document to the Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Euro MTF Market. This Prospectus does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**").

The Notes are expected, on issue, to be rated "B3" by Moody's France SAS ("**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, the European Money Markets Institute 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 at the date of this Prospectus, ICE Benchmark Administration Limited is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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.

EU MIFID II product governance / UK MiFIR 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 EU MiFID II, and in the United Kingdom. Prospective investors are referred to the section headed "*Restrictions on marketing, sales and resales to retail investors*" hereunder for further information.

SOLE ACTIVE BOOKRUNNER
Morgan Stanley

OTHER BOOKRUNNER

Banca Akros, S.p.A.

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 Bookrunners nor any of their respective affiliates have authorised this Prospectus or any part thereof. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Bookrunners 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. None of the Bookrunners 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 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 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 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 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 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 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, Morgan Stanley & Co. International plc 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 Stabilisation Manager (or persons acting on its behalf).

Restrictions on Marketing, Sales and Resales to Retail Investors

1. The Notes discussed in this Prospectus are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail 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. 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).
2.
   a) In the United Kingdom ("**UK**"), the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a retail client) in the UK.
   b) Each of Morgan Stanley and Banca Akros, S.p.A. (together, the "**Bookrunners**") is required to comply with COBS.
   c) By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Bookrunners, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Bookrunners that:
      i) it is not a retail client in the UK; and
      ii) it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Prospectus or this document) or approve an 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 the UK.
   d) 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 COBS.
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area ("**EEA**") or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in this Prospectus, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) (MiFID II) or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where 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 the Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

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 EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), 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.

PROHIBITION OF SALES TO UK 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 United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU 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 EU 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 EU 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.

UK MIFIR 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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 the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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 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

RISK FACTORS RELATING TO THE ISSUER

Risks related to the impact of global macro-economic factors and the ongoing coronavirus (Covid-19) pandemic

Risks related to the impact of global macro-economic factors

The performance of 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 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 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 Banco BPM Group.

Global and Italian macro-economic conditions have been, and continue to be, affected by a novel strain of coronavirus (Covid-19), which has spread to numerous countries throughout the globe; the World Health Organization declared the outbreak a pandemic in March 2020. Notwithstanding the recent vaccination efforts by national governments which sustained a reversal in the economic trend, the Covid-19 pandemic continues to affect economic activity at global and regional level, including as a result of the discovery of new virus strains that may limit the efficacy of current vaccines. Both the outbreak and government measures taken in response (including border closings, travel restrictions, confinement measures) have had and are likely to continue to have a significant impact, both directly and indirectly, on economic activity and financial markets globally. The slowdown of the economies particularly affected in 2020 (e.g. China, Italy, France, Spain, the United Kingdom, other European countries and the United States) as well as the reduction in global trade and commerce more generally have had and are likely to continue to have negative effects on global economic conditions as global production, investments, supply chains and consumer spending are affected and further restrictions are implemented.

In response to the adverse economic and market consequences of the pandemic, various governments and central banks have taken or announced measures to support the economy (such as loan guarantee schemes, tax payment deferrals, expanded unemployment coverage) or to improve liquidity in the financial markets (such as increased asset purchases, funding facilities). No assurance can be given that such measures will suffice to offset the negative effects of the pandemic on the economy regionally or globally, to stave off regional or global recessions or to stabilise financial markets. The economic environment may well deteriorate further before beginning to improve.

The Group is exposed to risks from the pandemic and its economic and market consequences both due to its inherent general sensitivity to macroeconomic and market conditions, as well as to specific implications, as described below. In fact, the Group's results and financial condition could be adversely affected by reduced economic activity and potentially recessions in its principal markets. The containment measures taken in Italy since the first half of 2020 and through 2021, and in particular in Northern Italy, where the Group primarily operates have significantly reduced economic activity; while the principal containment measures have been lifted as of the date of this Prospectus, any potential future reinstatement of such measures could result in local or regional decline in economic activity. The impact of these measures have affected and could continue to affect the Group's results due to reduced revenues, changes in the Issuer's credit risk and consequential impact on its financial liabilities measured at fair value, increase in operational costs and costs connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund (see also "*—Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund*"), costs connected with the actions taken by the Group to secure its premises and branch, as well as its employees and customers, from the risk of spread of Covid-19, and deteriorated asset quality, both generally and in specific sectors that are particularly affected. For additional information, see also Banco BPM's 2020 Annual Financial Statements, which are incorporated by reference in this Prospectus. The Group's results and financial condition could be adversely affected to the extent that the counterparties to whom it has exposure could be materially and adversely affected, resulting, in particular, in an increase in the Group's cost of risk.

Uncertainty as to the duration and extent of the pandemic makes the overall impact on the world economy unpredictable. The extent to which the pandemic and its economic consequences will affect the Group's results and financial condition will depend on future developments, including (i) the impact of the measures taken to date or future measures that may be taken by governments and central banks, particularly the Italian government and the Bank of Italy, and (ii) the actual severity and duration of the pandemic and the nature, extent and duration of the measures taken to contain or treat its impact in Italy and the other the markets where the Group operates. In addition, while central bank and government actions and support measures taken in response to the pandemic may well help attenuate its adverse economic and market consequences, they have also issued and may issue additional restrictions or recommendations in respect of banks' actions (for example, the recommendation issued by the European Central Bank on 27 March 2020, as subsequently amended). In particular, they may limit or seek to limit banks' flexibility in managing their business and taking action in relation to capital distribution and capital allocation.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) the impact of the Covid-19 pandemic on global growth and individual countries (see the preceding paragraphs); (b) confirmation of growth trend, or recovery and consolidation perspectives, for the US and Chinese economies, which have shown consistent progresses in recent years but have recently lost momentum; (c) the ongoing commercial dispute between the US and China, which have impacted international trade and therefore global supply chains and global production; (d) the European Central Bank's ("**ECB**"), in the Euro area, and the Federal Reserve System's, in the US, monetary policy effectiveness and their future developments, adverse future developments in the Dollar area, policies implemented by other countries aimed at promoting their currencies' competitive devaluations; (e) sovereign debt sustainability of certain countries and the related recurring tensions on the financial markets; (f) the consequences and potential lingering uncertainties caused by the ongoing negotiations between the European Union and the United Kingdom, especially with respect to the European Union integration process, the relationship between the United Kingdom and the European Union (in particular with respect to the provision of banking and financial services on a cross-border basis), and the impact on economies and European businesses; and (g) increased tensions between Iran and the US in the Middle East, as well as ongoing geopolitical tensions in other countries.

The risks for the euro area economy include a weakening external environment amid prolonged or/and escalating trade restrictions and substantial economic consequences as a result of a recurrence of Eurozone sovereign debt and banking stress triggered, among other things, by political and fiscal uncertainty, the challenging low/negative interest rate operating environment, as well as a weaker than expected performance of the euro area economy. These factors, among other things, may restrict the European economic recovery, with a corresponding adverse effect on Banco BPM Group's business, results of operations and financial condition.

The dynamics described in the previous paragraphs and the consequential effects on Banco BPM Group's activities are influenced by the international and Italian socioeconomic context and its impact on financial markets. In particular, Banco BPM Group's business is particularly sensitive to adverse macroeconomic conditions in Italy and in particular in Northern Italy, including as a result of the Covid-19 pandemic, a declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy. All these factors 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 service. Any adverse economic condition in Italy could have a material adverse effect on the business, results of operation or financial condition of Banco BPM Group.

In addition, the political situation in Italy have increased the economic uncertainty. Several government crises, internal divisions and alliances between political parties led to the formation of different governments since last elections in 2019. The political developments in Italy have recently caused a volatility in the value of Italian government securities and a corresponding volatility in the risk premium to be paid by the Italian government on its debt compared to other benchmark securities. As a result, the economic implications of the policies of the Italian government remain uncertain.

The Group is furthermore subject to geopolitical risks, such as the current hostilities in the Ukraine and the resulting sanctions imposed on the Russian Federation by various countries, which could affect, also significantly the global and national macroeconomic environment as well as the financial markets.

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 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 Banco BPM Group.

Risks related to the financial situation of the Issuer and the Group

Risks related to the Strategic Plan

On 3 March 2020, the board of directors of Banco BPM approved a strategic plan, containing the strategic guidelines and economic, financial and capital objectives of the Group for the period of 2020-2023 (the "**Strategic Plan 2020-2023**").The Strategic Plan 2020-2023 contained the Group's target through to 2023 prepared on the basis of macroeconomic projections as of its approval date and strategic actions that needed to be implemented.

The Strategic Plan 2020-2023 was prepared on the basis of assumptions formulated before the outbreak of the global Covid-19 pandemic and the adoption of restrictive measures to contain it ("lockdowns"), in a macroeconomic scenario that was substantially different to that which had been prevailing since the first half of 2020.

For this reason, as announced to the market, the forecasts of results made under the Strategic Plan 2020-2023 were no longer up to date and, as a result, on 4 November 2021 the Board of Directors of Banco BPM approved the Strategic Plan 2021-2024 (the "**Strategic Plan 2021-2024**") that defines the new objectives of Banco BPM for the time period of 2021-2024.

The Strategic Plan 2021-2024 shows, in qualitative and quantitative terms, the strategies of Banco BPM and contains a set of hypotheses, estimates, projections and forecasts regarding the developments of the patrimonial, economic and financial figures based on the occurrence of future events and actions to be adopted by the management and the Board of Directors of Banco BPM, in the period of 2021-2024.

Such hypotheses, estimates and forecasts are based on hypothetical assumptions of various nature, and are subject (among others) to the risks and uncertainties that characterise both the evolution of the macroeconomic scenario, and the evolution of the regulatory framework, and that relate to future events and actions which the Board of Directors and the management cannot, in whole or in part, influence, in relation to the performance of the principal financial and economic figures or other factors affecting performance.

Strictly connected to the strategic risk is the commercial risk understood as the actual and prospective risk associated with the failure to achieve the objectives of volume and economic results due to the ineffectiveness of the actions taken by the Issuer's management and Board of Directors and/or thanks to adverse market conditions.

It should be noted that Banco BPM Group regularly monitors exposure to strategic risk and commercial risk, including through the calculation of an economic capital using an internally developed model, the results of which are accounted for the integrated risk report that is presented to the Risk Committee on a monthly basis and to the corporate bodies on a quarterly basis.

Therefore, the Group is exposed to the risk that it may be unable to implement part or all of its strategy or that it may be unable to implement part or all of such strategy within the timeframe expected, that the assumptions on which the Group based its forecasts and strategy may be incorrect or that the strategy may not achieve the results expected; this may, in turn, have negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

For further information, please refer to the section entitled "*Description of the Issuer*".

Risks related to legal proceedings and inspections by Supervisory Authorities

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. See "*Description of the Issuer – Legal Proceedings of the Group*", "*– Ongoing Legal and Administrative Proceeding*" and "*– Disputes with the Tax Authority*" on pages 174-178 of the EMTN Base Prospectus, incorporated by reference herein. 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 Banco BPM Group may be exposed when such proceedings are decided.

The Issuer considers that it has made appropriate provision 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 counsel.

With regard to the diamonds sales activity carried out by a specialized third party company, the Intermarket Diamond Business (the "**IDB**"), through the banking channel, on 30 October 2017 an administrative sanction was imposed by the Antitrust Authority (AGCM) on IDB and the reporting banks, including Banco BPM, for allegedly incorrect commercial practice under the Consumer Code. The Bank filed an appeal against the AGCM's decision, which has been rejected by the Regional Administrative Court (TAR); Banco BPM appealed the TAR ruling before the Supreme Administrative Court (*Consiglio di Stato*). The Supreme Administrative Court has generally confirmed the first instance ruling, although it reduced by 30% the penalties levied against the Group in light of its limited role in the diamonds sales activity carried out by IDB.

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager) and the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001.

Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force and the provisions set forth in the 2020 Annual Financial Statements.

For further information please see the paragraph headed "*Legal Proceedings of the Group- Ongoing Legal and Administrative Proceedings - Proceedings related to the diamonds reporting activities*" on pages 174-175 of the EMTN Base Prospectus, and the paragraphs 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 2020 and "10.6.3 Other Provisions – other" on pages 132 – 134 of the 2021 Consolidated Interim Financial Report, each 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 Banco BPM Group. 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.

In addition, Banco BPM Group is regularly subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority and other supervisory authorities in the ordinary course of its business. For additional information on pending inspections, see "*Description of the Issuer and the Group – Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A*." on pages 172-174 of the EMTN Base Prospectus, incorporated by reference herein. The outcomes of any such enquiries and inspections may lead to organisational interventions and Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. A supervisory authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

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

Risks related to deferred tax assets

Deferred tax assets ("**DTAs**") and liabilities are recognised in Banco BPM's consolidated financial statements according to accounting principle IAS 12. As of 31 December 2020, DTAs amounted in aggregate to €4,467 million, of which €2,576 million may be converted into tax credits pursuant to Law No. 214 of 22 December 2011 ("**Law 214/2011**").

The recognition of DTAs not convertible into tax credits and the subsequent maintenance in the balance sheet entails a probability test as to their potential recoverability, which must also consider the tax regulations in force at the date of preparation of the financial statements. The probability test must be based on reasonable income forecast taken from approved strategic plans and projections, also considering that, for income tax purposes, tax regulations permit tax losses to be carried forward without any time limit.

As a result, the recoverability of the DTAs not convertible into tax assets may be negatively influenced by changes in the tax regulations and in the accounting principles in force, which cannot be forecast at present.

Risks Related to Sanctions

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 Nations, the European Union, the United Kingdom and the United States 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 counterparties which may fall under economic sanctions 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 regularly upgrades its dedicated procedures to enhance and monitor compliance with sanctions in the various countries in which it operates. However, were the counterparties of the Group, or the Group itself, to be affected by sanctions investigations and/or by sanctions, 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 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 Banco BPM Group. In addition, ratings assigned to the Issuer may be influenced by developments in the rating assigned to Italy's sovereign debt and the Italian macroeconomic conditions. Any deterioration in the Italian sovereign debt rating or in the Italian macroeconomic condition may lead to a downgrade of the Issuer's ratings, which could in turn cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of 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 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/or results of operations of the Issuer and/or of Banco BPM Group.

Risks relating to the Issuer's business activities and industry

Credit risk

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 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. Credit risk includes (i) counterparty risk and (ii) risks connected to the deterioration of the credit quality.

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. As a result of the ongoing Covid-19 outbreak, it cannot be excluded that credit quality in 2021 could be influenced with potential impacts not yet quantifiable.

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 – which may be also due to ineffectiveness of the Group's risk management methodologies, assessments and processes – could have a material negative effect on the business, financial condition and/or results of operations of the Issuer and/or Banco BPM Group.

a) Risks connected to the deterioration of the credit quality

Banco BPM Group is subject to credit risk. 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, also as a result of the Covid-19 pandemic, 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 Banco BPM Group as at 31 December 2020 was equal to 50.0%. The coverage of the bad loans of Banco BPM Group as at 31 December 2020 was equal to 59.1%.

Banco BPM Group's net non-performing loans, as of 31 December 2020, amounted to Euro 4,293 million, with a decrease of Euro 1,252 million or 22.6%, as compared to 31 December 2019, and represented 3.9% of Banco BPM Group's total net loans.

In addition, the Group's gross NPL ratio was equal to 7.5% as of 31 December 2020, as compared to 9.1% as of 31 December 2019. In this respect, the EBA's "*Guidelines on management of non performing and forborne exposures*" require that banks with a gross NPL ratio exceeding 5% are required to prepare specific strategic and operative plans for the management of such exposures. Furthermore, on 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*". These guidelines address the main aspects of the management of non-performing loans, spanning from the definition of the NPL strategy and of the operational plan to the NPL governance and operations, meanwhile providing several recommendations and best practices which will drive in the future, the ECB's expectations. To this end, the Group constantly monitors the gross NPL ratio reduction target, as from time to time agreed with the competent supervising authorities. See also "Risks related to the disposal of non-performing loans" below.

Even though Banco BPM Group periodically makes provisions to cover potential losses, on the basis of its experience and statistics, Banco BPM Group may have to increase these provisions further should there be a rise in bad loans or an increasing number of Banco BPM Group's debtors subject to insolvency proceedings (including bankruptcy or creditors' composition). In addition, provisioning may have to increase on the basis of the Prudential Backstop Regulation (as defined below, see also "*Regulatory – Regulatory Measures on NPLs*"), once implemented. 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 Banco BPM Group.

b) Counterparty risk

In the conduct of its operations, 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. 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 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 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.

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 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 Banco BPM Group.

c) Risks relating to the real estate market

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. The past economic dynamic, and the ongoing Covid-19 pandemic, could increase the bankruptcy rate of both individual and corporate borrowers of 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 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 Banco BPM Group.

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 Banco BPM Group.

Risks related to the disposal of non-performing loans

As the Group is among the largest banking groups in Italy, the ECB highlighted the need for Banco BPM Group to accelerate the reduction of non-performing loans including bad loans, unlikely to pay ("UTP") and past due (together, "**NPLs**"), and requested the preparation of a clear action plan for reducing NPLs and increasing the average coverage ratios of NPLs. The Group's strategic plan for the relevant period included details of a plan to reduce the holding of NPLs, such target having been reached in December 2019. Nonetheless, in 2020 the Group continued carrying out sales of non-performing assets.

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 Banco BPM Group.

Risks related to the exposure to sovereign debt

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the Euro Area, the global markets remain characterised by high uncertainty and volatility. Any further acceleration of the European sovereign debt crisis is likely to significantly affect, among other things, the recoverability and quality of the sovereign debt securities held by the Group as well as the financial resources of the Group's clients holding similar securities.

The ECB's unconventional policy (including public sector, covered bond and ABS purchase programme and provision of liquidity via Targeted Longer-Term Refinancing Operations ("**TLTRO**")) has contributed to ease market tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the ECB could halt or reconsider the current set up of unconventional measures, as recent developments have shown, would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

The Group is exposed to government bonds and, in particular, Italian government bonds. As at 31 December 2020, the Group's total exposure to sovereign debt securities was equal to Euro 29,024.8 million, mainly concentrated at the Issuer level (Euro 28,803.8 million). Exposure to EU countries sovereign debt represented 91% of the total exposure to sovereign debt securities; exposure to Italian government bonds was equal to Euro 19,316.8 million as at 31 December 2020 (67% of total exposure). Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the market for Italian government securities, the political situation and the sovereign debt rating. A decrease in the market price for Italian government bonds could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the credit ratings of Italy and/or of other countries to which the Group has sovereign exposures deteriorate, the Issuer may be required to revise the risk weighting attributed to the relevant assets for the calculation of risk-weighted assets ("**RWA**"), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

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. See also "Risks related to the impact of global macro-economic factors".

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 and/or Banco BPM Group, 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 Banco BPM Group.

Market risks

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 Banco BPM Group to hedge or otherwise manage its exposure to counterparty or market risks are not effective, Banco BPM Group may not be able to effectively mitigate its risk exposure in particular market conditions, or against particular types of risk. 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. Banco BPM Group's financial results also depend on how effectively Banco BPM Group determines and assesses the cost of credit and manages its own counterparty risk and market risk concentration.

(a) Risks related to interest rates

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 Banco BPM Group, such as monetary policies, general trends in the national and international economy and the political conditions of Italy.

The performance of 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 Banco BPM Group. Any mismatch between the interest income accrued by 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 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).

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 Banco BPM Group.

(b) Risks related to the performance of financial markets

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 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.

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/or results of operations of the Issuer and/or of Banco BPM Group.

Liquidity and Funding risks

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 legal entity to access the debt market (Funding Liquidity Risk) or sell its assets (Market Liquidity Risk) would, in turn, adversely affect Banco BPM Group's ability to achieve its objectives.

In addition, Banco BPM Group is exposed to government debt securities, in particular Italian government debt securities. Any further reduction in the credit rating assigned to Italy (which has already been the subject of a number of downgrades by the principal rating agencies in recent years) may adversely affect the value of such debt securities and as a result could impact the extent to which the Issuer can use, inter alia, Italian government debt securities as collateral for the ECB refinancing transactions which could have an adverse effect on Banco BPM Group's liquidity.

Further reductions of the credit rating assigned to Italy might also entail a worsening of credit ratings assigned to Italian financial institutions (including that of the Issuer) – in this respect, see also "Risks connected to the deterioration of credit quality".

Banco BPM Group constantly monitors its own liquidity and funding risks. 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 and funding 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 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 (including risks connected with cyber-attacks and risks connected with the malfunctioning of ICT equipment) and model risk. Strategic and reputational risks are not included. 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 legal entities through a structured series of processes, functions and resources for the identification, measurement, valuation and control of risks that are characteristic of Banco BPM Group's activities.

Nonetheless, 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 and cyber-attacks), including risks that Banco BPM Group fails to identify or anticipate.

Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund

Directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**") and the BRRD (as defined below), as well as the establishment of the Single Resolution Mechanism, introduced significant changes to the framework regulating the financial distress of banks, with the aim of strengthening the single market and the stability of the European banking system.

Based on the legal framework introduced as a consequence of the transposition into Italian law of these directives, financial institutions are required to provide financial resources in order to fund the Italian Interbank Deposit Guarantee Fund (Fondo Interbancario di Tutela dei Depositi) and the National Resolution Fund (Fondo di Risoluzione Unico Nazionale, which was transferred to the Single Resolution Fund (Fondo di Risoluzione Unico).

With respect to the Italian Interbank Deposit Guarantee Fund, contributions are calculated with respect to the ratio of the guaranteed deposits held with banks of the Groups as compared to total protected deposits held with Italian banks participating to the Italian Interbank Deposit Guarantee Fund, as well as the level of risk of the Group's banks holding guaranteed deposits as compared to the aggregate level of risk of all the Italian banks participating to the Italian Interbank Deposit Guarantee Fund. The Deposit Guarantee Schemes Directive requires Italian banks to make annual ordinary contributions to the Italian Interbank Deposit Guarantee Fund in order for it to reach financial resources equalling 0.8% of the total guaranteed deposits held with Italian banks participating to the Italian Interbank Deposit Guarantee Fund. Such target must be reached by 3 July 2024.

With respect to the Single Resolution Fund, the contributions are calculated in proportion to the amount of liabilities of the relevant bank (excluding guaranteed deposits and own funds) to the total liabilities (excluding guaranteed deposits and own funds) of Italian banks and the degree of risk assumed by the relevant bank compared to the degree of risk assumed by all other Italian banks. The BRRD provides that Italian banks must pay annual ordinary contributions until the Single Resolution Fund has financial resources equal to at least 1% of the total guaranteed deposits of financial institutions authorised in all participating Member States. This level must be reached by 1 January 2024.

If the financial resources of the Interbank Deposit Guarantee Fund and/or the Single Resolution Fund are insufficient to cover any losses, or if as a result of costs or other expenses incurred by such funds in compliance with the regulations governing their operation the above percentages are not reached, financial institutions may be required to make extraordinary contributions.

For the year ended 31 December 2020, the Group's ordinary contribution to the Italian Interbank Deposit Guarantee Fund was Euro 79.9 million. The Group's ordinary annual contribution to the Single Resolution Fund in 2020 was equal to Euro 85.2 million. In addition, the Group was required to pay additional contributions to the Single Resolution Fund in 2020 equal to Euro 26.9 million in connection with the resolution actions taken before the activation of the Single Resolution Fund.

It should also be noted that the Covid-19 pandemic has led to a significant increase in the financial resources that customers have decided to keep in current accounts and savings deposits. This phenomenon has affected the entire banking system and has been reflected in an increase in the minimum financial endowment levels of both the Single Resolution Fund and the Interbank Deposit Guarantee Fund. This has led to an increase in the ex-ante contribution levels required of banks in order to reach the aforementioned minimum financial endowment levels.

Should the Group be required to make large contributions in future, or should the guarantee funds fail, this could have a material adverse effect on our business, financial condition and results of operations.

Climate and environmental risks

As part of the Risk Identification process carried out in 2020, the Group identified the issues relating to "Climate change & ESG (Environment, Social and Governance)" as a specific risk factor to which it could be exposed. Said issues are seen as the risk drivers underlying prudential risks, for example related to sustainable development in terms of credit and finance and the valuation of internal intangibles, and have shown an increase in terms of both the likelihood of their occurrence and their impact with respect to last year. To this end, the Group's risk management began an internal assessment process with respect to the current ESG regulatory requirements and consultation procedure, first of all with regard to the "Guide on climate-related and environmental risks" the final version of which was published by the ECB in November 2020.

Such risks could result in potential losses to the Issuer and/or Banco BPM Group, 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 Banco BPM Group.

Within the scope of ESG it should be further highlighted that the integration of ESG concerns into the Issuer's business model is being achieved, in particular, by the activities arranged into the 7 project areas that were established in February 2021. Within these seven areas, a total of 32 projects have been defined which are in the process of being implemented, involving 12 units and more than 50 Staff members. The activity that will be developed pursuant to the Strategic Plan 2021-2024 is based mainly on established and consolidated foundations: first and foremost, at governance level, thanks to the creation of controls at board level, with the direct responsibility of the Board of Directors and the central role of the Internal Control, Risk and Sustainability Committee, that can rely on a reference advisor for ESG issues; at managerial level with the ESG Committee chaired by the CEO and the Sustainability Department. Furthermore specific short and long term objectives are defined in the incentives plans of the CEO and the applicable managers.

Nonetheless, Banco BPM Group's risk management techniques and the new strategies identified above may not be fully effective in mitigating its Climate change and ESG risk exposure, which could have a negative effect on the economic and financial situation of the Issuer and/or Banco BPM Group.

Risks relating to European and Italian banking regulations

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

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, 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, 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.

In particular, the Banco BPM Group is subject to an extensive set of rules governing capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the 2008 financial crisis, as implemented in EU and Italian legislation. In this respect, on 3 February 2022, 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"). Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2022, the following capital ratios at consolidated level, in accordance with the transitional criteria in place: (i) CET1 ratio of 8.519%; (ii) Tier 1 ratio of 10.441%; (iii) Total Capital ratio of 13.003%; and (iv) Total SREP Capital requirement of 10.25%[1]. The Banco BPM Group satisfied these prudential ratios as at 31 December 2021, with a CET1 ratio of 14.7%, a Tier 1 ratio of 16.5% and a Total Capital ratio of 19.6%, in each case at phase-in level[2]. 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. There can also 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. For additional information on the capital

[1] Subject to change for quarterly quantification of the Countercyclical Capital Buffer.

[2] Ratios calculated by including the profits for the year ended 31 December 2021 and deducting the total proposed dividends of €0.19 per share outstanding and other profit allocations. Based on the provisions of article 26, paragraph 2 of the CRR, the inclusion of profits in Common Equity Tier 1 capital (CET1) is subject to the prior permission of the ECB as competent authority, which requires such profits to be audited by the independent auditors. Banco BPM has already informed the ECB of its intention to include the 2021 net profit (net of the aforementioned distributions) in its Common Equity Tier 1 capital and will arrange for the formal application to be submitted to the ECB.

requirements applicable to the Group, see "Selected Consolidated Financial Data – Capital Requirements of the Group" and "Regulatory".

On 30 July 2021 the Issuer published the results of the 2021 EU-wide stress test conducted by the European Banking Authority ("**EBA**"), in cooperation with the Bank of Italy, the ECB, and the European Systemic Risk Board ("**ESRB**"). As a result of the stress test (i) the CET 1 ratio on a fully loaded basis taking into account the impact of the stress test baseline scenario would be equal to 14.67% as of 2023; and (ii) the CET 1 ratio on fully loaded basis taking into account the impact of the stress test adverse scenario would be equal to 7.01% as of 2023. Both outcomes are above the minimum capital requirements. For additional information, see the press release entitled "*Banco BPM: 2021 EU-wide Stress Test Results – Better Than In Previous Exercise (2018)*" which is incorporated by reference in this Prospectus.

In addition to the capital requirements discussed above, the BRRD introduced requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the "**MREL**"). Under the BRRD, 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 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 in case of breach of the minimum requirement for own funds and eligible liabilities. As a result, 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, including holders of the Notes.

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to 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 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 holders of AT1 instruments. 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 Banco BPM Group's ability to distribute dividends and to pay interests on AT1 instruments 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 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 (in this respect, see also "*Risks related to legal proceedings and inspections by Supervisory Authorities*"). Such proceedings could have adverse effects on the Issuer's and Banco BPM Group's business, financial For additional information on the main laws and regulations applicable to the banking sector, see "*Regulatory*".

Risks related to recent and forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, 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) has introduced the long awaited rules for issuing simple, transparent and standardised transactions and replaced 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. For additional information, see also "*Regulatory*" and "*Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to Banco BPM Group*". 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 takes 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 the amendments to the CRR contained in the EU Banking Reform.

In addition, the EU Banking Reform changes the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR, to transpose the work done by the Basel Committee 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 new rules include 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 Issuer is exposed to the effects of changes in accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted in Europe). In this respect, as part of the project of rationalising and promoting the real estate assets of the Group, the Issuer resolved to change the measurement criterion for property and valuable works of art, adopting the fair value for real estate investments and the revaluation value for property used in operations and valuable works of art. The income statement for the 2020 financial year shows a net negative impact of Euro 36.7 million resulting from the adjustment of the fair value of investment properties following the annual update of valuation reports. In the 2019 financial year, the net impact was a negative Euro 158.5 million.

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, Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and the related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously. 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 Banco BPM Group.

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

RISK FACTORS RELATED TO THE NOTES

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 "*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*" above.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco BPM Group's business, financial condition and results of operations.

Reform of EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks" 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.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK.

The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, 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 EU Benchmarks Regulation or UK Benchmark 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.

More broadly, any of the international, national or other proposals for reform, 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 contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks", lead to the disappearance or unavailability of quotes 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.

Specifically, certain workstreams are underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on euro risk-free rates recommended Euro Short- term Rate ("**€STR**") as the new risk free rate. The ECB published the €STR for the first time on 2 October 2019, reflecting trading activity on 1 October 2019. €STR will replace EONIA with effect from 3 January 2022. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

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, or if the provisions described above 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 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 or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes, investigations and licensing issues 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 all, but not some only, of 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, as fully described under Condition 3 (*Status of the Notes*) of the Terms and Conditions of the Notes.

Italian Legislative Decree No. 193 of 8 November 2021 implementing Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 ("**BRRD II**") in Italy and published on 30 November 2021 in the *Gazzetta Ufficiale* has transposed into the Italian legislation Article 48(7) of BRRD II under Article 91, paragraph 1-*bis*), letter c-*ter*) of the Italian Banking Act. Such provision states that (i) if an instrument is only partly recognised as an own funds item, the whole instrument shall be treated in insolvency as a claim resulting from an own funds item and shall rank lower than any claim that does not result from an own funds item and (ii) if an instrument is fully disqualified as own funds item, it would cease to be treated as a claim resulting from an own funds item in insolvency. Consequently, the ranking of an instrument – previously recognised as own funds item – that is fully disqualified as own funds would improve with respect to any claim that results from an own funds item.

In light of this new provision, if the Notes were to be disqualified in full as own funds items in the future: (a) their ranking would improve *vis-à-vis* the rest of the Additional Tier 1 instruments; and (b) in the event of a liquidation or bankruptcy of the Issuer, the Issuer would, *inter alia*, be required to pay the holders of the Notes and any other subordinated creditors of the Issuer, whose claims arise from liabilities that are no longer fully recognised as an own funds instrument, in full before it can make any payments on any other Additional Tier 1 instruments which are still recognised (at least in part) as own funds instruments.

In case the Notes were to be disqualified as Additional Tier 1 Capital, but were to qualify as Tier 2 Capital, their ranking would improve *vis-à-vis* the rest of the Additional Tier 1 instruments and they would rank *pari passu* with Tier 2 Capital (save to the extent any such subordinated obligation rank, or are expressed to rank, senior or junior to the Notes), but junior to any instrument – previously recognised as own funds item – that is fully disqualified as own funds. See further Condition 3 (*Status of the Note*) of the Terms and Conditions of 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.

If the Notes are in the future fully excluded from Banco BPM's Additional Tier 1 Capital (which could possibly occur in the event the Applicable Banking Regulations are modified to require Additional Tier 1 instruments to contain features that are not included in the Terms and Conditions of the Notes), their ranking will change accordingly, as provided under Condition 3 (*Status of the Notes*) of the Terms and Conditions of the Notes.

In the event any such change occurs, the Notes would consequently rank higher than at issuance, ranking senior to Additional Tier 1 instruments so long as such Additional Tier 1 instruments remain fully or partially qualified as such. If the Notes are requalified as Tier 2 Capital instruments, they will rank *pari passu* with the Issuer's Tier 2 Instruments and junior to the Issuer's other subordinated obligations. In the event, however, that the Notes do not qualify as Additional Tier 1 instruments and as Tier 2 Capital instruments at that time, they will rank *pari passu* with the Issuer's other subordinated obligations other than the those subordinated obligations to which the Notes are senior or junior pursuant to Condition 3 (*Status of the Notes*) of the Terms and Conditions of the Notes. The Notes will, in all cases, remain subordinated to the unsubordinated obligations of Banco BPM (including deposits). Any change to the ranking of the Notes pursuant to the above, will occur automatically during the life of the Notes without consultation of the Noteholders or the holders of any other notes issued by the Issuer. See further the risk factor headed "*The Issuer's obligations under Notes are deeply subordinated*" above.

In the event the Notes are likely to be fully or partially excluded from the Additional Tier 1 Capital of the Issuer, or are reclassified as a lower quality form of Own Funds, a Regulatory Event will occur, which shall give the Issuer the right to redeem the Notes, pursuant to 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.

The Notes may be written-down or converted into equity securities or other instruments (i) so long as they constitute, fully or partly, Additional Tier 1 Capital or Tier 2 Capital, independently and/or before a resolution procedure is initiated and after such resolution procedure is initiated pursuant to the bail-in power of the relevant resolution authority, and/or (ii) if and when the Notes are fully excluded from Additional Tier 1 Capital or Tier 2 Capital, after a resolution procedure is initiated pursuant to the bail-in power of a

Relevant Authority. Due to the fact that the Notes (including the case when such Notes are fully excluded from Additional Tier 1 Capital and Tier 2 Capital) rank junior to any unsubordinated obligations of the Issuer, they would be written-down or converted in full before any such unsubordinated obligations are written-down or converted. For further information, see also, "*The Outstanding Principal Amount of the Notes may be written down to absorb losses*", below.

The holders of the Notes bear significantly more risk than holders of senior obligations or any other obligation ranking senior to the Notes. As a consequence, there is a substantial risk that holders of the Notes will lose all or a significant part of their investments if the Issuer were to enter into resolution or liquidation proceedings.

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, in accordance with Articles 77 and 78 of the CRR, 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 and eligible liabilities would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations 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; or

(iv) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(v) the Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

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 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 2 (*Definitions)*), 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.

It is the Issuer's current intention that, whether exercising its discretion to propose any dividend in respect of the Issuer's shares or its discretion to cancel payments of interest on the Notes, the Issuer will take into account the relative ranking of these instrument in its capital structure. However, the Issuer is not bound by, and may at any time at its sole discretion depart from, this intention and as further set out in this risk factor, in accordance with the Applicable Banking Regulations and the Conditions, it may in its discretion elect to cancel any payment of interest at any time and for any reason.

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) 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 as well as its future profitability. As at 31 December 2020, the Issuer had approximately €1,341.0 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). As at 31 December 2021, the Issuer had approximately €1,439.3 million of Distributable Items[3]. 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. Also, a portion of the Distributable Items equal to €414.1 million benefits from a tax suspension pursuant to article 110 of the Law Decree 14 August 2020, no. 104 converted into Law 13 October 2020, no. 126. Therefore, such portion of Distributable Items can be distributed to the shareholders or holders of debt securities, including the Notes, but in such case the Issuer will have to pay

[3] This is an estimate based on the Issuer's current understanding of the Applicable Banking Regulations. The Issuer shall not make an interest payment on the Notes on any 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 (as defined in the conditions below) 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 of the Issuer plus any potential write-ups on any Loss Absorbing Instruments that may have been written down, in each case, paid and/or scheduled to be paid in the then current financial year. See further Condition 5.2 (*Restriction on interest payments*) of the Terms and Conditions of the Notes.

relevant taxes on the distributed amount at the then applicable ordinary tax rate and would not benefit anymore from the tax suspension. The impact of the application of the ordinary tax rate will be taken into consideration by the Issuer when deciding whether to make any such distribution or to make any interest payment on the Notes.

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 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 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 introduced by the EU Banking Reform increases 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 remain uncertain

The CRD IV Package, as amended by the EU Banking Reform, 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 amendments 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. 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 and the Fiscal Agent 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.

Risk relating to the governing law of the Notes

The Conditions for the Notes are governed by Italian law and Condition 18.1 (*Governing law*) provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian law. The Global Notes representing the Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes representing the Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, Temporary Global Notes or the Permanent Global Notes representing the Notes are signed by the Issuer in the United Kingdom and, thereafter, delivered to Citibank Europe plc as the initial Fiscal Agent and Paying Agent, being the entity in charge for, inter alia, authenticating and delivering the Temporary Global Notes and Permanent Global Notes to the common depositary for Euroclear and Clearstream, Luxembourg and (if required) authenticating and delivering Definitive Notes, hence the Notes would be deemed to be issued in England according to Italian law. Article 59 of Law No. 218 of 31 May 1995 (regarding the Italian international private law rules) provides that "other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued".

In light of the above, the Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the Conditions for the Notes and the Global Notes and the laws applicable to their transfer and circulation for any prospective investors in the Notes and any disputes which may arise in relation to, inter alia, the transfer of ownership in the Notes.

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 unless, in accordance with the terms of the Global Notes, the relevant account holders have become entitled to proceed directly against the Issuer in respect of the Notes.

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*) pursuant to Article 96-quinquies 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.

OVERVIEW OF 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.
LEI (Legal Entity Identifier):	815600E4E6DCD2D25E30
Sole Active Bookrunner:	Morgan Stanley & Co. International plc
Other Bookrunner:	Banca Akros S.p.A.
Fiscal Agent and Paying Agent:	Citibank Europe plc
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Notes:	€300,000,000 7.000% Additional Tier 1 Notes
Issue Price:	100% of the principal amount of the Notes
Issue Date:	12 April 2022
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 constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and shall rank: (a) whilst the Notes constitute, fully or partly, Additional Tier 1 Capital: (i) 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; (ii) *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 (iii) 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). (b) if and when the Notes are fully excluded from Additional Tier 1 Capital but so long as they constitute, fully or partly, Tier 2 Capital: (i) junior to (i) all present or future unsecured and unsubordinated obligations of the Issuer and (ii) any other present or future unconditional, unsecured and subordinated obligations of the Issuer which rank, or

are expressed by their terms to rank, senior to the Notes (including any subordinated instruments that have ceased to qualify in their entirety as Own Funds);

(ii) *pari passu* with the Issuer's obligations in respect of any Tier 2 Instruments; and

(iii) 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 present or future obligations under instruments or items included in the CET1 capital of the Issuer, or under Additional Tier 1 instruments).

(c) if and when the Notes are fully excluded from Additional Tier 1 Capital and Tier 2 Capital:

(i) junior to all present or future unsecured and unsubordinated obligations of the Issuer and any other present or future unconditional, unsecured and subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes;

(ii) pari passu with all other present or future subordinated obligations of the Issuer that have ceased to qualify, in their entirety, as Own Funds and with all other subordinated obligations of the Issuer that have such ranking; and

(iii) senior to (i) all present or future unsecured and unsubordinated obligations of the Issuer, (ii) any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including Additional Tier 1 instruments and Tier 2 Instruments), and (iii) all present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, senior or pari passu to the Notes.

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(b)), 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.

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*).

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) 12 April 2027 (the "**First Reset Date**"), 7.000 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 12 April and 12 October in each year (each, an "**Interest Payment Date**"). The first interest payment shall be made on 12 October 2022 in respect of the period from (and including) the Issue Date to (but excluding) 12 October 2022.

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, then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any instruments constituting Own Funds;

"**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 (*Principal Reinstatement*) 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 8 April 2022 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 and on any Interest Payment 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 Notes are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.
Rating:	The Notes are expected to be rated "B3" 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:	XS2398286471; 239828647
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 and France), the United Kingdom and Japan. See "*Subscription and Sale*".
Prohibition of Sales to EEA Retail Investors and/or to UK 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 and/or in the United Kingdom.

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 Luxembourg Stock Exchange 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 English translation of the consolidated interim financial report of Banco BPM as at and for the six months ended 30 June 2021 (the "**2021 Half-Year Report**"), subject to limited review by PricewaterhouseCoopers S.p.A.;

(b) the English translation of the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2020 (the "**2020 Annual Report**"), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith;

(c) the English translation of the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2019 (the "**2019 Annual Report**"), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith;

(d) the Issuer's press release of 5 November 2021 entitled "Results as at 30 September 2021", including the unaudited financial information as at and for the nine months ended 30 September 2021 (the "**Results as at 30 September 2021**"), with the exclusion of the fourth and fifth paragraphs under the heading "*Business Outlook*" on page 16;

(e) the press release dated 8 February 2022 entitled "*Results as at 31 December 2021*" (the "**2021 Results Press Release**")[4];

(f) the €25,000,000,000 Euro Medium Term Note Programme prospectus dated 11 June 2021 (the "**EMTN Base Prospectus**");

(g) the press release dated 30 July 2021 entitled "*Banco BPM: 2021 EU-wide Stress Test Results – Better Than in Previous Exercise (2018)*";

(h) the First Supplement to the EMTN Base Prospectus dated 1 October 2021;

(i) the Second Supplement to the EMTN Base Prospectus dated 16 December 2021;

(j) the Third Supplement to the EMTN Base Prospectus dated 11 February 2022;

(k) the English translation of articles of association (*statuto*) of the Issuer (incorporated for information purposes) (the "**Articles of Association**")

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*). BNP Paribas Securities Services Luxembourg Branch, being part of a financial group providing client services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg.

[4] Certain information included in the 2021 Results Press Release may be qualified as profit estimates. Such information has been prepared on the basis of the Issuer's financial reporting process and using its accounting policies. Such information has been prepared on the basis of assumptions about past events and actions and such assumptions, which are consistent to the assumptions used for preparing financial statements in accordance with IFRS, as noted on pages 18-19 of the 2021 Results Press Release. The 2021 Results Press Release has not been audited or reviewed by the independent auditors of the Issuer. The unaudited results for the year ended on 31 December 2021 set out in the 2021 Results Press Release have been compiled and prepared on a basis which is comparable with the historical financial information and consistent with the Issuer's accounting policies.

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).

Cross Reference List

The following table shows where the information incorporated by reference into this Prospectus can be found in the above mentioned documents incorporated by reference into this Prospectus.

Document	**Information incorporated**	**Page numbers**
2021 Half-Year Report	*Group financial highlights and economic ratios*	10-11
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	Key financial highlights of the main Group companies	51
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2020 Annual Report	Significant Events During the Financial Year	31-42
	Consolidated financial statements:	
	Balance sheet	148-149
	Income statement	150
	Statement of comprehensive income	151
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	Report of the independent auditors	487-501*
2019 Annual Report	Significant Events During the Financial Year	32-37
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Results as at 30 September 2021	*Key balance sheet items*	4
	Key income statement items	5
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	Credit quality	6
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	Economic performance of operations in the first nine months of 2021 compared to 30 September 2020	9-11
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Document	Information incorporated	Page numbers
	Changes in key balance sheet items	13-15
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2021 Results Press Release	*Key balance sheet items*	4
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	Changes in key balance sheet items	14-15
	Group capital ratios	16
	Profit allocation proposal	17
	Resolutions of the Board of Directors	17
	Explanatory notes	18-23
	Reclassified consolidated balance sheet	24
	Reclassified consolidated income statement	25
	Reclassified consolidated income statement – Quarterly evolution	26
	Reclassified consolidated income statement net of Non-Recurring items	27
€25,000,000,000 Euro Medium Term Note Programme dated 11 June 2021 ("**EMTN Programme**")	*Risk Factors*	11-39
	Documents incorporated by reference	40-41
	Selected Consolidated Financial Data	145-150
	Description of the Issuer and the Group	151-185
	Regulatory	187-198
	General Information	212-215
Press release dated 30 July 2021 entitled "*Banco BPM: 2021 EU-wide Stress Test Results – Better Than in Previous Exercise (2018)*"	Entire document	1-2
the First Supplement to the EMTN Base Prospectus dated 1 October 2021	Entire document	1-10
the Second Supplement to the EMTN Base Prospectus dated 16 December 2021	Entire document	1-15
the Third Supplement to the EMTN Base Prospectus dated 11 February 2022	Entire document	1-10
Articles of Association	Entire document	1 – 52

* The page numbers identified are those of the complete .pdf file comprising the 2020 Annual Report and the 2019 Annual Report, respectively.

** with the exclusion of the penultimate paragraph under the heading “Business Outlook” on page 55 of the 2021 Consolidated Interim Financial Report.

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 7.000% 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 September 2021.

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 12 April 2022 and made between the Issuer, Citibank Europe plc as fiscal agent, (principal paying agent and 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 to Noteholders for inspection or collection during normal business hours upon reasonable request at the registered office for the time being of the Fiscal Agent being, as at the Issue Date, at 1 North Wall Quay – Dublin - Ireland and at the specified office of each of the other Paying Agents (or may be provided by email to a Noteholder following their prior written request to any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent)). 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 taking into account any transitional arrangements under the Capital Instruments 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) and standards and guidelines issued by the European Banking Authority;

"**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, most recently by the Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the BRRD are amended or replaced, the reference to provisions of the BRRD as used in these Conditions shall refer to such amended provisions or successor provisions 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, in particular by the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the CRD IV are amended or replaced, the reference to provisions of the CRD IV as used in these Conditions shall refer to such amended provisions or successor provisions 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, in particular by the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the CRR are amended or replaced, the reference to provisions of the CRR as used in these Conditions shall refer to such amended provisions or successor provisions 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

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

(A) 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

(B) 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;

"**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 then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any instruments constituting Own Funds;

"**First Interest Payment Date**" means 12 October 2022;

"**First Reset Date**" means 12 April 2027;

"**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 12 April and 12 October in each year;

"**Interest Payment Date**" means 12 April and 12 October in each year from (and including) the First Interest Payment Date;

"**Issue Date**" means 12 April 2022;

"**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 6.041%, 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);

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

"**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;

"**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, in particular by the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the SRM are amended or replaced, the reference to provisions of the SRM as used in these Conditions shall refer to such amended provisions or successor provisions 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.

"**Tier 2 Capital**" means at any time tier 2 capital as interpreted and applied in accordance with the Applicable Banking Regulations, taking into account any transitional arrangements under the Capital Instruments 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 constitute direct, unconditional and unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and shall rank:

(a) whilst the Notes constitute, fully or partially, Additional Tier 1 Capital:

(i) 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;

(ii) *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

(iii) 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).

(b) if and when the Notes are fully excluded from Additional Tier 1 Capital but so long as they constitute, fully or partly, Tier 2 Capital:

(i) junior to (i) all present or future unsecured and unsubordinated obligations of the Issuer and (ii) any other present or future unconditional, unsecured and subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes (including any subordinated instruments that have ceased to qualify in their entirety as Own Funds);

(ii) *pari passu* with the Issuer's obligations in respect of any Tier 2 Instruments; and

(iii) 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 present or future obligations under instruments or items included in the CET1 capital of the Issuer, or under Additional Tier 1 instruments).

(c) if and when the Notes are fully excluded from Additional Tier 1 Capital and Tier 2 Capital:

(i) junior to all present or future unsecured and unsubordinated obligations of the Issuer and any other present or future unconditional, unsecured and subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes;

(ii) *pari passu* with all other present or future subordinated obligations of the Issuer that have ceased to qualify, in their entirety, as Own Funds and with all other subordinated obligations of the Issuer that have such ranking; and

(iii) senior to (i) all present or future unsecured and unsubordinated obligations of the Issuer, (ii) any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including Additional Tier 1 instruments and Tier 2 Instruments), and (iii) all present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, senior or *pari passu* to the Notes.

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(b)), 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), save for any requalification, 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.

3.6 There is no negative pledge in respect of the Notes.

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, 7.000 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 12 October 2022 in respect of the period from (and including) the Issue Date to (but excluding) 12 October 2022.

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

Subject to Condition 4.4 (Benchmark Event), 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

(a) 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.

(b) 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, 1.082% 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, but in any event no later than the Reset Determination Cut-off Date 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.

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, the Issuer shall notify the Noteholders, the Fiscal Agent, the relevant Paying Agent and the Calculation Agent no later than the Reset Determination Cut-off Date and, 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, (i) 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 or (ii) in the determination of the Issuer, the provisions under the above paragraphs of this Condition 4.4 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 Issuer shall notify the Noteholders, the Fiscal Agent, the relevant Paying Agent and the Calculation Agent no later than the Reset Determination Cut-off Date and no Replacement Reference Rate will be adopted nor will any other changes will be made or adjustment factor 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 of international repute 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 and experienced in the international debt capital markets.

In no event shall the Calculation Agent be responsible for determining any Replacement Reference Rate and the Calculation Agent will be entitled to conclusively rely on any determinations made by the Issuer or the Reference Rate Determination Agent and will have no liability for such actions taken at the direction of the Issuer or the Reference Rate Determination Agent.

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

Subject to Condition 4.4 (Benchmark Event), 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 aforesaid) 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

(a) 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.

(b) 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:

(a) 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:

 (i) 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

 (ii) 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**");

(b) 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**");

(c) 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

(d) 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

(e) 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

(a) 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).

(b) 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.

(c) 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.

(d) 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.

(e) 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:

(i) 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

(ii) 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**").

(f) 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.

(g) 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.

(h) 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.

7.5 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 8 April 2022 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 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), 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.

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*) or Condition 16 (*Meetings of Noteholders, Modification and Waiver*) (including, for the avoidance of doubt, any modification in accordance with Condition 16) is subject to compliance with the then Applicable Banking Regulations, including:

(a) the Issuer having obtained the prior permission of the Relevant Authority in accordance with Articles 77 and 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 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 reasons*), the Issuer having 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; or

(iii) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(iv) the Notes are repurchased for market making purposes, subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) the Notes, in the limit of a predetermined amount, which shall not exceed the lower of: (i) 10% (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the amount of the principal amount of the Notes; and (ii) 3% (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the total amount of Additional Tier 1 instruments of the Issuer from time to time outstanding, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out at letters (i) and (ii) of sub-paragraph (a) of the preceding paragraph.

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 (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) 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 (the states allowing for an adequate exchange of information with the Republic of Italy are currently listed in Ministerial Decree of 4 September 1996, as amended and supplemented from time to time); 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*) pursuant to Article 96-quinquies 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 or of any resolution proceeding(s) or moratoria imposed by a resolution authority in respect of the Issuer, 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 Dublin 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 the Euro MTF Market, 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 Issuer and the Fiscal Agent 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**"):

  (i) 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;

  (ii) 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;

  (iii) 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;

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

  (v) 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;

  (vi) 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:

  (i) 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;

  (ii) 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;

  (iii) 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

  (iv) 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 Banco BPM Group in the documents incorporated herein by reference as set out in the section headed "Documents incorporated by reference".

Strategic Plan 2021-2024

On 3 March 2020, the Board of Directors of the Issuer has approved the Strategic Plan 2020-2023, which contained the strategic guidelines and economic, financial and patrimonial objectives of Banco BPM Group for the period ranging between 2020-2023.

The hypothesis underlying the Strategic Plan 2020-2023 were, however, formulated prior to the imposition of the restrictive measures connected to the spread of Covid-19 throughout the territory of the Republic of Italy and, therefore, were made in a different macroeconomic context from the one that was effectively verified after the entry into force of the restrictive measures ("lockdown") resulting from the spread of the pandemic.

For this reason, considering that, as announced to the market, the forecasts of results made under the Strategic Plan 2020-2023 were no longer up to date, the Board of Directors of the Issuer has approved, on 4 November 2021, the Strategic Plan 2021-2024 which sets out the new objectives for the period of 2021-2024.

The three "fundamental pillars" of the Strategic Plan 2021-2024, as well as the "enabling factors" deemed necessary to achieve the objectives included therein, are briefly set out below:

Pillar 1 – New digital-driven service model

The efforts expended and investments made since the incorporation of Banco BPM, geared towards developing the digital transformation, have laid solid foundations for further evolution of the service model from a digitalisation and omni-channel perspective, over the horizon of the Strategic Plan 2021-2024.

Thanks to the strengthening and innovation of digital services and channels, implemented since the merger up until now, the Banco BPM Group has:

- cut the number of branches by 36%;
- reduced by 50% the number of cash teller positions;
- increased the portion of transactions managed via remote channels from 70% to 83%.

In order to seize the main commercial growth opportunities and further optimise operations, a new digital service model will be rolled out over the Plan horizon, which will leverage:

1. The continuous evolution of daily banking from a mobile first perspective which will enable:

  - An increase in the number of customers "enrolled" in digital services and of the transactions carried out remotely;
  - An improvement in the Customer Experience with the implementation of new smart assistance solutions, with the aim of keeping the high level of satisfaction with the banking app;
  - The adoption of a Digital Identity for almost all of customers, enabling the gradual transformation of operations to paperless.

2. A further focus and specialisation of the distribution network on the commercial offering through:

  - the reduction of cash terminals;
  - evolution of the Customer Centre into a highly proactive "Digital Branch", aimed at the remote sale of products and services.

3. The development of the significant potential of the Omni-channel approach through increasing use of

advanced analytics with the goal of:

- innovating the sales approach by developing new Customer Journeys that guarantee a more extensive and personalised response to the needs of Retail customers;

- offering a diversified and "remote-enabled" range of Retail products and services, with a view to enabling "Self-assisted" purchases.

The full development of the lines of action set out above will enable, under the Strategic Plan 2021-2024:

- the establishment of an optimized and more specialized distribution network, with a branch network, which will be supported by Digital Branch activities and new Business Centers.

- the significant enhancement of the contribution of advanced analytics and "Remote & Omni-channel Sales", in order to support retail sales activities;

- the increase of the "activation levels" of the customer base and cross-selling through increasingly more extensive commercial proposals to the customer base.

Pillar 2 – The new digital-driven service model enables sustainable growth in the core business

Family Banking

The objective is to seize the real growth opportunities in mortgages for families and young people, plus constant growth in the consumer credit sector and strengthening of activities in the Non-Life Bancassurance sector.

Consolidation of the Group's strategies in the Non-Life Bancassurance segments and of the strategic partnership in consumer credit, together with innovation of the commercial offering based on analytics and digitalisation, will enable the Bank to achieve ambitious goals. Specifically, to support these objectives, the following will be fully implemented over the Strategic Plan 2021-2024:

- development of an omni-channel approach and enhancement of marketing automation;

- contribution of the "Digital Branch", both for direct sales and as support for omni-channel sales in branch;

- a refocusing of the Webank offering on the millennials target and as a driver for acquisition of digital native customers;

- widening of specific customer segments with a view to customer value management.

Wealth Management

The Strategic Plan 2021-2024 aims to achieve continuous growth in the Wealth Management segment, focusing on management of customer investments, turning new direct funding acquired in the last few years into asset management, and leveraging both the bank's omni-channel strategy and the implementation of asset management and life bancassurance solutions.

In support of these objectives, Wealth Management will be able to benefit, over the horizon of the Strategic Plan 2021-2024, from:

- increasingly more advanced "Remote Advisory" solutions, based on web cooperation and digital signature;

- further improvement to the Customer Journey and analytical models;

- a development of both bancassurance and asset management offerings, with a special focus on ESG matters.

Within the sector, Banca Aletti, specialised in private banking, will play an increasingly important role in the segment, continuing on its growth path with a strategy based on:

- a new service model specialised by customer type;

- the expansion of the range of products and services geared towards ESG, insurance solutions consistent with the financial and tax context, digital financial advisory services, investments linked to the real economy and family office services;

- organic and sustainable growth achieved through:
  - an improvement in the "share of wallet" thanks to enhancement of the CRM;
  - actions coordinated with the Group and dedicated to developing synergies with business, corporate and institutional customers, advisory services integrated with Investment Banking services and all-round advisory services;
  - targeted insertion of new Private Bankers/advisors and talented young people;
  - improvement to training courses.

SME Segment

The SME segment, also based on the growth achieved over the last year, plays an important strategic role for the Group.

Specialisation of the service model and adoption of new distribution formats are the main drivers of Banco BPM's strategic ambitions; the growth targets will be pursued through an improvement in cross-selling in commercial and investment banking, with particular focus on the territorial areas in which the presence is lower and where the market share is below the national average.

The strategic initiatives targeted at SME customers will focus on two areas: evolution of the commercial offering, also based on an omni-channel approach, and adoption of a new service model for businesses.
The development of distinctive integrated solutions, with an optimisation in terms of pricing, width of offer range, increase in cross-selling in "core" commercial activities and proposition of wholesale banking products will form the basis of the structured offering of products and services for SMEs.

The new service model will involve differentiation depending on the size and needs of the SME customer, with "transactional" activities included in the Omni-channel offering, while financing and advisory activities will be covered by a team of specialists.

Further, a greater and stronger focus on the synergies with Banca Akros structures and Banca Aletti's private bankers is also planned.

A strengthening and growth is envisaged in some specific sectors, such as Agrofood, through dedicated Specialists and Relationship Managers, a qualified Credit chain and a well-defined product catalogue.
In addition, various forms of credit, which allow the use of incentives provided by the State and by Supranational organisations, will be made available to SME customers; significant attention also to funding, fiscal bonuses and services related to the National Recovery and Resilience Plan ("**NRRP**").

Corporate/Institutional Segments and Investment Banking Activities

Based on the consolidated and distinctive business model in Corporate & Investment Banking, Banco BPM Group's ambition is to further develop support for corporate customers. This commitment will be accompanied by a further increase in customer loans and a significant rise in core revenues.

These objectives will be achieved by focusing on the specific strategic areas summarised below:

First and foremost, growth will be pursued in high value-added business areas. The Bank will especially hone in on:

- further bolstering its leading position in Structured Finance, with a focus on unique structuring and syndication skills;
- solid expertise in support of Foreign customer activities, aided by the renewed commitment to Trade & Structured Export Financing.
-

The second key element will be represented by the ability to take advantage of the opportunities stemming from implementation of the NRRP, by operating in support of the liquidity of the system (Supply Chain

Finance & Tax Credits), financing customer projects and further improving the specialist coverage of the most involved economic sectors. These actions will be implemented according to a synergy-based approach to the various private, institutional and public administration stakeholders, and will be coordinated by a specific steering committee at Group level.

An additional segment of development is the already active presence in the "ecobonus and superbonus" business.

Full development of the Group's synergies will represent an additional area of strategic action, aimed at achieving an integrated approach, tailor-made to customers' needs, with a specific focus on:

- management of company liquidity and Private Banking services (Banca Aletti);
- Investment Banking activities (Banca Akros).

Banca Akros will play an increasingly more important role in the Group's growth, thanks to the synergies developed over the years and the consolidated presence in investment banking activities.

Within this scope, Banca Akros “core” revenues are expected to grow throughout the period of the Strategic Plan 2021-2024.

Development will focus in particular on:

- promoting customer access to the financial markets, with special attention to SMEs ;
- enhancing leadership in brokerage, placement and equity research activities, through the further development of support for “on-line” customers and for domestic and foreign institutional investors;
- promoting the innovation of products and services with particular attention on digitalisation and ESG issues;
- strengthening trading/financial engineering activities and market making on financial cash/derivative markets, equities/fixed income securities and hedging of interest rates, currencies and selected commodities, thanks also to the recognized and consolidated brand in favour of the Group's customers (corporate and SME) and institutional counterparties.

Pillar 3 – Sustainable growth of the core business by leveraging the potential of bank product providers

As already announced to the market on 5 March 2021 and 26 June 2021, Banco BPM redefined the bancassurance partnership agreements with Cattolica Assicurazioni and Covéa, respectively, through which the Group guaranteed a purchase option on the shares in companies held by the respective partners, which will enable it to reach a stake of 100%. More specifically, Banco BPM has the right to exercise: i) a call option on 65% of the capital of Vera Vita and Vera Assicurazioni, which can be exercised from 1 January to 30 June 2023, and ii) an unconditional call option on 81% of the capital of Bipiemme Vita, which in turn holds 100% of Bipiemme Assicurazioni, which can be exercised from 8 September 2021 to 31 December 2023.

Therefore, due to the aforementioned purchase options, Banco BPM is guaranteed the strategic option, entirely at its discretion, to fully insource the bancassurance business or, alternatively, to enter into new partnerships that guarantee its stakeholders with the same creation of value.

The rationale behind the insourcing of the insurance business within the Banco BPM Group and the associated consolidation of the insurance companies lies in the significant room for growth in terms of the productivity of the Life segment, considering the capacity of the Group's commercial network in the overall placement of investment products, and, in the Non-life segment, by seizing, in particular, the growth opportunities in the Italian market yet to reach maturity, where the level of customer penetration is well below that of other European countries with a stronger tradition in risk coverage. The future growth of volumes associated with potential cost synergies deriving from the insourcing and streamlining of the bancassurance segment will generate significant increases in the net profit of the insurance companies and, therefore, in terms of the contribution to the Group's consolidated net profit.

In addition, the insourcing of bancassurance, in terms of capital absorption, may have a low impact with regards to the topic of the recognition of the prudential treatment set forth in the "Danish Compromise".
The opportunity for the Banco BPM Group to develop the insurance business "in-house" is enabled by the current operational and organisational structure of Bipiemme Vita and Bipiemme Assicurazioni which,

given they operate fully self-sufficiently with respect to the parent company, facilitates the insourcing and the consolidation in the Group, also enabling the scalability of the platform and the integration of the companies Vera Vita and Vera Assicurazioni.

Contributions will continue to be made to the development of asset management and consumer credit activities by the partnership with Anima, the leading independent asset management company in terms of assets managed, and with Agos, the third Italian Group in terms of the share of the consumer credit market.

ENABLING FACTORS

1. Confirmation of a strong "risk control culture" applied to the management of loans, funding and the securities portfolio

After an impressive track record in de-risking actions in the last few years, characterised by an effective performance in both assignments of non-performing loans and recovery activities, the Strategic Plan 2021-2024 makes provision for further improvement in asset quality. Adequate levels of coverage of non-performing loans will be maintained over the Strategic Plan 2021-2024 horizon and the cost of risk may be expected to fall.

The improvement in Asset Quality in the 2021-2024 period, by taking advantage of the geographic positioning of the portfolio, 94% of which is concentrated on the regions in Central-Northern Italy (more than 75% in the North), will be supported by a set of 4 organic initiatives, which will also enable the bank to reduce the default rate, increase the NPE recovery rate and reduce the stock of NPEs, more than offsetting the forecast impacts linked to the pandemic:

- *Advanced Credit risk data warehouse*

Creation of a unique credit risk data warehouse aimed at achieving:
  - greater consistency between management figures and accounting/reporting data;
  - strengthening of granularity, allowing full visibility in the analysis of data throughout the organisation in support of the decision-making process.

- *Reinforcing of credit policies, also from an ESG perspective*
  - greater sector-based specialisation and developments dedicated to financial sustainability;
  - full inclusion of ESG prospects and business projections in light of the "transition" processes (focus on climate risk and energy efficiency initiatives);
  - closer interaction between the alignment with policies, budget and management by objectives (**MBO**).

- *Evolution of Monitoring & Early Warning systems*

  - new early warning developments, exploiting innovative "machine learning" techniques on current account transactions;
  - improvement in the risk control capacity by using strategies based on analytical "workflows";
  - prevention of "performance driven" default risk, supported by increasingly more extensive monitoring key performance indicators (**KPI**).

- *New approach to managing NPEs:*

  - full development of the JV with Gardant S.p.A. to enhance the workout of bad loans;
  - introduction of a standardised management approach for UTPs that will leverage quicker and more effective workout strategies;
  - dynamic activation of large-scale transfers supported by accelerated workout based on single-name transfers and full and final settlements.

2. Development of the talent and diversity of human and digital, organizational and process transformation, confirming the close control of costs

Human Resources

The Strategic Plan 2021-2024 will be focused on a people-oriented approach and aimed at attracting and nurturing talented people, through:

- a comprehensive and well-structured people strategy aimed at promoting a common sense of purpose and an attractive value proposition;
- increased awareness of inclusion and diversity with a special focus on the individual, improvement in the work-life balance and flexible work methods;
- promotion of an inclusive leadership style based on trust, respect and collaboration to prepare the leaders of tomorrow and support the growth of talented people through personalised growth plans;
- generational turnover favoured by new hiring plans;
- development of people through programmes for the enhancement and acquisition of skills, learning on the job, coaching and mentoring courses to improve soft skills;
- empowerment of talented women through dedicated growth processes and commitment to significantly boosting the presence of women in managerial roles;
- creation of a new department in Human Resources to support the professional growth and development of key people and talented young people;
- awareness-raising actions and education and training programmes on ESG matters;
- development of expertise and soft skills combined with careful cost management.

IT investments and initiatives

Technological evolution will be one of the main enabling factors of the Strategic Plan 2021-2024. Banco BPM Group has already allocated a total of Euro 650m for investments over the Strategic Plan 2021-2024 horizon, with the goal of promoting the digital transformation.

The main initiatives will be concentrated on the following development lines:

- implementing "data & analytics tools" to support business growth;
- fostering the adoption of "cutting edge" technologies to promote business growth;
- establishing partnerships with fintech companies, innovation centres and universities to speed up and facilitate the use of Open Banking solutions;
- adopting "first in class" IT methodologies and standards to ensure a solid operating space, reduce complexity and support continuous improvement.

Strengthening of IT security

A key aspect of the Strategic Plan 2021-2024 is IT security designed to counteract any unexpected cybersecurity threats. To this end, the Bank has allocated more than €45 million to investments over the Strategic Plan 2021-2024 horizon dedicated to IT security.

The main initiatives will be dedicated to:

- bolstering the evolution of the business and solidifying stakeholder confidence through the continuous improvement of IT risk management;
- unlocking the adoption of technology and accelerating the transformation process to manage emerging threats to IT security;
- applying an in-depth defence approach to reduce the exposure to the threats to IT security;
- leveraging Business Continuity solutions to create credible business resilience.

3. Full integration of the ESG strategy in Banco BPM Group's business model

The Banco BPM Group plans to further boost its strategic ambition in all areas of Sustainability through growing integration and dissemination of Environmental Social and Governance (ESG) elements in its governance and business models. The activities which will be developed over the Strategic Plan 2021-2024 horizon are based on already established and consolidated foundations: first and foremost, at governance level, thanks to the creation of controls at board level, with the direct responsibility of the Board of Directors and the central role of the Internal Control, Risk and Sustainability Committee, that can rely on a reference advisor for ESG issues; at managerial level with the ESG Committee chaired by the CEO and the Sustainability Department. The integration of ESG requests in the business model is achieved, in particular, by the activities arranged into 7 project areas: *Governance, People, Risk & Credits, Customers-Business, Customers-Wealth Management, Environment, Stakeholder engagement & Measurement*. In these areas, a total of 32 projects have been defined which are in the process of being implemented, involving 12 units, and more than 50 Staff members. In addition, specific targets are defined in the long-term and short-term incentive plans, for the CEO and senior managers.

These targets constitute the foundations of the five ESG macro-objectives of the Strategic Plan 2021-2024, which are broken down into the following areas:

Business

The objectives set in this macro-area will be achieved through the proposal of solutions, products and advisory services that support customers in the transition towards a sustainable economy.

Risk & Credit

ESG requests will be integrated in the risk, credit and investment policies and processes in three areas: (i) the application of credit exclusion criteria to sectors bearing a very high risk from an environmental impact perspective and simultaneous run-off of currently existing exposures; (ii) selective approach to the granting of credit aimed at transition projects in sectors exposed to high environmental risk, such as the fossil fuels sector; (iii) active initiatives to promote change programmes and projects for customers exposed to climate risk.

The Bank also expects to sign up to the Net Zero Banking Alliance, the initiative promoted by the United Nations with the aim of accelerating the sustainable transition of the international banking sector, during the Strategic Plan 2021-2024 horizon.

Lastly, the Risk Management operating framework (RAF) will be fully integrated with ESG factors.

People Strategy

This macro-objective will be pursued through further integration of the ESG risks and objectives in the management incentive policies, identification and training of ESG ambassadors as reference points on sustainability issues within all company departments, development of greater awareness of ESG matters and constant training, promotion of a business culture based on diversity and inclusion and individual well-being, the latter pursued through work-life balance policies.

Environment

A key element in achieving this macro-objective will involve developing actions to counteract climate change by reducing the direct impacts, thanks to constant use of electricity generated entirely from renewable sources and reduction of consumption and CO2 emissions, with the goal of achieving carbon neutrality during the Strategic Plan 2021-2024 horizon.

Community

The signing of important international partnerships/initiatives will fall into this area, such as the United Nations Global Compact. Continuous support for the social fabric in the local area will continue: with support to the Third Sector, with the economic support of social and environmental projects intended in particular for schools, universities and the voluntary sector. Lastly, there will be continued support for scientific research in the oncological domain (AIRC) to finance the activities of more than 5,000 researchers and the implementation of 660 research projects.

SELECTED FINANCIAL DATA

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

(a) the unaudited consolidated financial results at 31 December 2021;

(b) the unaudited financial information as at and for the nine months ended 30 September 2021;

(c) the consolidated interim financial statements of Banco BPM as at and for the six months ended 30 June 2021, subject to limited review by PricewaterhouseCoopers S.p.A.;

(d) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2020, which were audited by PricewaterhouseCoopers S.p.A.;

that are incorporated by reference into this Prospectus.

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.

Group financial highlights

(in millions of Euro)	**30 June 2021**	**30 June 2020 (*)**
Reclassified income statement figures (*)		
Financial margin	1,117.3	1,023.9
Net fee and commission income	950.1	816.9
Operating income	2,323.5	1,955.9
Operating expenses	(1,275.5)	(1,248.7)
Profit (loss) from operations	1,048.0	707.2
Profit (loss) before tax from continuing operations	525.8	209.8
Net income (loss)	361.3	105.2

(*) The figures relating to the previous period have been restated to guarantee a like-for-like comparison.

(in millions of Euro)	**30 June 2021**	**31 December 2020**
Reclassified Balance sheet figures		
Total assets	198,530.1	183,685.2
Loans to customers (net)	109,374.2	109,335.0
Financial assets and hedging derivatives	45,955.5	41,175.6
Group shareholders' equity	12,918.0	12,225.2
Customers' financial assets		
Direct funding	120,146.4	116,936.7
Direct funding without repurchase agreements with certificates	122,601.9	120,141.1
Indirect funding	99,623.3	94,807.3
Indirect funding without protected capital certificates	96,460.5	91,575.9
- Asset management	62,918.1	59,599.2
- Mutual funds and SICAVs	43,797.7	40,797.6
- Securities and fund management	4,140.3	3,945.2
- Insurance policies	14,980.1	14,856.4
- Administered assets	36,705.2	35,208.1
- Administered assets without protected capital certificates	33,542.4	31,976.7
Information on the organization		
Average number of employees and other staff (*)	20,345	20,776
Number of bank branches	1,510	1,808

(*) *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

	30 June 2021	**31 December 2020**

Alternative performance measures		
Profitability ratios (%)		
Annualised Return on Equity (ROE) (*)	5.75%	0.17%
Annualised Return On Assets (ROA) (*)	0.36%	0.01%
Financial margin / Operating income	48.09%	50.90%
Net fee and commission income / Operating income	40.89%	40.07%
Operating expenses / Operating income	54.90%	58.53%
Operational productivity figures (000s of euro)		
Loans to customers (net) per employee (**)	5,376.0	5,262.7
Annualised Operating income per employee (*) (**)	228.4	199.8
Annualised Operating expenses per employee (*) (**)	125.4	117.0
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	0.87%	1.34%
Unlikely to pay/Loans to customers (net)	2.44%	2.55%
Net bad loans/Shareholders' equity	7.33%	11.96%
Other ratios		
Financial assets and hedging derivatives / Total assets	23.15%	22.42%
Derivative assets/Total assets	0.94%	1.45%
- trading derivatives/total assets	0.91%	1.41%
- hedging derivatives/total assets	0.04%	0.04%
Net trading derivatives (***)/Total assets	0.16%	0.21%
Net loans/Direct funding	91.03%	93.50%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio) (****)	14.07%	14.63%
Tier 1 capital ratio (****)	15.78%	15.85%
Total capital ratio (****)	18.78%	18.75%
Liquidity Coverage Ratio (LCR)	216%	191%
Leverage ratio	5.66%	5.66%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock		
- Final	2.713	1.808
- Maximum	3.040	2.456
- Minimum	1.781	1.043
- Average	2.383	1.538
Basic EPS (*)	0.239	0.014
Diluted EPS (*)	0.239	0.014

(*) *The annualised result does not represent a forecast of profits for the year.*

(**) *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".*

(****) *The figures referring to 31 December 2020 were calculated considering the profit (loss) for the year net of the dividend of 6 cents per share, approved by the Shareholders' Meeting on 15 April 2021, taken from the profit for the year 2019, as a result of compliance with what is set forth in ECB Recommendation of 27 March 2020.*

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM as at and for the year ended 31 December 2020, the consolidated interim financial statements of Banco BPM as at and for the six months ended 30 June 2021 and 2020, Results as at 30 September 2021, and the Results as at 31 December 2021 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), incorporated in CONSOB communication no. 0092543 of 3 December 2015, which are used by the management of the Issuer to monitor the Issuer's financial and operating performance. In line with the guidance contained in the update of the document "ESMA32_51_370 – Question and answer – ESMA Guidelines on Alternative Performance Measures (APMS)", published on 17 April 2020, no changes have been made to the APMs to take into account the effects of the Covid-19 crisis.

- "Cost / income ratio" is calculated as the ratio between reclassified operating expenses and reclassified operating income;

- “Payout ratio” is calculated as the ratio between the amount of the proposed dividends to be distributed and the amount of net profit;
- “Dividend yield” is calculated as the ratio between the amount of the proposed dividend per share and the average price of Banco BPM share;
- “Core Total Income” or “Revenues from Core Banking Business” or “Core revenues” are calculated as the sum of “net interest income” and “net fees and commissions”[5];
- “Direct funding from customers” includes deposits and current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repurchase agreements are not included;
- “Core direct funding” is calculated as the sum of current accounts and deposits;
- “Indirect funding net of protected capital certificates” is calculated as the aggregate of indirect funding (managed assets and administered assets) net of deposits underlying protected capital certificates;
- “Core net performing loans” is calculated as the sum of mortgages, loans, current accounts and personal loans;
- “Net financial result excluding the effect of the change in own credit risk” is calculated as the difference between net financial result and the impact (positive or negative) of the change in own credit risk on the valuation of the certificates issued by the Group;
- “Net NPE Ratio” is calculated as the ratio between net non-performing exposures and total exposures related to the balance sheet items of "Loans to customers" measured at amortised cost";
- “Gross NPE Ratio” is calculated as the ratio between gross non-performing exposures and total exposures related to the balance sheet items of “Loans to customers” measured at amortised cost;
- “Gross NPE Ratio (EBA methodology)” is calculated in accordance to the methodology used by EBA for the presentation of data in the context of the EU Transparency Exercise;
- “Net interest income excluding write-down of interest on a number tax credits” is calculated as the difference between net interest income of the period excluding the impact of the write-down of interest on some tax credits accounted for in previous years;

- “Normalised (or Adjusted) loan loss provisions” is calculated as loan loss provisions net of the non-recurring economic components relating to sales of portfolios finalised during the year and the estimate of all the other adjustments to loans directly or indirectly attributable to the Covid-19 emergency;
- “Cost of risk” or “Cost of credit” is calculated as the ratio between net adjustments on loans to customers and net receivables from customers including those classified in IFRS 5 for consistency with the related adjustments;
- “Normalised Cost of risk or cost of credit (or Adjusted or excluding non-core components)” is calculated as the ratio of net adjustments on loans (excluding the impact resulting from the non-recurring economic components relating to sales of portfolios finalised during the year and the estimate of all the other adjustments to loans directly or indirectly attributable to the Covid-19 emergency) to net loans to customers;
- “Texas ratio” is calculated as the ratio of the net value of non-performing loans to the Group’s tangible equity (net of the related tax effects);
- “Adjusted Profit/(loss) before tax from continuing operations” is calculated as income (loss) before tax from continuing operations net of the non-recurring economic components;
- “Normalised (or Adjusted) net income (or profit)” is calculated as net income (or net profit) net of the non-recurring economic components;
- ROE (Return on Equity) is calculated by dividing the amount of the net income for the year by Shareholders' equity;
- Annualised ROE (Return on Equity) is calculated by dividing the annualised net income for the period by Shareholders' equity;
- ROA (Return on Assets) is calculated by dividing the amount of the net income for the year excluding total assets;
- Annualised ROA (Return on Assets) is calculated by dividing the annualised net income for the period by total assets;
- “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;

[5] Starting from 30 September 2021 this APM is calculated as the sum of net interest income, net fee and commission income and income/loss from investments in associates carried at equity.

- "Operating expenses/Operating income" or "Cost/income" is calculated as the ratio of Operating expenses to Operating income;
- "Loans to customers (net) per employee" is calculated as the ratio between the net amount of Loans to customers and the Arithmetic average number of employees and other staff;
- "Operating income (or Annualised Operating income) per employee" is calculated as the ratio between the Operating Income (or Annualised Operating income) and the Arithmetic average number of employees and other staff;
- "Operating Expenses(or Annualised Operating Expenses) per employee" is calculated as the ratio between the Operating Expenses (or Annualised Operating Expenses) and the Arithmetic average number of employees and other staff;
- "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;
- "Total derivatives/Total assets" is calculated as the ratio between Derivative assets (sum of hedging and trading derivatives) and total assets;
- "Trading derivatives/total assets" is calculated as the ratio between the amount of the derivatives included under Balance Sheet[6] 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 as the ratio between the amount of Balance Sheet item[2] 50. of assets by total assets;
- "Net trading derivatives/Total assets" is calculated as the ratio between Net trading derivatives (mismatch, in absolute terms, between the derivatives included under Balance Sheet item[1] 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") and total assets;
- "Net loans/Direct funding" is calculated by dividing the amount of net loans to customers by direct funding.

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 periods ended 31 December 2020, 30 June 2021, 30 June 2020 and 30 September 2021, taken from the Consolidated 2020 Annual Report, the Consolidated 2021 Interim Financial Report, the Consolidated 2020 Interim Financial Report and the Results as at 30 September 2021 respectively;

(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.

The economic components of a non-recurring nature are illustrated, in accordance with the indications of Consob Communication no. DEM/6064293 of 28 July 2006, in the Group's Report on Operations in the 2020 Annual Report (pages 45-47), in the Interim Report on Operations in the 2021 Half-Year Report (pages 32-34) and in the Interim Report on Operations in the 2020 Half-Year Report (pages 28-29) and in Note no. 5 "Non-

[6] Official schedule envisaged by the Bank of Italy Circular no. 262.

recurring items in the income statement of Banco BPM Group" of the Results as at 30 September 2021, all incorporated by reference in this Prospectus.

Credit quality

(in millions of Euro)	30 June 2021		31 December 2020	
	Net exposure	**% impact**	**Net exposure**	**% impact**
Bad loans	947.0	0.9%	1,462.2	1.3%
Unlikely to pay	2,673.6	2.4%	2,784.8	2.5%
Non-performing past-due exposures	96.0	0.1%	45.7	0.1%
Non-performing loans	**3,716.6**	**3.4%**	**4,292.7**	**3.9%**
Performing exposures	**105,657.6**	**96.6%**	**105,042.3**	**96.1%**
Total loans to customers	**109,374.2**	**100.0%**	**109,335.0**	**100.0%**

Capital Requirements for Banco BPM and the Group

On 3 February 2022, 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 for 2022. 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 added to the minimum capital requirements. Such SREP requirement must be maintained by Banco BPM with 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1).

Taking the above into account, the requirements set out for other systemically important institutions (equal to 0.25% for 2022), the capital conservation buffer (equal to 2.50%) and the countercyclical capital buffer established by the competent national authorities for exposures to countries in which the Group operates (equal to 0.003% for the first quarter of 2022), the Banco BPM Group was required to comply with the following capital ratios at consolidated level for 2022, in accordance with the transitional criteria in force:

- CET1 ratio: 8.519%;
- Tier 1 ratio: 10.441%;
- Total Capital ratio: 13.003%.

It should be noted that, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced certain measures aimed at ensuring that banks, under its direct supervision, are still able to provide credit support to the real economy.

Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19 pandemic), the ECB allows banks to operate temporarily below the capital level defined by the "Pillar 2 Guidance (P2G)" and the "capital conservation buffer".

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio as at 31 December 2021 of 14.7% at phase-in level, a Tier 1 ratio of 16.5% at phase-in level and a Total Capital ratio equal to 19.6% at phase-in level[7].

Buffers

The following table illustrates - with reference to Banco BPM's capital ratios as at 31 December 2020, 30 June 2021, 30 September 2021, and 31 December 2021 - the buffer to the CET1 requirement and the Total

[7] Ratios calculated by including the profits for the year ended 31 December 2021 and deducting the total proposed dividends of €0.19 per share per share outstanding and other profit allocations. Based on the provisions of article 26, paragraph 2 of the CRR, the inclusion of profits in Common Equity Tier 1 capital (CET1) is subject to the prior permission of the ECB as competent authority, which requires such profits to be audited by the independent auditors. Banco BPM has already informed the ECB of its intention to include the 2021 net profit (net of the aforementioned distributions) in its Common Equity Tier 1 capital and will arrange for the formal application to be submitted to the ECB.

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.

	31 December 2020*	**30 June 2021***	**30 September 2021***	**31 December 2021***
Buffer to CET1 Requirement				
- Group CET1 ratio vs CET1 requirement (phase-in)	6.228%	5.608%	6.085%	6.225%
- Group CET1 ratio vs CET1 requirement (fully loaded)	4.743%	4.352%	4.803%	4.912%
Buffer to Total Capital Requirement				
- Group Total Capital ratio vs Total Capital requirement (phase-in)	5.870%	5.840%	6.314%	6.647%
Buffer to Trigger Event				
- Group CET1 ratio (phase-in) vs 5.125% trigger	9.502%	8.941%	9.419%	9.559%
- Group CET1 ratio (fully loaded) vs 5.125% trigger	8.137%	7.746%	8.196%	8.306%
- Solo CET1 ratio actual (phase-in) vs 5.125% trigger	10.552%	9.778%	10.137%	10.921%
Buffer to MDA Trigger on a CET1 only basis				
- Group CET1 ratio vs CET1 requirement (phase-in)	5.526%	5.396%	5.935%	6.143%
- Group CET1 ratio vs CET1 requirement (fully loaded)	3.877%	4.024%	4.532%	4.705%
- Solo CET1 ratio vs CET1 requirement (phase-in)	8.471%	7.901%	8.260%	9.044%

(*) in the case of the Group (but not the solo) ratios, take into account interim profits for the period ended on 31 December 2020, 30 June 2021, 30 September 2021. Group and solo 31 December 2021 ratios are calculated by including the profits for the year and deducting the total proposed dividends of €0.19 per share outstanding and other profit allocations.

Buffers are calculated taking into consideration the capital requirements from time to time applicable as specified in the relevant SREP notice.

Rating

The international agencies Moody's Investors Service, through Moody's France SAS ("**Moody's**") and DBRS Ratings GmbH, which is part of DBRS Morningstar (hereinafter also referred to as "**DBRS**") have assigned ratings to the Issuer. Moody's and DBRS are 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.

As at the date of this Prospectus, the following ratings, last indicated in Moody's Credit Opinion dated 16 July 2021, were assigned by Moody's to the Issuer: (i) Long and Short-Term Deposit Ratings of Baa3/P-3, with Stable Outlook; (ii) Long-Term Issuer Rating and Long-Term Senior Unsecured Debt Rating of Ba2, with Stable Outlook; (iii) Assigned and adjusted Baseline Credit Assessment (BCA) of ba3; and (iv) Counterparty Risk Assessments (CR Assessment) of Baa3(cr) / P-3(cr).

On 12 May 2021, Moody’s announced rating actions taken on 10 Italian banks and, in this context, changed the outlooks on Banco BPM’s long-term deposit ratings as well as issuer and senior unsecured debt ratings to Stable from Negative. At the same time, Banco BPM’s BCA of ba3, long-term deposit ratings of Baa3 and long-term issuer and senior unsecured debt ratings of Ba2 were affirmed. This rating action reflected Moody's expectation that Banco BPM will continue its de-risking efforts through NPL sales and securitisations, offsetting some of the anticipated weakening in asset quality. The assessment also reflected the agency's expectation that Banco BPM will continue to report weak profitability and that it will maintain moderate capital levels. Under Moody's Advanced LGF analysis, a portion of Banco BPM's TLTRO drawdowns were considered as profit enhancing operation, resulting in unchanged ratings uplift.

Subsequently, on 13 July 2021, Moody’s took rating actions on five Italian banks following an update of its banks methodology and, in this context, upgraded the long-term junior senior unsecured rating of Banco BPM to Ba3 from B1. As a result, this rating is in line with the BCA (ba3), which, based on Moody’s indications, better captures the risk characteristics of this class of debt following the agency’s revised view around the distribution of losses post failure. At the same time, Moody's also affirmed the senior unsecured debt ratings of Banco BPM at Ba2. The affirmation follows Moody's revised notching guidance table that maintains the Bank's senior unsecured debt ratings at one notch above the BCA; however, as noted by Moody’s, the one-notch uplift from the BCA is no longer based on Moody's forward-looking expectation of material issuance of bail-in-able debt but rather on the bank's current metrics.

As at the date of this Prospectus, the following ratings, which were last confirmed on 20 November 2020 and indicated in the Rating Report on Banco BPM of 22 January 2021, were assigned to the Issuer by DBRS: (i) Long-Term Deposit Rating of BBB; (ii) Short-Term Deposit Rating of R-2 (high); (iii) Long-Term Issuer Rating and Long-Term Senior Debt Rating of BBB (low); (iv) Short-Term Issuer Rating and Short-Term Debt Rating of R-2 (middle); and (v) Long and Short-Term Critical Obligations Ratings of BBB (high) / R-1 (low). All ratings have a Negative Trend. The Intrinsic Assessment of the Group is BBB (low). The Support Assessment is SA3, implying no uplift from systemic support.

On 2 April 2020, as part of a general review of Italian bank ratings, DBRS had revised the Trend on all the Group’s ratings from Stable to Negative, while concurrently confirming all ratings assigned to Banco BPM and to Banca Akros – including the Long and Short-Term Issuer Ratings and Senior Debt Ratings of BBB (low)/R-2 (middle), as well as the Long and Short-Term Deposit Ratings of BBB/R-2 (high). . This action reflected the rating agency’s view that the COVID-19 pandemic was expected to lead to a deterioration in the operating environment in Italy, thereby putting pressure on the bank’s financial profile. At the same time, the rating confirmation was a reflection of the agency’s recognition that the progress achieved in de-risking had left the Group with a sounder asset quality profile, in addition to the Group’s solid market position as the third largest banking franchise in Italy.

In its Rating Report dated 22 January 2021, DBRS indicated that the Negative Trend continues to incorporate the heightened risks and uncertainty to the Italian economy caused by the global coronavirus pandemic (COVID-19) and the implications for Italy’s operating environment and the rating agency’s expectation that it will affect the Bank’s revenues, asset quality and cost of risk. In particular, DBRS expects the impact on asset quality to materialise from 2021, following the end of the moratoria schemes. Downward rating pressure would intensify should the economic crisis be prolonged. At the same time, DBRS indicated that the confirmation of the ratings takes into account the significant progress that Banco BPM has made since 2017 in reducing its non-performing exposures (NPEs), which has left the Bank with a much cleaner asset quality profile. DBRS expects NPEs to decrease further in the short-term through the planned disposals of legacy NPEs, helping to offset the impact from potential new NPE inflows driven by the economic impact of COVID-19. DBRS also indicated that the ratings incorporate Banco BPM’s solid market position across the wealthy regions in Northern Italy, reinforced by measures to streamline the operating structure and that the ratings continue to be underpinned by the Bank’s solid capital buffers, as well as solid funding and liquidity profiles. Moreover, in the above-indicated Rating Report DBRS noted that the ratings assigned to Banco BPM also take into account the Bank’s still high stock of NPEs as well as its modest profitability, which reflects core revenue pressure due to the persistent low interest rate environment, the ongoing de-risking and the high cost of risk.

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 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, paragraph 22, 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 and Law Decree No. 34 of 30 April 2019, as converted into law by Law No. 5 of 28 June 2019.

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 and supplemented from time to time (“**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 an individual long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100-114 of Law No. 232 of 11 December 2016 ("Law No. 232"), Article 1, paragraphs 211-215, of Law No.145 of 30 December 2018 ("**Law No. 145**") and in Article 13-bis of Law Decree No. 124 of 26 October 2019 ("**Law Decree No. 124**") and in Article 136 of Law Decree No. 34 of 19 May 2020 ("**Decree No. 34/2020**"), as amended and applicable from time to time.

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 an individual long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100 – 114, of Law No. 232, Article 1, paragraphs 210 – 215, of the Law No. 145, Article 13-bis of Law Decree No. 124 and Article 136 of Decree No. 34/2020, as amended and applicable from time to time. 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 an individual long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 – 114, of Law No. 232, Article 1, paragraphs 210 – 215, of the Law No. 145, Article 13-bis of Law Decree No. 124 and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time. 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 an individual long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraphs 100 – 114, of Law No. 232, Article 1, paragraphs 210 – 215, of Law No. 145, Article 13-bis of Law Decree No. 124 and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time.

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 descendants 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 an individual long-term savings account (*piano individuale di risparmio a lungo termine*), that meets the requirements set forth in Article 1, paragraphs 100 - 114 of Law No. 232, Article 1, paragraphs 211 – 215 of Law No. 145, Article 13-bis of Law Decree No. 124 and in Article 136 of Decree No. 34/2020, as amended and applicable from time to time, are exempt from inheritance taxes.

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, as amended and supplemented, Italian resident individuals, non-commercial entities, and non-commercial partnerships and similar institutions, 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

Morgan Stanley & Co. International plc (the "**Sole Active Bookrunner**") and Banca Akros, S.p.A. (together with the Sole Active Bookrunner, the "**Bookrunners**") have, in a subscription agreement dated 8 April 2022 (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 Bookrunners for certain of their expenses in connection with the issue of Notes and to indemnify the Bookrunners against certain liabilities incurred by them in connection therewith. The 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.

The Bookrunners have represented and agreed that, except as permitted by the Subscription Agreement, they have 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, within the United States or to, or for the account or benefit of, U.S. persons. The Bookrunners have further agreed that they will send to each dealer to which they sell 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

The Bookrunners have represented and agreed that they have 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, "**EU MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II;

(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.

Prohibition of Sales to UK Retail Investors

The Bookrunners have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus to any retail investor in the United Kingdom.

For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

i. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or
ii. a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

The Bookrunner have 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, the Bookrunners have 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.

The Bookrunners have 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 in the Prospectus Regulation; or in other circumstances which are exempted from the rules on public offerings pursuant to the Prospectus Regulation, Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) ("**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 on 2 November 2020), and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

France

The Bookrunners have represented and agreed that they have not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and they have 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, the Bookrunners have represented and agreed that they have 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 the Bookrunners 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.

The Bookrunners have represented, warranted and agreed that they have complied and will 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; and will obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of the Notes under the laws and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries, and neither the Issuer, nor any of the Bookrunners shall have any responsibility therefor. Other persons into whose hands this Prospectus comes are required by the Issuer and the 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 board of directors of the Issuer dated 28 September 2021.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banco BPM is 815600E4E6DCD2D25E30.

Listing of Notes and Admission to Trading

The Notes are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.

Documents Available

For as long as this Prospectus remains valid, copies of the following documents will, when published, be available to Noteholders for inspection or collection from the registered office of the Issuer and upon reasonable request from the specified offices of the Paying Agent for the time being in London (or may be provided by email to a Noteholder following their prior written request to any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent):

(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 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 239828647 and ISIN is XS2398286471. 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

There has been no significant change in the financial performance or position of the Issuer since 30 June 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

Litigation

Save as described under "*Description of the Issuer – Legal Proceedings of the Group*", "*– Ongoing Legal and Administrative Proceeding*" and "*– Disputes with the Tax Authority*" on pages 174-178 of the EMTN Base Prospectus, incorporated by reference herein, 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.

Third party information

The Issuer confirms that any information that has been sourced from a third party has been accurately reproduced and that, so far as it is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 7.123 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 Piazza Tre Torri n. 2, 20145, Milan, Italy.

Rating Agencies

Each of Moody's France SAS 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 (the "**EU CRA Regulation**"), 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.

The rating that each of Moody's France SAS and DBRS Ratings GmbH has given to the Notes to be issued is endorsed by Moody's Investors Service Ltd and DBRS Ratings Limited respectively, which are established in the UK and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). Each of Moody's France SAS and DBRS Ratings GmbH has been certified under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the UK CRA Regulation.

Interests of natural and legal persons involved in the issue/offer

The 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 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 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. The 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, the 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 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

BANCO BPM S.p.A.
Piazza Filippo Meda, 4
20121 Milan
Italy

FISCAL AGENT AND PAYING AGENT

Citibank Europe plc
1 North Wall
Quay
Dublin
Ireland

LEGAL ADVISERS

To the Issuer as to Italian law	*To the Bookrunners as to Italian and English law*
Studio Legale Cappelli RCCD	**Clifford Chance**
Via Boschetti 1	**Studio Legale Associato**
20121 Milan	Via Broletto, 16
Italy	20121 Milan, Italy

AUDITORS

PricewaterhouseCoopers S.p.A.
Piazza Tre Torri n. 2,
20145, Milan
Italy

SOLE ACTIVE BOOKRUNNER
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25 Cabot Square
Canary Wharf
London E14 4QA

OTHER BOOKRUNNER
Banca Akros, S.p.A.
Viale Eginardo, n. 29
20149 Milan
Italy

LUXEMBOURG LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch
60 Avenue J.F. Kennedy
L-1855 Luxembourg