FIRST SUPPLEMENT DATED 23 DECEMBER 2021

TO THE PROSPECTUS DATED 1 JULY 2021

BANCO BPM S.P.A.

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

€10,000,000,000 Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments of interest and principal
by

BPM Covered Bond 2 S.r.l.

(*incorporated as a limited liability company in the Republic of Italy*)

This supplement (the **Supplement**) to the base prospectus dated 1 July 2021 (the **Prospectus**), constitutes a prospectus supplement for the purposes of Article 23(1) of Regulation EU 2017/1129 of 14 June 2017, as subsequently amended (the **Prospectus Regulation**) and is prepared in connection with the Euro 10,000,000,000 Covered Bond Programme (the **Programme**) established by Banco BPM S.p.A. (**Banco BPM** or the **Issuer**) and guaranteed by BPM Covered Bond 2 S.r.l.. Capitalised terms used in this Supplement, and not otherwise defined herein, shall have the same meaning ascribed to them in the Prospectus.

This Supplement constitutes a supplement to, and should be read in conjunction with, the Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omission likely to affect its import.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier,* which is the Luxembourg competent authority for the purposes of the Prospectus Regulation for the purposes of updating the sections of the Prospectus headed "*General Description of the Programme*", "*Risk Factors*", "*Documents incorporated by reference*", "*Terms and conditions of the Programme*", "*Description of the Issuer and the Group*", "*Regulatory*", "*Description of the Transaction Documents*", "*Cashflows*", "*General Information*" and "*Glossary*".

Save as disclosed in this Supplement (and in the documents incorporated by reference as described below), there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme since the publication of the Prospectus.

To the extent that there is any inconsistency between (i) any statement in this Supplement and (ii) any statement in or incorporated by reference into the Prospectus, the statements in this Supplement will prevail.

The amendments to the section of the Prospectus headed "*Terms and Conditions of the Programme*" included in this Supplement shall only apply to the Final Terms the date of which falls on or after the date of approval of this Supplement.

Copies of this Supplement and the documents incorporated by reference in this Supplement can be obtained from the registered office of the Issuer and are available on the Luxembourg Stock Exchange website (www.bourse.lu). The above documents will also be available on the Issuer's website (https://gruppo.bancobpm.it/en/investor-relations/debt-instruments/international-issues/).

The information of the websites does not form part of the Supplement and has not been scrutinized or approved by the competent authority.

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GENERAL DESCRIPTION OF THE PROGRAMME

(a) On pages 1 and following of the Prospectus, the section headed "Parties" is supplemented so that the following additional party to the Programme is added:

Guarantor Administrative Servicer	***Banco BPM S.p.A.****, a bank incorporated in Italy as a joint-stock company (società per azioni), having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the Companies' Register of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "Codice meccanografico" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act.*

RISK FACTORS

(a) On page 23 and following of the Prospectus, the second paragraph under the risk factor entitled "*Risks related to the impact of global macro-economic factors*" is deleted in its entirety and replaced by the following:

"*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.*".

(b) On page 26 and following of the Prospectus, the risk factor entitled "*Risks related to the Strategic Plan*" shall be deleted in its entirety and replaced as follows:

"***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 ***2020-2023 Strategic Plan****). The 2020-2023 Strategic Plan 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 2020-2023 Strategic Plan 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, in a macroeconomic scenario that was substantially different to that which had been prevailing since the first half of 2020. As the targets set out in the 2020-2023 Strategic Plan were no longer relevant, on 4 November 2021 the Board of Directors of Banco BPM approved a strategic plan for the period 2021-2024 (the ***2021-2024 Strategic Plan****) setting out updated targets for the Group through 2024.*

The 2021-2024 Strategic Plan, while setting forth Banco BPM's strategies in qualitative and quantitative terms, contains a set of hypotheses, estimates, projections and previsions 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 from 2021 to 2024.

Such hypotheses, estimates and forecasts are based on several assumptions and are subject (among others) to the risks and uncertainties which are typical of the development of the macroeconomic scenario and the evolution of the regulatory framework. Such assumptions are based on the occurrence of future events and actions related to the main economic and financial variables or other factors that affect their development over which the directors and management of Banco BPM do not have, or have limited, control.

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.".

(c) On page 28 of the Prospectus, the seventh paragraph under the risk factor entitled "*Risks related to legal proceedings and inspections by Supervisory Authorities*" is deleted in its entirety and replaced by the following:

"*For further information please see further the paragraph in this Prospectus headed "Legal Proceedings of the Group - Ongoing Legal and Administrative Proceedings" – "Proceedings related to the diamonds reporting activities" and the paragraph headed "Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 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.*".

(d) On page 38 and following of the Prospectus, the following paragraph is added after the third paragraph of the risk factor entitled "*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*":

"*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.*".

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Prospectus headed "*Documents Incorporated by Reference*" on pages 78 and following:

"***Banco BPM: 2021 Consolidated Interim Financial Report***

The sections of the English translation of the unaudited consolidated interim financial report as at and for the six months ended 30 June 2021 (the **2021 Consolidated Interim Financial Report**), which has previously been published and has been filed with the CSSF, identified in the table below shall be incorporated by reference into this Supplement and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus, with the exclusion of the penultimate paragraph under the heading "Business Outlook" on page 55 of the 2021 Consolidated Interim Financial Report. The parts of the 2021 Consolidated Interim Financial Report not included in the cross-reference list above are either not relevant for the investor or covered elsewhere in the Prospectus, as supplemented by this Supplement. The 2021 Consolidated Interim Financial Report is available at *https://gruppo.bancobpm.it/media/dlm_uploads/2021_08_05-Banco-BPM-Group-H1-2021-Results.pdf*.

The following table shows where specific items of information are contained in the 2021 Consolidated Interim Financial Report.

Document	***Information incorporated***	***Page numbers***
2021 Consolidated Interim Financial Report	*Group financial highlights and economic ratios*	*10-11*
	Consolidated income statement figures	*31-41*
	Consolidated balance sheet figures	*42-51*
	Key financial highlights of the main Group companies	*51*
	Outlook for business operations	*54-55*
	Consolidated balance sheet	*58-59*
	Consolidated income statement	*60*
	Statement of consolidated comprehensive income	*61*
	Statement of changes of consolidated shareholders' equity	*62-63*
	Consolidated cash flow statement	*64-65*
	Explanatory notes	*66-189*
	Certification of the consolidated condensed interim financial statements	*191-193*
	Independent Auditors' Report	*195-197*

*In order to better evaluate Banco BPM's financial information provided in the 2021 Consolidated Interim Financial Report, 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 same, because they facilitate the identification of* *significant operating trends and financial parameters. The 2021 Consolidated Interim Financial Report contains the following APMs as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer to monitor Banco BPM'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.*

- *"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;*
- *"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;*
- *"Annualised Return On Equity (ROE)" is calculated as the ratio between the annualized net profit and the Group's net equity;*
- *"Annualised Return On Assets (ROA)" is calculated as the ratio between the annualized net profit and total assets;*
- *"Financial margin/Operating income" is calculated as the ratio between Financial margin and Operating income;*
- *"Net fee and commission income/Operating income" is calculated as the ratio between Net fee and commission income and Operating income;*
- *"Operating expenses/Operating income" is calculated as the ratio between Operating expenses and Operating income;*
- *"Loans to customers (net) per employee" is calculated as the ratio between the gross amount of Loans to customers and the Arithmetic average number of employees and other staff;*
- *"Annualised operating income per employee" is calculated as the ratio between the Annualised operating income and the Arithmetic average number of employees and other staff;*
- *"Annualised operating expenses per employee" is calculated as the ratio between the Annualised operating expenses and the Arithmetic average number of employees and other staff;*
- *"Net bad loans / Loans to customers (net)" is calculated as the ratio between net bad loans and net Loans to customers;*
- *"Net unlikely to pay / Loans to customers (net)" is calculated as the ratio between net Unlikely to pay and net Loans to customers;*
- *"Net bad loans / Shareholders' equity" is calculated as the ratio between net bad loans and the Group's net equity;*
- *"Financial assets and hedging derivatives / Total assets" is calculated as the ratio between Financial assets and hedging derivatives and 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 derivatives included under Balance Sheet item 20 a) of assets (Financial assets designated at fair value through profit and loss - held for trading) and total assets;*

- *"Hedging derivatives / total assets" is calculated as the ratio between the derivatives included under Balance Sheet item 50 of assets (Hedging derivatives) and 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 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) and total assets;*
- *"Net loans/Direct funding" is calculated as the ratio between the amount of net loans to customers and direct funding;*
- *"Revenues from Core Banking Business" is calculated as the sum of "net interest income" and "net fees and commissions";*
- *"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 period;*
- *"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;*
- *"Cost of credit Normalised (or Adjusted)" 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 period);*
- *"Profit net of non-recurring components" is calculated as the Profit (loss) for the period net of non- recurring items.*

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 2021 Consolidated Interim Financial Report 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 relevant reclassified financial statements and should be read together with the 2021 Consolidated Interim Financial Report;*

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. Therefore, investors should not place undue reliance on these APMs;*

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

Issuance of €500 million senior preferred notes

The press release dated 8 July 2021 entitled "Banco BPM finalises with success the first Social Bond issue for 500 million euro to finance SMEs impacted by the Covid-19 pandemic emergency", which has been published and filed with the CSSF and is available at: https://gruppo.bancobpm.it/media/dlm_uploads/2021_07_08-BancoBPM-has-successfully-launched-a-Social-Bond.pdf is incorporated by reference in its entirety into this

*Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus (the **8 July 2021 Press Release**).*

EU-wide stress test results

*The press release dated 30 July 2021 entitled "Banco BPM: 2021 EU-wide Stress Test Results – Better Than In Previous Exercise (2018)", which has been published and filed with the CSSF and is available at: https://gruppo.bancobpm.it/media/dlm_uploads/Cs_83-Eu-wide-stress-test-Banco-BPM-2021_ENG.pdf is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus (the **30 July 2021 Press Release**).*

Results as at 30 September 2021

*On 5 November 2021, Banco BPM issued a press release (the **Q3 2021 Results Press Release**) announcing that the Board of Directors of Banco BPM approved the quarterly balance sheet and income statement at 30 September 2021 of Banco BPM.*

The Q3 2021 Results Press Release has not been audited.

The Q3 2021 Results Press Release, which has been published and filed with the CSSF, shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus, with the exclusion of the fourth and fifths paragraphs under the heading "Business Outlook" on page 16 of the Q3 2021 Results Press Release.

The financial information included in the Q3 2021 Results Press Release published by the Issuer on its website (at https://gruppo.bancobpm.it/media/dlm_uploads/2021_11_05-Banco-BPM-Group-9M-2021-Results.pdf) refers to a 9-month period ended on 30 September 2021.

The following table shows where specific items of information are contained in the Q3 2021 Results Press Release.

Document	***Information incorporated***	***Page numbers***
Q3 2021 Results Press Release	*Key balance sheet items*	*4*
	Key income statement items	*5*
	Equity position	*6*
	Credit quality	*6*
	Liquidity profile	*6*
	other significant events in the first nine months of 2021	*7-9*
	Economic performance of operations in the first nine months of 2021 compared to 30 September 2020	*9-11*
	Economic performance of operations in Q3 2021 compared to Q2 2021	*11-13*
	Changes in key balance sheet items	*13-15*

*In order to better evaluate Banco BPM's financial information provided in the Q3 2021 Results Press Release, 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 same, because they facilitate the identification of significant operating trends and financial parameters. The Q3 2021 Results Press Release contains the following APMs as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer to monitor Banco BPM'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.*

- *"Core Total Income" or "Revenues from Core Banking Business" or "Core revenues" are calculated as the sum of net interest income, net fee and commission income and income/loss from investments in associates carried at equity";*
- *"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 performig 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;*

- *“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;*

- *“Operating expenses/Operating income” or “Cost/income” is calculated as the ratio of Operating expenses to Operating income.*

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 Q3 2021 Results Press Release 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 relevant reclassified financial statements and should be read together with the Q3 2021 Results Press Release;*

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. Therefore, investors should not place undue reliance on these APMs;*

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

DBRS revises the trend of Banco BPM's rating

The press release dated 19 November 2021 entitled "DBRS Morningstar has revised the Trend on Banco *BPM from Negative to Positive", which has been published and filed with the CSSF and is available at: https://gruppo.bancobpm.it/media/dlm_uploads/2021_11_19-DBRS-Morningstar-Trend-on-Banco-BPM-revised-from-Negative.pdf is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus (the* ***19 November 2021 Press Release****).*

Merger of Release S.p.A. into Banco BPM

The press release dated 30 November 2021 entitled "Merger by incorporation of Release S.p.A. into Banco BPM S.p.A.: notice of completed filing of documents", which has been published and filed with the CSSF and is available at: https://gruppo.bancobpm.it/media/dlm_uploads/2021_11_30-Notice-of-publication-Merger-by-incorporation-of-Release-S.p.A.pdf is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus (the ***30 November 2021 Press Release****).*".

TERMS AND CONDITIONS OF THE PROGRAMME

(a) On page 84 and following of the Prospectus, the following definitions are added in the Condition 2(a):

"***Administrative Services Agreement*** *means the agreement entered into on 14 October 2021 between the Guarantor and the Guarantor Administrative Servicer pursuant to which the Guarantor Administrative Servicer will provide certain administration services to the Guarantor.*"; and

"***Guarantor Administrative Servicer*** *means Banco BPM S.p.A. or any other entity acting as such pursuant to the Administrative Services Agreement.*".

(b) On page 84 and following of the Prospectus, the following definitions in the Condition 2(a) are amended as follows:

"***Cash Allocation, Management and Payment Agreement*** *means the Cash Allocation, Management and Payment Agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, the Guarantor Corporate Servicer<u>, the Guarantor Administrative Servicer</u>, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.*".

"***Other Guarantor Creditors*** *means the Sellers, the Servicer, the Sub-Servicers, the Back-Up Servicer, the Subordinated Lenders, the Investment Manager, the Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Cover Pool Swap Provider (if any), the Interest Rate Swap Providers (if any), the Account Bank, the Principal Paying Agent, the Paying Agent, the Guarantor Corporate Servicer<u>, the Guarantor Administrative Servicer</u> and the Portfolio Manager (if any).*".

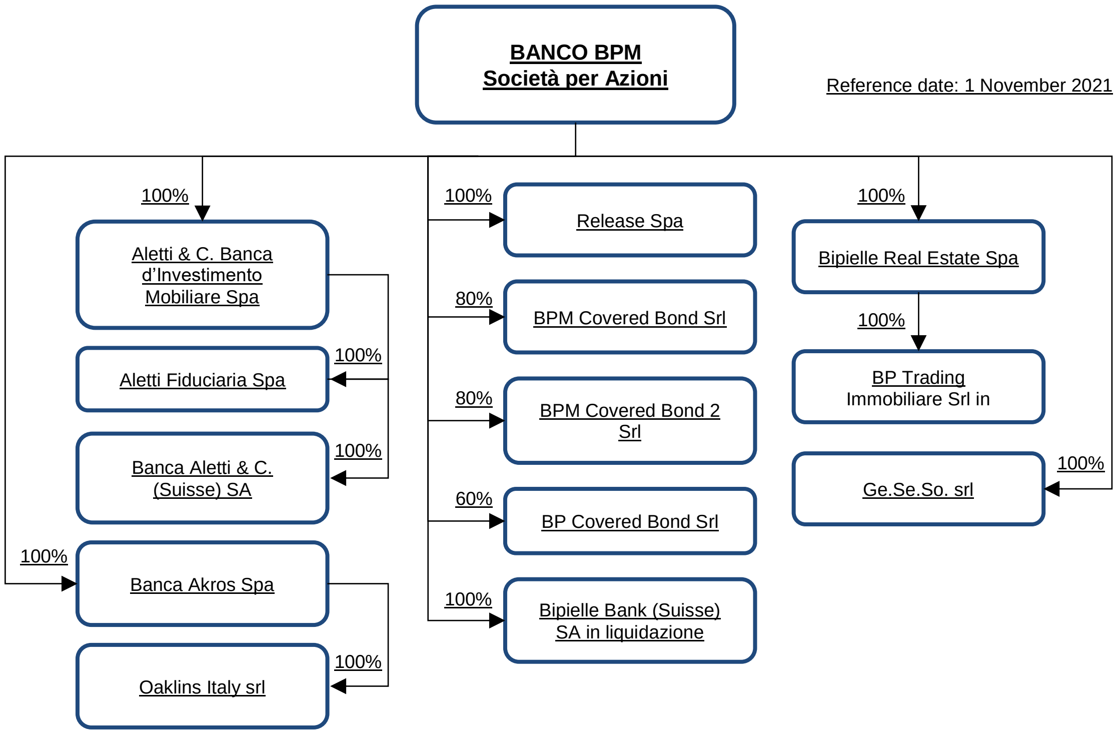
"***Transaction Documents*** *means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement<u>, the Administrative Services Agreement</u>, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Deed of Charge (if any), the Master Definitions Agreement and any other agreement entered into in connection with the Programme.*".

DESCRIPTION OF THE ISSUER AND THE GROUP

(a) On page 197 of the Prospectus, the section entitled "*Structure of the Group*" shall be deleted in its entirety and replaced as follows:

"***Structure of the Group***

The structure of the Group, as at the date of 23 December 2021, is as follows:



With the aim of rationalizing the Group's structure and operations, Bipielle Real Estate S.p.A. and Release S.p.A. are expected to be merged into the Issuer at the beginning of 2022.".

(b) On page 197 of the Prospectus, the following paragraphs shall be added after the section entitled "*Structure of the Group*":

"***Strategy***

On 3 March 2020, the board of directors of Banco BPM approved the 2020-2023 Strategic Plan, containing the strategic guidelines and economic, financial and capital objectives of the Group for the period of 2020- 2023. The 2020-2023 Strategic Plan 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 2020-2023 Strategic Plan 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, in a macroeconomic scenario that was substantially different to that which had been prevailing since the first half of 2020.

As the targets set out in the 2020-2023 Strategic Plan were no longer relevant, on 4 November 2021 the Board of Directors of Banco BPM approved the 2021-2024 Strategic Plan setting out updated targets for the Group through 2024.

The 2021-2024 Strategic Plan rests on three main pillars and envisages three enabling factors which will allow the Group to achieve its targets.

Pillar 1 - New digital-driven service model

The efforts and investments made since the incorporation of Banco BPM, aimed at pursuing its digital transformation, have laid solid foundations for further evolution of the service model from a digitalisation and omni-channel perspective, over the timeframe of the 2021-2024 Strategic Plan.

Leveraging on the strengthening and innovation of digital services and channels, implemented since the merger, the Group has:

- *reduced 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 within the timeline of the 2021-2024 Strategic Plan. Such digital service model will leverage on:

1. *the continuous evolution towards a daily use of mobile devices in connection with banking services. This will enable:*
    - *an increase in the number of customers "enrolled" in digital services and of the transactions carried out remotely;*
    - *an improvement in customer experience with the implementation of new smart assistance solutions, with the aim of keeping the high level of satisfaction for users of the banking app;*
    - *the adoption of a digital identity for almost all of customers, enabling the gradual switch to a paperless operating environment;*
2. *a deeper 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 by increasing the 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 purchases without assistance.*

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

- *the establishment of an optimised and more specialised distribution network, with a branch network, which will be supported by the activities of the digital branch and the new business centres.*
- *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.

The consolidation of the Group's strategies in the non-life bancassurance segments and of the strategic partnership in consumer credit, together with the 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 2021-2024Strategic Plan:

- *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 2021-2024 Strategic Plan 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 operations will be able to benefit, over the timeline of the 2021-2024 Strategic Plan, 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 wealth management, Banca Aletti, specialised in private banking, will play an increasingly important role, 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 customer relationship management;*
  - *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 thanks to 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 agrifood, 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 2021- 2024 Strategic Plan.

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, will have a low impact with 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 excellent performance in both assignments of non-performing loans and recovery activities, the 2021-2024 Strategic Plan makes provision for further improvement in asset quality. Adequate levels of coverage of nonperforming loans will be maintained over the 2021-2024 Strategic Plan timeline and the cost of risk is 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 and 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 and 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

<u>Human Resources</u>

The 2021-2024 Strategic Plan 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.*

<u>IT investments and initiatives</u>

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.*

<u>*Strengthening of IT security*</u>

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 Plan 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. 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 2021-2024 Strategic Plan, 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 2021-2024 Strategic Plan 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 carbon dioxide emissions, with the goal of achieving carbon neutrality18 during the 2021-2024 Strategic Plan timeline.

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.".

(c) On page 221 and following of the Prospectus, the section entitled "*Inspection activities conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.*" shall be deleted in its entirety and replaced as follows:

"***Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.***

As regards targeted inspections and proceedings, Banco BPM was subject to a number of inspections and proceedings from 2018 to 2021. Most of the inspection activities have already been concluded with the release of the "Final follow up letters" or "Decisions".

In particular:

- *on 20 July 2021, CONSOB initiated a sanctioning procedure with note 0795424/2021 as a result of the analysis of the quality of data relating to derivative contracts delivered to trade repositories in accordance with Articles 193-quater and 195 of the Financial Services Act, which was deemed not in compliance with Article 9 of EU Regulation 648/2012 (EMIR). The procedure is on-going;*

- *in a letter dated 23 March 2021, the ECB announced the commencement of an inspection (OSI- 2021- ITBPM-0180228) entitled 'Credit and counterparty risk - Credit Quality Review of CRE portfolio and assess selected credit risk processes' with the objective of reviewing the asset quality of the Commercial Real Estate ('CRE') portfolio and assessing the credit risk management processes and the control and governance systems. The off-site phase started on 26 April 2021 and is currently under way;*

- *on 18 February 2021, CONSOB initiated a sanctioning procedure concerning the investigation for the Bank's failure to comply with the reporting obligation - pursuant to Article 16 of the European Market Abuse Regulation No. 596/2014 (MAR) - of orders and transactions suspected of constituting market abuse or attempted market abuse, carried out by two of the Bank's customers. The communication was sent to the Bank on the same date by the Markets Division (Spot and Derivatives Markets Operations Office), with note no. 0193764/202,1. On 10 August 2021, Banco BPM received CONSOB's report which sets out a proposal to issue a sanction of Euro 70,000 in connection with this procedure;*

- *in a letter dated 12 August 2020, the ECB announced the beginning of an off-site inspection with the purpose to assess the institution's application for the approval of a new definition of prudential classification of default (constituting a material change to the estimate of Credit risk under Delegated Regulation (EU) 529/14) (IMI-2020- ITBPM-4738); the off-site phase begun on 14 September 2020 and ended on 13 November 2020. Banco BPM received the final decision on 7 May 2021 and on 15 June 2021 sent the corrective action plan, which is currently under way;*

- *in a letter dated 16 December 2019, the ECB announced the beginning of an on-site inspection with the purpose to perform a Credit Quality Review on Retail&SME-Portfolios (OSI-2020-ITBPM- 4737). The on-site phase started on 4 February 2020 and was subsequently cancelled by the ECB due to the COVID-19 pandemic;*

- *in a letter dated 26 September 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "approval of internal model related to Credit risk (CCF/EAD; ELBE; LGD for performing assets; LGD for defaulted assets; PD) for the following exposure classes: Corporate - Other; Corporate - SME; Retail - Other SME; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME" (IMI-2019-ITBPM-4141). The on-site phase started on 14 October 2019 and ended on 19 March 2020 as an off-site inspection due to the COVID-19 pandemic. In a letter dated 4 March 2021,* *Banco BPM received the final decision which confirms the authorisation to adopt model changes, providing for some qualitative measures for the most part aimed at strengthening the internal regulation, as well as limitations - regarding the estimation of the margin of conservatism and the method of calculation of Loss Given Default (LGD) - in the application of the models, with effect on regulatory reporting as of 31 March 2021 and therefore reflected in the results for the first quarter of 2021. The remedial action plan is currently under way;*

- *in a letter dated 10 September 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Internal Governance Remuneration" (OSI-2019-ITBPM-4727). The onsite phase started on 9 October 2019 and ended on 13 December 2019. Banco BPM received a final follow up letter on 16 December 2020 and on 13 January 2021 it has submitted the remedial action plan, which is currently under way;*

- *in a letter dated 24 May 2019, the Bank of Italy announced the beginning of an on-site inspection with the purpose of assessing the "Digital operations/online banking with reference to anti money laundering" (OSI-2019-Bankit). The on-site phase started on 27 May 2019 and ended on 2 August 2019. On 6 November 2019, Banco BPM received the Bank of Italy's report. The remedial action plan delivered on 17 December 2019 to the Bank of Italy, was completed on 31 March 2021;*

- *in a letter dated 14 April 2019, CONSOB announced the beginning of an on-site inspection with the purpose of assessing the procedures and controls connected to the product governance, the provision of investment advice and the adequacy of the clients (OSI-Consob-2019). The on-site phase started on 14 April 2019 and ended on 3 December 2019; on 30 July 2020, Banco BPM has received a technical note pursuant to which CONSOB, while not launching a sanctioning proceeding, has highlighted certain aspects. On 16 October 2020 Banco BPM submitted the remedial action plan, to be implemented progressively and which is currently under way;*

- *in a letter dated 13 February 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Market Risk Model validation (VAR, sVAR, IRC) for debt instruments category – specific risk; Forex risk" (IMI_2019_ITBPM_4145). The on-site phase started on 14 May 2019 and ended on 19 July 2019; Banco BPM received the final decision on 16 November 2020 (which authorized the adoption of the new model) and on 16 December 2020 it submitted the remedial action plan, which is currently under way; such action plan takes into account the outcome of the December 2020 supplementary decision of the ECB following the horizontal analysis on the outcome of the previous inspection TRIMIX of 2018;*

- *in a letter dated 7 February 2019, the ECB announced the beginning of an on-site inspection with the purpose of assessing the "Liquidity and Funding Risk of the Bank's activities" (OSI-2019- ITBPM4372). The on-site phase started on 19 February 2019 and ended on 17 May 2019; on 4 February 2020, Banco BPM received the final decision; on 3 March 2020, Banco BPM sent the remedial action plan, which has been completed on 30 June 2021;*

- *in a letter dated 15 October 2018, the Bank of Italy announced the beginning of an on-site inspection regarding "Transparency of transactions and correctness of relationships with clients" (OSI-2018 Bankit). The on-site phase started on 15 October 2018 and ended on*

18 January 2019. On 11 April 2019, the Bank of Italy's report was presented and a sanctioning proceeding was commenced. As a result, on 15 July 2020 Banco BPM was notified an administrative sanction pursuant to Article 144 of the Consolidated Banking Act due to "shortcomings in transparency organization and controls". The sanction amounts to €1.76 million (while the maximum sanction could have been equal to ten per cent. of the annual revenues) and was paid in July 2020. The remedial action plan sent on 17 July 2019 to the Bank of Italy was completed on 31 December 2020;

- *in a letter dated 3 August 2018, the ECB announced the beginning of an on-site inspection (OSI- 2018-ITBPM-3612) on operational risk. The on-site phase started on 17 September 2018 and ended on 25 January 2019. On 21 November 2019, Banco BPM received the final decision specifying recommendations and qualitative requirements; on 19 December 2019, Banco BPM sent the remedial action plan, which was completed within the relevant deadline;*

- *in a letter dated 6 July 2018, the ECB announced the beginning of an on-site inspection (TRIM- 2018-ITBPM-3914) concerning the Europe-wide targeted analysis program of internal models (Targeted Review of Internal Models, "TRIM") relating to credit risk (PD; LGD and CCF) with reference to the "Corporate - Other" and "SME" portfolios. The on-site inspection phase started on 17 September 2018 and ended on 16 November 2018; Banco BPM received the final decision on 7 October 2020 which includes binding prudential measures and recommendations; on 5 November 2020 Banco BPM submitted the remedial action plan, which is currently under way;*

- *in a letter dated 13 April 2018, the ECB announced the beginning of an on-site inspection (OSI- 2018-ITBPM-3610) which, as part of credit risk, relates to the review of credit quality, with reference to corporate portfolios, asset based and project finance ("Credit Quality Review - Corporate, Asset based or Project finance Portfolios"). The on-site phase started on 9 May 2018 and ended on 3 October 2018. On 21 October 2019, Banco BPM has received the final decision. The remedial action plan, delivered on 7 November 2019, has been completed;*

- *in a letter dated 11 December 2017, the ECB announced the commencement of an on-site inspection concerning the internal models relating to credit risk (PD and LGD) with reference to the "Corporate" and "SME" portfolios. The on-site inspection phase started on 19 February 2018 and ended on 20 April 2018 and Banco BPM has received the final decision on 25 April 2019. The remedial action plan, submitted on 24 May 2019, is now part of the amendments to the internal model referred to the inspection IMI-2019-ITBPM-4141.*".

(d) On pages 236 and 237 of the Prospectus, the section entitled "*Principal Shareholders*" shall be deleted in its entirety and replaced as follows:

"***Principal Shareholders***

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

As at 23 December 2021, the significant shareholders of Banco BPM are the following (source: CONSOB):

	% of Ordinary Shares
Capital Research and Management Company	*4.988”*

REGULATORY

On page 253 of the Prospectus, the paragraph headed "*Covered Bond Legislative Package*" shall be deleted in its entirety and replaced by the following:

"***Covered Bond Legislative Package***

On 18 December 2019, Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 amending the CRR have been published in the Official Journal of the European Union. They will apply from 8 July 2022.

Directive (EU) 2019/2162 (the ***CB Directive****) lays down rules on the issuance requirements, structural features, public supervision and publication obligations for covered bonds. Compared with the UCITS, Directive (EU) 2019/2162 provides for a number of more complex structural requirements, such as the dual recourse and the bankruptcy remoteness tools. The Directive at hand also establishes specific requirements for a liquidity reserve and introduces the possibility of joint funding and intragroup pooled covered bond structures in order to facilitate the issuance of covered bonds by small credit institutions. Moreover, the Directive provides the authorities of the Member States with the task of monitoring compliance of covered bond issuances with the abovementioned requirements and regulates the conditions for obtaining the authorisation to carry out the activity of issuance of covered bonds in the context of a covered bond programme.*

Regulation (EU) 2019/2160 introduces some amendments to Article 129 of the CRR, providing for additional requirements for covered bonds to be eligible for the relevant preferential treatment. In particular, the Regulation introduces a rule allowing exposures to credit institutions rated in credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution, without the need to consult the EBA. The Regulation also requires a minimum level of overcollateralization in order to mitigate the most relevant risks arising in the case of the issuer's insolvency or resolution.

Moreover, several additional changes to the LCR Delegated Regulation are proposed in order to align the LCR Delegated Regulation with Article 129 of the CRR, as amended by Regulation (EU) 2019/2160. The consultation remained opened until 24 November 2020.

On 8 May 2021, the European Delegation Law 2019 has entered into force. It delegated the Italian Government to implement – inter alia – Directive (EU) 2019/2162. According to the European Delegation Law 2019:

- *the Bank of Italy is the competent authority for the supervision on covered bonds;*
- *the implementing provisions shall provide for the exercise of the option granted by Article 17 of Directive (EU) 2019/2162, allowing for the issue of covered bonds with extendable maturity structures; and*
- *the implementing provisions shall grant the Bank of Italy with the power to exercise the option to set for covered bonds a minimum level of overcollateralization lower than the thresholds set out under Article 1 of Regulation (EU) 2019/2162 (i.e. 2% or 5% depending on the assets included in the cover pool).*

The CB Directive was transposed into the Italian legal framework by means of Legislative Decree 5 November 2021, n. 190 which modifies Law 30 April 1999, n.130, which was published in the Official Gazette No. 285 of 30 November 2021 (the ***Decree 190/2021****) and entered into force on 1 December 2021. In this respect, it is worth mentioning that the national legislator chose to exercise the following options* *provided by Directive (EU) 2019/2162: (i) the possibility not to apply the liquidity requirement of the cover pool limited to the period covered by the liquidity requirement provided for in Delegated Regulation (EU) 2015/61; (ii) the possibility of allowing the issuance of covered bonds with extendable maturity structures; (iii) the possibility of allowing the calculation of the liquidity requirement of the cover pool in case of programs with extendable maturity by taking as a reference the final maturity date for the payment of principal.*".

DESCRIPTION OF THE TRANSACTION DOCUMENTS

(a) On page 295 and following of the Prospectus, paragraph headed "*Cash Allocation, management and Payment Agreement*" is amended as follows (crossed and underlined words are to show the amendments made only):

"***CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT***

On or about the First Issue Date, the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders entered into the Cash Allocation, Management and Payment Agreement.

On 31 October 2017 Banco BPM acceded to the Cash Allocation, Management and Payments Agreement.

Under the terms of the Cash Allocation, Management and Payment Agreement:

(a) *the Account Bank has established in the name and on behalf of the Guarantor, the Transaction Account, the Reserve Account and the Securities Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.*

(b) *the Collection Account Bank has established in the name and on behalf of the Guarantor, the Collection Account, the Quota Capital Account and the Expenses Account to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the Collection Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.*

(c) *The Guarantor ~~Corporate~~<u>Administrative</u> Servicer has agreed to operate the Expenses Account in order to make certain payments as set out in the Cash Allocation, Management and Payment Agreement.*

(d) *The Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.*

(e) *The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and calculation services with respect to the Floating Rate Provisions.*

(f) *The Investment Manager has agreed to invest on behalf of the Guarantor any funds standing to the credit of the Transaction Account and Reserve Account in Eligible Investments having a rate of return not less than a specified margin linked to Euribor.*

Pursuant to Clause 10 (Back-up Account Bank) of the Cash Allocation, Management and Payment Agreement, in the event that Banco BPM re-acquires the status of Eligible Institution, the

Guarantor shall be entitled to (i) transfer the Accounts opened with the Account Bank, together with any funds deposited thereon, to the accounts to be opened with the Back-Up Account Bank, and thereafter (ii) close the Accounts opened with the Account Bank.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payment Agreement, provided that a valid substitute has been appointed.".

(b) On page 299 of the Prospectus, paragraph headed "*Corporate Services Agreement*" is deleted in its entirety and is replaced by the following:

"***CORPORATE SERVICES AGREEMENT***

On 26 August 2015, the Guarantor Corporate Servicer and the Guarantor entered into the Corporate Services Agreement, pursuant to which the Guarantor Corporate Servicer has agreed to provide certain corporate services to the Guarantor.

Governing law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.".

(c) On page 299 of the Prospectus, the following paragraph is added following the paragraph headed "*Corporate Services Agreement*":

"***ADMINISTRATIVE SERVICES AGREEMENT***

On 14 October 2021, the Guarantor Administrative Servicer and the Guarantor entered into the Administrative Services Agreement, pursuant to which the Guarantor Administrative Servicer has agreed to provide certain administrative services to the Guarantor.

Governing law

The Administrative Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.".

CASHFLOWS

(a) On page 316 of the Prospectus, sub-paragraph 3 of the paragraph headed "*Pre-Issuer Default Interest Priority of Payments*" is amended as follows (underlined words are to show the amendments made only):

"*third, to pay, pro rata and pari passu, any amount due and payable to the Servicer, the Back-up Servicer, the Sub-Servicer(s), the Account Bank, the Back-up Account Bank, the Collection Account Bank, the Asset Monitor, the Calculation Agent the Investment Manager, the Principal Paying Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Registered Paying Agent (if any) and the Registrar (if any);*".

(b) On page 317 of the Prospectus, sub-paragraph 3 of the paragraph headed "*Guarantee Priority of Payments*" is amended as follows (underlined words are to show the amendments made only):

"*third, to pay, pari passu and according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer, the Sub-Servicer(s) (if any), the Account Bank, the Back-up Account Bank, the Collection Account Bank, the Asset Monitor, the Calculation Agent the Investment Manager, the Principal Paying Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Paying Agent(s) (if any), the Portfolio Manager (if any), the Registered Paying Agent (if any) and the Registrar (if any);*".

(c) On page 318 of the Prospectus, sub-paragraph 3 of the paragraph headed "Post-enforcement Priority of Payment" is amended as follows (underlined words are to show the amendments made only):

"*third, to pay, pro rata and pari passu, (i) any amount due and payable to the Servicer, the Back-up Servicer, the Sub-Servicer(s) (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Asset Monitor, the Investment Manager, the Back-up Account Bank (if any), the Principal Paying Agent, the Paying Agent(s) (if any), the Portfolio Manager (if any), the Registered Paying Agent (if any) and the Registrar (if any); (ii) amounts due to the Swap Provider(s) (if any); and (iii) amounts due under the Guarantee in respect of each Series of Covered Bonds;*".

GENERAL INFORMATION

(a) On pages 357 and 358 of the Prospectus, the paragraph headed "*Trend Information/No Significant Change*" shall be deleted and replaced with the following:

"***Trend Information/No Significant Change***

The COVID-19 pandemic, which resulted in a global recession, has significantly increased the uncertainties in the economy and the financial markets, as discussed in "Risks related to the impact of global macro-economic factors" on page 23 and following of the Prospectus; therefore, its direct and indirect impact on the Group's results and financial condition cannot yet be finally assessed at the date of this Prospectus. Except for the potential direct and indirect impact of the COVID-19 pandemic indicated in the previous paragraph:

(i) there has been no material adverse change in the prospects of the Issuer since 31 December 2020;

(ii) there has been no significant change in the financial performance of the Group since 30 September 2021; and

(iii) there has been no significant change in the financial position of the Issuer and the Group since 30 September 2021.

Since 31 December 2020, (i) there has been no material adverse change in the prospects of the Guarantor, (ii) there has been no significant change in the financial position of the Guarantor and (iii) there has been no significant change in the financial performance of the Guarantor.".

(b) On page 358 of the Prospectus, the following sub-paragraphs shall be added after sub-paragraph (k) of the section headed "*Documents Available*":

"*(l) the 2021 Consolidated Interim Financial Report;*

(m) the 8 July 2021 Press Release;

(n) the 30 July 2021 Press Release;

(o) the Q3 2021 Press Release;

(p) the 19 November 2021 Press Release; and

(q) the 30 November 2021 Press Release.".

(c) On page 358 and 359 of the Prospectus, sub-paragraph (l) of the paragraph headed "*Documents Available*" is amended as follows (underlined words are to show the amendments made only):

"*each of the following transaction documents (the* ***Transaction Documents****), namely:*

- *Guarantee (which is also available on https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-2-S.r.l.-Guarantee.pdf);*

- *Subordinated Loan Agreements;*

- *Master Receivables Purchase Agreements;*
- *Cover Pool Management Agreement;*
- *Warranty and Indemnity Agreements;*
- *Master Servicing Agreement;*
- *Asset Monitor Agreement;*
- *Quotaholders' Agreement;*
- *Cash Allocation, Management and Payment Agreement;*
- *Mandate Agreement;*
- *Deed of Charge (if any);*
- *Intercreditor Agreement;*
- *Corporate Services Agreement;*
- *Administrative Services Agreement;*
- *Programme Agreement;*
- *any Subscription Agreement for Covered Bonds issued on a syndicated basis that are listed;*
- *Master Definitions Agreement; and*
- *any Swap Agreement.*

In addition, copies of this Prospectus, any supplements to this Prospectus, each Final Terms relating to the Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (https://www.bourse.lu). In addition, copies of the by-laws of the Issuer (with an English translation thereof) will be available on the Issuer's website (https://gruppo.bancobpm.it/en/).".

GLOSSARY

(a) On page 362 and following of the Prospectus, the following definitions are added in the appropriate alphabetical order:

"***Administrative Services Agreement*** *means the agreement entered into on 14 October 2021 between the Guarantor and the Guarantor Administrative Servicer pursuant to which the Guarantor Administrative Servicer will provide certain administration services to the Guarantor.*"; and

"***Guarantor Administrative Servicer*** *means Banco BPM S.p.A. or any other entity acting as such pursuant to the Administrative Services Agreement.*".

(b) On page 362 and following of the Prospectus, the following definitions are amended as follows (crossed and underlined words are to show the amendments made only):

"***Cash Allocation, Management and Payment Agreement*** *means the Cash Allocation, Management and Payment Agreement entered into on 31 August 2015 between the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Collection Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders.*";

"***Corporate Services Agreement*** *means the agreement entered into on 26 August 2015 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain ~~administrative~~corporate services to the Guarantor.*";

"***Other Guarantor Creditors*** *means the Sellers, the Servicer, the Sub-Servicers, the Back-Up Servicer, the Subordinated Lenders, the Investment Manager, the Calculation Agent, the Representative of the Bondholders, the Asset Monitor, the Cover Pool Swap Provider (if any), the Interest Rate Swap Providers (if any), the Account Bank, the Principal Paying Agent, the Paying Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer and the Portfolio Manager (if any).*"; and

"***Transaction Documents*** *means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Administrative Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Deed of Charge (if any), the Master Definitions Agreement and any other agreement entered into in connection with the Programme.*".