

**SECOND SUPPLEMENT DATED 19 NOVEMBER 2019
TO THE PROSPECTUS DATED 5 JULY 2019, AS SUPPLEMENTED ON 10
SEPTEMBER 2019**



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 **Second Supplement**) to the base prospectus dated 5 July 2019, as supplemented on 10 September 2019 (the **Prospectus**) constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities (as amended or superseded, the **Luxembourg Law**), which remains applicable pursuant to Article 64 of the Luxembourg Law dated 16 July 2019, and is prepared in connection with the Euro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 Second Supplement, and not otherwise defined herein, shall have the same meaning ascribed to them in the Prospectus.

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

The Issuer accepts responsibility for the information contained in this Second 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 Second Supplement is in accordance with the facts and contains no omission likely to affect its import.

This Second Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**) and Luxembourg Law, as a supplement issued in compliance with the Prospectus Directive and the relevant implementing measures in Luxembourg for the purposes of introducing Covered Bonds issued in registered form and N Covered Bonds, updating the front page of the Prospectus and updating the sections of the Prospectus headed “*Risk factors*”, “*Structure Overview*”, “*General Description of the Programme*”, “*Term and Conditions of the Covered Bonds*”, “*Rules of the Organisation of the Bondholders*”, “*Credit and Collection Policy*”, “*Credit Structure*”, “*Description of the Cover Pool*”, “*Documents incorporated by reference*”, “*General Information*” and “*Glossary*”.

Save as disclosed in this Second Supplement, 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 Second Supplement and (ii) any statement in or incorporated by reference into the Prospectus, the statements in this Second Supplement will prevail.

The approval of this Second Supplement by the CSSF does not cover any Covered Bonds issued in registered form and the N Covered Bonds which may be issued by the Issuer under the Programme.

Copies of this Second Supplement and the documents incorporated by reference in this Second 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 (www.bancobpm.it).

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INTERPRETATION

In the Prospectus:

- (a) any reference to “*Defaulted Receivable(s)*” and “*Delinquent Receivable(s)*” in the Prospectus shall be intended as a reference to “*Non Performing Receivables*” as defined in the Glossary;
- (b) any reference to “*Distressed Receivable(s)*” in the Prospectus shall be intended as a reference to “*Sofferenza*” as defined in the Glossary;
- (c) any reference to “*Master Servicer*”, “*Master Servicer’s Report*”, “*Quarterly Master Servicer’s Report Date*” and “*Quarterly Master Servicer’s Report*” in the Prospectus shall be intended as a reference to “*Servicer*”, “*Servicer’s Report*”, “*Quarterly Servicer’s Report Date*” and “*Quarterly Servicer’s Report*”, respectively, each as defined in the Glossary.

FRONT PAGE

The sixth sub-paragraph of the front page is amended as follows (the underlined words show the insertions made):

*“This document has been approved as a base prospectus issued in compliance with the Prospectus Directive 2003/71/EC, as amended, to the extent they have been implemented in a Member State of the European Economic Area (the **Prospectus Directive**) by the Commission de Surveillance du Secteur Financier (the **CSSF**), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive (the **Prospectus**). By approving the Prospectus the CSSF assumes no responsibility as to the economic and financial soundness of any transactions under the Programme or the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Law on prospectuses for securities. Application has been made for Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) to be admitted during the period of 12 months from the date of this Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU (as amended from time to time, the **MiFID II**). The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.”.*

* * *

At page (ii), the following sub-paragraph is added before the paragraph headed “An investment in Covered Bonds issued under the Programme involves certain risks. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds”:

*“Under the Programme the Issuer may issue Covered Bonds in registered form and N Covered Bonds (Gedekte Namensschuldverschreibungen), each issued with a minimum denomination indicated in the applicable terms and conditions and/or the terms and conditions of the N Covered Bonds (the **N Covered Bond Conditions**), which will differ from the terms and conditions set out in the section headed “Terms and Conditions of the Covered Bonds”. The N Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system. This Prospectus does not relate to Covered Bonds issued in registered form and the N Covered Bonds, which may be issued by the Issuer under the Programme pursuant to either separate documentation or the documents described in this Prospectus, after having made the necessary amendments. **The approval of this Prospectus by the CSSF does not cover any Covered Bonds issued in registered form and the N Covered Bonds which may be issued by the Issuer under the Programme.**”.*

RISK FACTORS

Under the section headed “*Risk Factors*”, at page 59 of the Prospectus, the following paragraph headed “*Prospectus to be read together with applicable Final Terms*” is added:

“Prospectus to be read together with applicable Final Terms

The terms and conditions of the Covered Bonds and the terms and conditions of the Covered Bonds issued in registered form and the N Covered Bonds Conditions apply to the different types of Covered Bonds which may be issued under the Programme. The full terms and conditions applicable to each Series or Tranche of Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) can be reviewed by reading the Conditions of the Covered Bonds as set out in full in this Prospectus, which constitute the basis of all Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) to be offered under the Programme, together with the applicable Final Terms which complete the Conditions of the Covered Bonds in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds (or Tranche). The full terms and conditions applicable to each Series of Covered Bonds in registered form or the N Covered Bonds can be reviewed by reading the relevant N Covered Bond Certificate, the relevant term and conditions and N Covered Bond Conditions and any schedule or ancillary agreement attached or relating thereto.”.

STRUCTURE OVERVIEW

Under the section “*Structure Overview*”, at page 64, the sub-paragraph headed “*Nominal Value Test*” is deleted and replaced by the following:

- “(a) *Nominal Value Test: the aggregate outstanding principal balance of the Eligible Cover Pool shall be higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date;*”.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the section headed “*General Description of the Programme*”, at page 70 of the Prospectus, the following description of “*Registered Covered Bonds and N Covered Bonds*” is added:

“Registered Covered Bonds and N Covered Bonds

Under the Programme the Issuer may issue Covered Bonds issued in registered form and N Covered Bonds (Gedekte Namensschuldverschreibungen), each issued with a minimum denomination indicated in the applicable terms and conditions or N Covered Bond Conditions. The N Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system.

The Covered Bonds issued in registered form and the N Covered Bonds are evidenced on the basis of due registration in the register (the Register) maintained by the Issuer or by any registrar appointed by the Issuer (the Registrar) and will be represented by a certificate which shall bear the signature of one duly authorised signatory of the Issuer and will be manually authenticated by or on behalf of the Registrar.

In accordance with the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations, the terms and conditions of each Series of N Covered Bonds together with the N Covered Bond Agreement and the Transaction Documents, the N Covered Bondholders will have (i) recourse to the Issuer and (ii) limited recourse to the Guarantor limited to the Guarantor Available Funds.

The Covered Bonds issued in registered form and the N Covered Bonds will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantor pursuant to the terms of the Covered Bond Guarantee. The Covered Bonds issued in registered form and the N Covered Bonds will rank pari passu and without any preference among themselves and, save for any applicable statutory provisions, at least equally with all other present and future unsecured and un-subordinated obligations of the Issuer from time to time outstanding.

The Covered Bonds issued in registered form and the N Covered Bonds will be issued to each holder by means and in the form of N Covered Bond Certificate, each issued with a minimum denomination indicated in the N Covered Bond Conditions attached thereto and the N Covered Bond Assignment Agreement attached thereto, together with the

*execution of an N Covered Bond agreement relating to such N Covered Bond (each, a **N Covered Bond Agreement**), save for the possibility for the Issuer to apply, at its indisputable discretion, a set of legal documentation which is formally different from the N Covered Bonds Conditions and the N Covered Bond Agreement, if agreed with the relevant Dealer in relation to a specific issue of N Covered Bonds.*

The N Covered Bonds and the Covered Bonds issued in registered form do not form part of this Prospectus. Neither the CSSF nor the Luxembourg Stock Exchange has approved or reviewed information contained in this Prospectus in connection with N Covered Bonds and the Covered Bonds issued in registered form. Furthermore neither the CSSF nor the Luxembourg Stock Exchange has approved or reviewed the N Covered Bonds Certificate, the N Covered Bonds Agreement and any other document or agreement in connection with such N Covered Bonds. Finally, neither the CSSF nor the Luxembourg Stock Exchange will approve or review any N Covered Bonds Certificate, N Covered Bonds Agreement and any other document or agreement in connection with any future issue of N Covered Bonds.

The N Covered Bond Certificate with the N Covered Bond Conditions, the N Covered Bond Assignment Agreement attached thereto and the related N Covered Bond Agreement will constitute the full terms and conditions in respect of the relevant Series of N Covered Bonds.

In the case of Covered Bonds issued in registered form and the N Covered Bonds, each reference in the Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the N Covered Bond (Gedekte Namensschuldverschreibung), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement and, as applicable, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such N Covered Bond (Gedekte Namensschuldverschreibung), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement.

A transfer of N Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar the N Covered Bond Certificate or a duly certified copy of the N Covered Bond Certificate relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement. A transfer can only occur for the minimum

denomination indicated in the N Covered Bond Conditions or multiples thereof.

References in this Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), to include the equivalent Condition in the N Covered Bond Conditions as supplemented by the relevant N Covered Bond Agreement and/or other applicable document.

*The N Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the N Covered Bonds to be a German law registered note (Gedekte Namensschuldverschreibung) provided that, in any case, certain provisions, including those applicable to the Issuer and Cover Pool, shall be confirmed to be governed by Italian law. The Issuer or any other institution entity will be appointed to act as paying agent in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme (the **Registered Paying Agent**).”.*

* * *

Under the section headed “*General Description of the Programme*”, at page 74 of the Prospectus, the definition of “*Listing and admission to trading*” is amended as follows (the underlined words show the insertions made):

“*Listing and admission to trading*

Application has been made for Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.”.

* * *

Under the section headed “*General Description of the Programme*”, at page 74 of the Prospectus, the description of “*Listing and admission to trading*” is amended as follows (the underlined words show the insertions made):

“*Governing Law*”

The Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) will be governed by Italian law or by any other law as set out in the relevant Conditions and/or Final Terms. The Transaction Documents will be governed by Italian law, except for the Deed of Charge (if any) and the Swap Agreements (if any), which will be governed by English law.”.

TERMS AND CONDITIONS OF THE COVERED BONDS

The first paragraph of the section headed “*Terms and Conditions of the Covered Bonds*”, at page 89 of the Prospectus, is amended as follows (the underlined words show the insertions made):

*“The following is the text of the terms and conditions of the Covered Bonds (the **Conditions** and, each of them, a **Condition**). For avoidance of doubt, the following Conditions do not apply to the Covered Bonds issued in registered form and the N Covered Bonds. In these Conditions, references to the “holder” of Covered Bonds and to the “Bondholders” are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 83-bis of the Financial Laws Consolidation Act and (ii) the joint regulation of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented from time to time.”.*

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 89 of the Prospectus, the following paragraphs are added:

*“In relation to N Covered Bonds, the terms and conditions of such Series of N Covered Bonds will be as set out in the N Covered Bond (and the relevant terms and conditions of the N Covered Bonds (the **N Covered Bond Conditions**) attached thereto) together with the N Covered Bond Agreement relating to such N Covered Bond. Any reference to a **N Covered Bond Condition** other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the N Covered Bond, the N Covered Bond Conditions attached thereto or the provisions of the N Covered Bond Agreement relating to such N Covered Bonds.*

Any reference to the Conditions or a Condition shall be a reference to the Conditions and/or the N Covered Bond Conditions and/or the terms and conditions of the Covered Bonds issued in registered form as the context may require. Any reference to the Covered Bondholders shall be referred to the Holders of the Covered Bonds and/ or the registered holder for the time being of a N Covered Bond or a Covered Bond issued in registered form as the context may require. The term “holder”, in respect of N Covered Bonds or Covered Bonds issued in registered form, means the ultimate registered owner of such N Covered Bonds and/or such Covered Bond issued in registered form as set out in the Register.

Any reference to the Covered Bonds will be construed as to include the Covered Bonds issued under the Conditions and/or the N Covered Bonds and/or the Covered Bonds issued in registered form as the context may require. Any reference to the Principal Paying Agent will be construed as to include the Registered Paying Agent as the context may require.”.

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 99 of the Prospectus, the definition of “*Eligible Institution*” is deleted and replaced by the following:

“*Eligible Institution* means any depository institution organised under the laws of any state which is a member of the European Union, United Kingdom, Switzerland or of the United States, (I) whose short-term bank deposits are rated at least “P-3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria) and whose long term bank deposit rating is at least “Baa3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria), or (II) whose obligations are guaranteed by an entity whose short-term bank deposit rating is at least “P-3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria), and whose long-term bank deposit rating is at least “Baa3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria).”

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 109 of the Prospectus, the definition of “*Master Servicer*” and “*Master Servicer’s Report*” are deleted and replaced by the following:

“*Servicer* means Banco BPM in its capacity as such pursuant to the Master Servicing Agreement.”

“*Servicer’s Reports* means the Quarterly Master Servicer’s Reports.”

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 111 of the Prospectus, the definition of “*Other Guarantor Creditors*” is deleted and replaced by the following:

“*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 Portfolio Manager (if any), the Registered Paying Agent (if any) and the Registrar (if any).”

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 116 of the Prospectus, the definition of “*Quarterly Master Servicer’s Report Date*” and “*Quarterly Master Servicer’s Report*” are deleted and replaced by the following:

“*Quarterly Servicer’s Report* means the quarterly report delivered by the Servicer on each Quarterly Servicer’s Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Master Servicing Agreement.”

“*Quarterly Servicer’s Report Date* means the date falling on the 18th of each of January, April, July and October of each year.”

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 123 of the Prospectus, the definition of “*Transaction Documents*” is amended as follows (the underlined words show the insertions made):

“Transaction Documents means the Master Receivables Purchase Agreement, the Master 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 Swap Agreements (if any), the Mandate Agreement, the Quotaholders’ Agreement, the Prospectus, each N Covered Bond Certificate, each N Covered Bond Agreements, each N Covered Bond Assignment Agreement, the N Covered Bonds Conditions, the Deed of Charge (if any), the Master Definitions Agreement and any other agreement entered into in connection with the Programme.”.

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 94 of the Prospectus, a new definition of “*Custodian*” is included after the definition of “*Criteria*”:

“Custodian means any entity, selected by the Issuer, with which the N Covered Bond Certificate shall be sub-deposited.”;

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 110 of the Prospectus, new definitions of “*N Covered Bonds*”, “*N Covered Bond Agreement*”, “*N Covered Bond Assignment Agreement*”, “*N Covered Bond Certificate*” and “*N Covered Bond Conditions*” are included after the definition of “*Mortgagor*”:

“N Covered Bonds means the German law governed covered bonds issued in registered form (Gedekte Namensschuldverschreibungen).”;

“N Covered Bond Agreement means, in respect of any Series of N Covered Bonds, an agreement to be entered into between the Issuer, the Guarantor, the Representative of the Bondholders and the relevant N Covered Bondholder.”;

“N Covered Bond Assignment Agreement means, in respect of any N Covered Bonds, an assignment agreement attached to each N Covered Bond Certificate.”;

“N Covered Bond Certificate means the certificate evidencing the N Covered Bonds.”;

“N Covered Bond Conditions means the terms and conditions of each N Covered Bond.”;

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 117 of the Prospectus, new definitions of “*Register*”, “*Registered Paying Agent*” and “*Registrar*” are included after the definition of “*Reference Rate*”:

“Register means the register of the holders of the Covered Bonds issued in registered form and/or the N Covered Bonds to be maintained by the Registrar.”;

“Registered Paying Agent means the Issuer or any other institution which shall be appointed by the Issuer to act as paying agent in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.”;

“Registrar means the Issuer or any other institution which shall be appointed by the Issuer to act as registrar in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 110-111 of the Prospectus, the definition of “*Non Performing Receivables*” is deleted and replaced by the following:

“Non Performing Receivables means any Receivable—which—qualifies as “non performing” in accordance with the EU Regulation No. 575/2013 and No. 680/2014, as amended from time to time, as implemented in Italy under the “*Circolare della Banca d’Italia del 30 Luglio 2008, n. 272 (Matrice dei Conti)*”, as amended from time to time.”.

* * *

Under the section headed “*Terms and Conditions of the Covered Bonds*”, at page 120 of the Prospectus, a new definition of “*Sofferenze*” is included after the definition of “*Servicer Termination Event*”:

“Sofferenze means any Non Performing Receivable which is in a state of permanent distress and is handled by the Servicer’s office litigation”.

The amendments included in this section “*Terms and Conditions of the Covered Bonds*” shall only apply to Final Terms, the date of which fall on or after the approval of this Second Supplement.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

Under the section headed “*Rules of the Organisation of the Bondholders*” at page 145 of the Prospectus, the definition of “*Blocked Covered Bonds*” is amended as follows (the underlined words show the insertions made):

“Blocked Covered Bonds means (i) the Covered Bonds which have been blocked in an account with a clearing system, the Monte Titoli Account Holder or the relevant custodian for the purpose of voting at a Meeting, or (ii) in case of N Covered Bonds and Covered Bonds issued in registered form, such Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining, (a) from the Principal Paying Agent and/or the Registrar a Block Voting Instruction, (b) from the Monte Titoli Account Holder or the relevant Custodian, a Voting Certificate on terms that such Covered Bonds will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required.”

* * *

Under the section headed “*Rules of the Organisation of the Bondholders*”, at page 145 of the Prospectus, the definition of “*Block Voting Instruction*” is amended as follows (the underlined words show the insertions made):

“Block Voting Instruction means, in relation to a Meeting, a document prepared by the Tabulation Agent (where appointed) or otherwise by the Paying Agent summarising the results of the Voting Instructions received by or on behalf of the Bondholders and, in particular:

- (a) *in case of N Covered Bonds and Covered Bonds issued in registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;*
- (b) *where applicable, certifying that the Covered Bonds relating to the relevant Voting Instructions are held to the order of a Paying Agent or under its control or have been blocked in an account with a clearing system, the Monte Titoli Account Holder or the relevant custodian and will not be released until the earlier of:*
 - (i) *the conclusion of the Meeting; and*
 - (ii) *the surrender the Tabulation Agent (where appointed) or otherwise to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Tabulation Agent (where appointed) or otherwise the Paying Agent to the Issuer and Representative of the Bondholders;*
- (c) *certifying to have received appropriate evidence of the ownership of the Covered Bonds being the subject of the relevant Voting Instructions as at the relevant Record Date;*
- (d) *certifying that the Holder of the relevant Covered Bonds or Blocked Covered Bonds, as the case may be, or the registered Holder in case of N Covered Bonds or Covered*

Bond issued in registered form, or a duly authorised person on its behalf has notified the Tabulation Agent (where appointed) or otherwise the Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

- (e) *listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution;”*

* * *

Under the section headed “*Rules of the Organisation of the Bondholders*”, at page 146 of the Prospectus, the definition of “*Holder*” is amended as follows (the underlined words show the insertions made):

*“**Holder** or **holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds and, in respect of the Covered Bonds issued in registered form and N Covered Bonds, the ultimate registered owner of such Covered Bonds as set out in the Register.”*

* * *

Under Title II (“*Meetings of the Bondholders*”) of the section headed “*Rules of the Organisation of the Bondholders*”, at page 150 of the Prospectus, the “*Validity of Block Voting Instruction*” is amended as follows (the underlined words show the insertions made):

“A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder or, in case of N Covered Bonds and Covered Bonds issued in registered form, by the Registrar shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders or the Tabulation Agent (where appointed) so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy shall be produced at the Meeting but the Representative of the Bondholders or the Tabulation Agent (as the case may be) shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy.”

* * *

Under Title II (“*Meetings of the Bondholders*”) of the section headed “*Rules of the Organisation of the Bondholders*”, at page 151 of the Prospectus, the following paragraph is added to the sub-section No. 7.2 (“*Content of Notice*”):

“With reference to the N Covered Bonds and Covered Bonds issued in registered form, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that N Covered Bonds or Covered Bond issued in registered form may be blocked with the Registrar, or with other entity authorised to do so by the Registrar, for the purposes of appointing Proxies under Block

voting Instructions until 48 hours before the time fixed for the Meeting and that N Covered Bondholders or holders of Covered Bonds issued in registered form may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or the Principal Paying Agent or by executing and delivering a form of Proxy to the Specified Office of the Registrar or the Principal Paying Agent, in either case until 48 hours before the time fixed for the Meeting.”.

CREDIT AND COLLECTION POLICY

The section headed “*Credit and Collection Policy*” is deleted and replaced by the following:

“CREDIT AND COLLECTION POLICY

Mortgage Loans are entered into by Banco BPM S.p.A. (**Banco BPM** or the **Originator** or the **Bank**) as *mutui fondiari* and *mutui ordinari ipotecari*.

The borrowers pay either a monthly, quarterly and semi-annually loan instalment by direct debit from their accounts, or by cash payment or by MAV.

The decision to enter into and advance a Mortgage Loan is taken at the appropriate decision-making level in the Originator in according with limits defined in the Credit and Collection Policy.

The analysis and credit-decision process is supported by a preliminary investigation of the loan which takes into account multiple risk factors and fully covers the grant from the “request” to the fund “allocation”. The main criteria adopted are as follows:

1. the credit worthiness of each single debtor is ascertained through an internal rating process to be attributed to the debtor, automatically updated from time to time upon occurrence of certain circumstances.
2. in addition to the internal rating process, in determining the credit worthiness of a debtor, evaluations are being made as to the past performance of such debtor and any of its related entities and/or guarantors.
3. loan to value ratios do not exceed 80%
4. mortgage over real estate properties (which is first ranking in an economic sense) is 150% than the loan amount.

The main documents the customer has to provide for a loan procedure are:

1. certificates from the registry office regarding the applicant and the other parties involved in the signature of the loan agreement;
2. income documentation and any other documentation proving the ability to repay;
3. technical documentation for the assets offered as guarantee (e.g. title deeds and land registry certificates);
4. a Notary's report.

The same documentation described in points 1 and 2 is requested also for the guarantors.

Moreover, apart from the above documentation, additional documentation shall be requested, depending on the type of debtor:

- if the applicant is the owner of an individual firm or is an independent professional:
 - (a) registration in the Professional Register and/or Chamber of Commerce;
 - (b) accounts and tax documentation linked to the business in question;
 - (c) useful information on the business in question (e.g. sector performance, corporate development programme, etc.).

- if the applicant is a company:
 - (a) articles of Association and last available copy of these for the company;
 - (b) updated Chamber of Commerce certificate, from which can be proved, for the company and its directors, the non-existence of bankruptcy proceedings and the validity of the appointments;
 - (c) statement on the assignment of proxy powers (if necessary);
 - (d) balance sheet with income statement for the current financial period;
 - (e) financial statements for the last two financial periods (if belonging to a group with consolidated financial statements and financial statements for the most important companies in the group);
 - (f) updated report on bank guarantees and how they are used.

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Back Offices Department (BO) which:

- enter the transaction in the internal mortgage procedure;
- appoint a surveyor to evaluate the property;
- verify that the property insurance is in favour of the Originator;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary; and
- upon successful completion of the previous activity checks, update the mortgage loan status to “payable”;
- upon request of the agency send the minutes to the notary for the mortgage contract signature.

Once the bank and the customer stipulated the contract and the notary registered the mortgage, relevant documents are sent to the Back Office that stores them.

The Back Office Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorization decision, is also responsible for:

- on economic conditions: verifying the coherence between the single operation and the internal credit decision and the internal regulations and verifying the mortgage validity;
- issuance of specific certifications requested by the borrowers, in particular the certifications concerning the amount of interest to be paid/expenses sustained;
- pre-payment of the Mortgage Loans, which involves the reduction to nil of the outstanding balance of the loan and is often accompanied by a request for the release of the relevant Mortgage;
- preparation of amendments and other acts ancillary to the Mortgage Loans Agreements, such as:
 - the extension of the Mortgage Loan, following a restructuring of the transaction or an extension of payments;
 - the taking over (*accollo*) of the loan, customarily requested by the purchaser of the Real Estate Asset, as a method to pay part of the purchase price;

- the reduction/cancellation of the Mortgage, or the partial or total release of the Mortgage; and
- any request made to the insurance companies for the release of the *vincolo* on the insurance policies.

Collection policies

The monitoring of credit risk is carried out also by defining processes for monitoring and managing performing loans as well as loans included in the watch list and non-performing loans.

For each of these processes, Banco BPM Group uses IT procedures in support of the activities of the Managers.

The Credit and Collection Policy described below are consistent with the credit status of each borrower position.

Monitoring and managing loans classified as performing

The Customer Relationship Manager, who is the responsible for managing the relationship with customers included in his portfolio, plays a crucial role in the monitoring process.

The Customer Relationship Manager is responsible for handling relationships with customers as well as acting in order to maintain and improve credit quality by closely monitoring the evolution of relationships.

The process of monitoring and managing performing loans consists of a set of activities carried out by the Customer Relationship Manager and by other internal departments which are responsible for credit monitoring and controls in order to guarantee that the credit relationship with the counterparty remains in performing status and to promptly detect any signs of delay and/or irregularity.

In particular, with reference to mortgages, the systematic examination of the evidences reported by the automatic performance assessment tools and the monitoring of compliance with the commitments allow the rapid activation of the Customer Relationship Manager for a concrete solution of the problems detected, facilitating the timely recruitment of measures to maintain the relationship in bonis.

Referring to the latter, an IT system of “credit warnings” is put in place, within which, in the section “detection of overruns”, all the daily overrides on credit lines and overdue installments are reported every day. In these situations, the Relationship Manager contacts the customer to verify the reasons for the failure or partial payment and, consequently, to propose the most appropriate actions (accept the overrun because the payment will take place in a short period of time, propose a renegotiation to decrease the installment amount, propose a suspension of payments for a specific period of time, etc. ..). A specific IT system called “ELISE”, dedicated to the management of loans and used both by the Back Office department and by the entire Branch network, sends communications to debtors on regular basis, at each unpaid instalment at due date. The automatic alerts are sent on the last working day of the month in which the instalment is due when the due date is at least three working days before the end of the month. Otherwise, the alerts are sent on the last working day of the following month.

For performing positions (“in bonis”), the Bank grants a few days within which the payment can be made without any consequences. For all payments made in this period, default

interests are not applied and the value date of the payment of the instalment is the original due date.

After that date, default interests contractually agreed start to be applied up to the maximum limit set by provisions on usury. The “usurious” interest rate is defined by a decree of the Ministry of Economy and Finance on quarterly basis (the current legislation envisages that the verification of non-usury of default rates is carried out, as for the corresponding interest payments, at the agreement and not at the payment).

Irrespective of the Relationship Manager’s behavior, the IT system automatically intercepts (i.e. in a way which is independent from elements of discretion of the Relationship Manager) the positions that show the first signals of anomaly. Thus, the IT system will insert these positions in a specific “watch list”.

Monitoring and managing “watch list loans”

For all the positions classified as performing, where anomalies are detected through trend risk indicators - the valuation is expressed by the counterparty’s internal rating and other particularly serious events concerning the credit quality - are included in a “watch list”.

The “Monitoring and credit management: watch list” process consists of a set of activities carried out by the Relationship Manager along with other people responsible for credit monitoring and control; these activities are aimed at promptly identify any signals of tensions and/or irregularity as well as to carry out any interventions required to restore the position to a performing status or, when this is not possible, to take the necessary actions to protect the Banco BPM’s credit claims.

According to the process, the Relationship Manager maintains the responsibility to manage the customers belonging to his own portfolio with the aim to put in place the necessary management actions to bring the relationship back to regular conditions. Assessment objectivity is ensured through a system of rules aimed at guaranteeing, both during the internal classification and during the identification of the related management actions, the put into place of adequate mechanisms of organizational interaction between the roles responsible for the relationship management (Relationship Manager) and the credit quality control roles (“Monitoring and default prevention” structure and “Credit governance” of the parent company).

The phases of the abovementioned process, with the support of the GANC WATCH LIST IT procedure, involve:

- on monthly basis, the automatic identification of positions with irregularities that requires the adoption of dedicated management interventions;
- the Relationship Manager’s analysis in order to properly classify the risk, considering any participation in Groups of linked borrowers as well as relationships in place with other companies within the Banking Group;
- analysis of consistency of the calculated rating and assessment of the need to activate a potential rating override process;
- classification, within the process, in an “management category” consistent with the type of irregularity found and with the timing of recovery of regular operations;
- the definition of behavior and actions, within the pre-determined period of time, whose outcome is subject to measurement;
- the maintenance of the performing classification and the automatic exclusion from the watch list either when the interception causes are no longer verified or through a specific decision taken by the decision making bodies (*Organi della Banca*) when it has been verified the no longer existence of the financial difficulty of the customer and there are no

exposures that benefit from a measure of tolerance. These decision making bodies are defined by the “Regulations of the limits of autonomy and powers for loan granting and management”;

- the classification with a higher level of risk is realized automatically either when all the conditions for the classification under Past Due have been found or through a specific decision taken by the decision making bodies - Regulations of the limits of autonomy and powers for loan granting and management”- on the basis of a proposal automatically generated by the IT system in specific situations or upon a proposal made by a proposing body for positions subject to events that are compromising the “performing” classification.

To support the recovery of exposures against “Private” and “Business” customers, the “watch list or non-performing loan reminder” process has been put in place and it is triggered when the first delay occurs in the payment of the loan periodical instalment (delay of one month compared to the contractual maturity date).

This process pursues the objective of promptly implementing the actions necessary to restore the position to performing status, avoiding customer’s default and simultaneously maintaining the relationship with the customer.

The process is supported by the IT procedure named “Recupera”, which governs a series of actions, starting from the written reminder to the borrower, to the telephone contact and the assignment of debt recovery to different external recovery companies according the persistence of the unpaid positions.

The management of the positions within the “watch list and non-performing loan reminder” process is highlighted to the Relationship Manager to avoid any overlap of the actions taken by the external companies with those taken internally by the Bank. Furthermore, the IT procedure permits to identify in any moment the list of the position under management along with their level of insolvency, updated accounting data, the plaintiff and the action underway as well as the results of solicit actions that have been already carried out.

Exposures with unpaid amounts are in any case subject to monitoring activities set by another IT procedure (MOCED) with the aim to verify the achievement of time and materiality thresholds for the automatic classification as non-performing loan (Past due).

Monitoring and managing “Forbearance positions”

Banco BPM has defined the criteria for the identification and management of “Forbearance” or “Forborne loan”.

The renegotiation of contractual agreements of a loan, granted to the customer in order to allow him to meet his requirements despite the situation of financial difficulty that he is going through, constitutes a measure of forbearance by the Bank.

The Decision-making Bodies of the performing or non-performing loan chain are liable for certifying, when deciding on the loan proposal, the consistency or inconsistency, with respect to the elements examined, of the valuation made by the “Proposing Party” regarding the situation of financial difficulty of the borrower and to the identification of the concession as a forbearance measure in relation to each granted credit facility.

Once classified as “forborne”, exposures are managed as part of the referred processes (“Monitoring and managing non-performing loans” for “Impaired forbearance exposures” and “Watch list loan monitoring and management” for “Other forborne exposures”).

Following the concession of forbearance, the exposure is monitored in order to:

a) ensure the regular performance of the relationships with customers and the persistence of conditions for (i) the non longer existence of the forbore status with reference to customers classified as performing (“in bonis”) or for (ii) the reclassification as performing, by maintaining the *forbearance measure (under probation)* for customers that have been already classified as “Impaired forbearance exposures”;

b) identify and evaluate the events that may anticipate the ineffectiveness of the *forbearance* concession, referable to (i) the failure to comply with any new deadlines agreed, (ii) to the onset of an overdraft or (iii) to the downgrade of creditworthiness consequently to events that may compromise the full recovery of the exposure.

With reference to points a) and b), the following two cases are observed:

The position has a regular trend

Termination of the forbore loan condition for performing positions

The Customer Relationship Manager verifies the persistence of the following conditions in order to declare the end of the condition of *forborne* loan and consequently activates the process of reclassification as performing (“in bonis”) of the exposure already identified as “Other forbore exposures”:

- at least 24 months must have elapsed from the granting of forbearance as part of the classification of the position as performing;
- the debtor must not have positions about to become past due (considering the tangible thresholds currently into force) for more than 30 days;
- the payment of the amount due, as indicated by the forbearance concession, must have been made on a regular basis in the past 12 months and must have involved a “more than insignificant” portion of the principal or interest;
- no elements should lead to classify the position as non-performing loans.

The decision concerning the end of the forbore loan condition and the subsequent reclassification as performing of the exposure already identified as “Other forbore exposures” is made by the “Monitoring and Prevention Default department” of the Parent Company through a process procedurally verified, which allows to check the objective elements of regularity of the position as well as the Monitoring Manager’s declaration about the absence of subjective elements (including any valuation of “non insignificance” of the repaid loan).

Reclassification as performing of “Impaired forbearance exposures” maintaining the condition of forbore loan

Positions classified as “Unlikely to Pay”, which are beneficiaries of a forbearance measure, for which (i) at least 12 months have elapsed from the granting of forbearance and (ii) do not show any past due or overdraft, are automatically recognized on daily basis.

To initiate the proposal for the classification as “performing”, the Manager of the non-performing position verifies the absence of concerns regarding the full payment of the due amount when one of the following conditions is met:

- the amount of the exposure, that at the time of the forbearance concession was classified as past due or overdraft, has been fully paid;
- the amount paid is equal to the credit that may have been written off as part of the credit restructuring agreement or;

- the customer's ability to comply with terms and conditions indicated by the forbearance concession has been demonstrated.

Following a valuation of the financial situation of the borrower, the decision concerning the reclassification as performing ("in bonis") of the "Impaired forbearance exposures" (non-performing positions) is taken through the approval of the authorized Body.

Following the resolution of reclassification as performing, the position maintains the forbearance condition (forbearance under probation) and the identification as "Other forborne exposures". This condition can be declared as terminated only when all the above mentioned conditions exist with reference to the "*termination of the forborne loan condition for performing positions*".

The position has an irregular trend

If the position has registered a default after the grant of the forbearance status, the process provides the immediate solicitation to the customer in order to settle the position.

Once the necessary time for the solicitation to the client and for the verification of the causes that determined the default has expired, the Customer Relationship Manager for the position identified as "Other forborne exposures" or the Manager responsible for the non-performing position for "Impaired forbearance exposures" will evaluate whether the events, that may also be independent of the granted forbearance, require the consideration of a more precautionary measure to protect the loan. Furthermore, this valuation takes into consideration the proposal to attribute a higher risk to the position and, in particular:

- as "Unlikely to Pay", for positions classified as "performing";
- as "Unlikely to Pay" with management class "at repayment", with suspension of credit lines and immediate notice to pay sent to the borrower for the positions classified as "Past Due" or already classified as "Unlikely to Pay".

The decision on the classification as "Unlikely to Pay" is taken through resolution of the authorized Body, on the proposal of a proponent (see the section "Classification of positions in non-performing loans categories").

If an exposure, already reclassified from "non-performing" ("Impaired forbearance exposures") to "performing loans" or "in bonis" ("Other forborne exposures"), has had positions that are about to be classified as Past Due (considering the tangible thresholds currently into force) for more than 30 days or benefits from a further forbearance concession, it is automatically classified as unlikely to pay.

Classification in non-performing loans categories

The process of "Classification of positions in non-performing loans categories" lays down the rules and responsibilities of the Relationship Manager and those of the Manager of the Non-performing Position aimed at ensuring the consistency of the operational status of the position with the deterioration of the risk profile of the customer and compliance with the Supervisory provisions.

Futhermore, the process is designed to ensure the return of the position to a performing status when the causes that determined the classification within the non-performing loans categories no longer exist, coherently with the rules established by the European Banking Authority (EBA) on *forbearance* and *non-performing exposures* and by the Bank of Italy on the new "classification in non-performing loans categories" (see update of Circular n.272 "Accounts Matrix", Chap. II "Credit Quality").

The expected classifications are: “Past due and/or overdue non-performing exposures” (Past Due), “Unlikely to Pay” and “Bad Loans”.

The classification as Past Due is carried out automatically for the positions that reach the thresholds envisaged by the Supervisory provisions of the Bank of Italy (Circular n.272, “Accounts Matrix”, Chap. II “Credit Quality”, “Past due and/or overdue non-performing exposures”).

Exposures to parties experiencing temporary financial hardship are defined Unlikely to Pay whereby the debtor is assessed by the Bank as unlikely to pay its credit obligations in full (for the principal and interest) without collateral enforcement.

This valuation is carried out by the Manager regardless of the presence of any overdue or instalments past due and not paid. Therefore, it is not necessary to wait for any explicit sign of irregularity (failure to repay or non-redemption) if there are elements or indicators that may imply the risk of default of the borrower (for example, even a crisis of the industrial sector in which the debtor operates).

In order to guarantee the promptness of the credit recovery process, some automatic methods for the classification as Unlikely to Pay have been provided for those positions that:

- have been included for more than two consecutive months in the operational class “RC – Risk to be limited” of the credit monitoring and management process without a return to normal value/level of risk indicators;
- persist as non-performing Past Due for more than 180 days;
- are paid back through regular instalments for which a past due amount is existing on continuous basis from more than 180 days, regardless of the amount past due and the legal status of the borrower;
- are in performing or past due non-performing status with credit facilities or overdrafts exceeding 1,500.00 euro, which are classified as “*Sofferenze*” by Centrale dei Rischi ;
- showing one of the following states: bankruptcy, “*concordato preventivo*” or “*liquidazione coatta amministrativa*”;
- do not reduce the exposure or do not fall within the time and place limits specified by internal regulations.

These proposals must be assessed by the competent Manager of the non-performing position and are subject to an approval process, managed through the Electronic Management Procedure (PEG), which requires the intervention of intermediate Bodies, responsible for providing an opinion, and the competent decision-making Body based on the amount.

Exposures to insolvent customers (even if they have not yet been legally acknowledged as such) or customers in similar positions, regardless of any anticipated loss formulated by the Bank, are defined as Bad Loans. Therefore, the existence of any (real or personal) personal guarantee to protect the loans is not considered.

Monitoring and managing non-performing loans

The management of non-performing loans in Banco BPM Group is primarily based on a model that assigns the management of a defined non-performing portfolio to specialized managers (Non-performing loan managers).

Positions are assigned to individual Managers using an automatic process based on the geographic location of the loan, identified according to the Branch, Business Area and Area Office to which the customer is associated. However, it is possible to manage exceptions, through a controlled process, to assign a position to a different Manager from the one identified automatically, as well as for temporary situations.

Processes for monitoring and managing non-performing loans are differentiated based on:

- the exposure’s classification status, which distinguishes between customers with Bad Loans positions and customers with other non-performing loan statuses;
- the amount of the exposure, based on its size (at the customer’s Economic Group level);
- the product, distinguishing between “leasing” exposures and other types of exposure;
- the goals of the Bank by distinguishing between positions in the “Core” and “Non Core” portfolios.

Past Due and Unlikely to pay:

With reference to the amount of the exposure and the type of the counterparty, the responsibility for the management of positions, at the time of classification:

- up to euro 30,000, remains attributed to the Branches,
- over euro 30,000, is assigned to specialized personnel of the unit “Network” or “Strategic Positions and restructuring” within the structure “Core NPE”;
- after the initial classification as “non performing”, the positions classified as “Non Core” are managed by specialized personnel at the competent “Non Core NPE” structure.

With reference to smaller positions, which remain under the responsibility of the Branches, the management is supported by a very detailed and guided process, with time limits defined beforehand and with minimal discretion.

The process of monitoring and managing larger positions, which is always assigned to specialized managers, allows greater discretion to identify more flexible and customized solutions.

The processes are designed to govern the actions of the manager and to detect any inaction.

For positions classified as Past Due or Unlikely to Pay, the non-performing loan Managers are responsible for management decisions regarding the positions assigned to their respective portfolios, in compliance with established decision-making powers, but they are supported in administrative management by the managers (Client Relationship Manager) of the Network in which portfolio the relationship as well as the economic results achieved are still attributed.

For legal requirements, the Managers of non-performing loans receive support from an internal legal structure, which belongs to the Legal Department and Regulatory Affairs. It is structured in order to carry out in the best way possible its advisory activities to the central office structures and the Branch Network.

To ensure an efficient loan management, powers are assigned to the Decision-Making bodies of the Branch and to the Headquarter competent units in proportion with the above-mentioned operational limits and with the associated operational needs

The system of levels of autonomy and operational powers is structured to protect the Bank from conflicts of interest through the attribution of decision-making responsibilities in the matter of classification to higher or lower risk classes, value adjustments (provisioning) or the waiver of loans, to Bodies higher than those that manage the positions.

All positions classified as Unlikely to Pay in exceeding 30,000 euro must be subject to a six-monthly review by the Manager of the non-performing position in order to verify the progress of the relationship with the customer and his financial position, as well as to define the

consistency of expected losses with respect to such assessments. The review may be required in advance if the IT system automatically detects the occurrence of certain pre-codified detrimental conditions.

Within the review activities, as regards the determination of the expected losses, we distinguish two cases:

- within the relevant threshold (euro 300,000): the loss forecasts are automatically aligned with the Loss Given Default (LGD);
- beyond the relevant threshold: there is no minimum threshold for loss forecasts and the manager of the non-performing position must perform an analytical assessment within 30 days from the classification of the position as Unlikely to Pay, otherwise (and as a precautionary measure) the loss forecasts automatically assigned to the position are equal to the LGD. In the assessment, the Manager must explicitly specify the methodology adopted for the identification of the cash flows (Going or Gone Concern).

In case of real estate collateral, the Manager of the non-performing position must consider the market value (valore corrente) of the guarantee in the assessment. The value is determined taking into consideration the spot realizable value¹ (SRV) of the asset. In case of individual guarantee positions, with gross exposure:

- o greater than the relevant threshold of euro 300,000: the value of the asset must be certified by an appraisal. Considering this valuation, the Manager of the non-performing position must renew the appraisal during the classification of the exposure as Unlikely to Pay and, subsequently, every 12 months. If the value of the real estate collateral of the individual position has already been estimated and it is lower than euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;
- o lower than the relevant threshold of euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory).

In order to prudently consider any depreciation of real estate properties provided as collateral and to correctly quantify the effective value, the spot realizable value must be considered.

- In the credit analytical assessment, if the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) must be applied based on the age and the type of asset. If the spot realizable value is not available, the market value must be used applying specific reductions (haircuts).

The non-performing loan Manager may propose additional provisions against the perception of an increase in the perceived risk. These proposals to revise provisions are automatically subject to a resolution procedure, managed through the Electronic Management Procedure (PEG). It requires the intervention of intermediary Bodies that must express an opinion and of the competent deliberating body as defined in the “Regulations of the limits of autonomy and powers for loan granting and management”.

Furthermore, the PEG procedure historicizes all the information and evaluation expressed on the position for decision tracking purposes.

Bad loans (Sofferenze)

The “Bad Loans” management model is based on the specialization of management competences between internal structures of Banco BPM and external ones, envisaging that positions with higher relevance and complexity are internally managed.

This model envisages:

- the assignment to the “Non Core NPE” unit of the coordination of all the activities for the recovery of Bad Loans and the direct management of customers classified as non-performing who are not assigned to the external management mandate in terms of size and reputational impact;
- the assignment to an external Servicer of the direct management – through a specific mandate and with predefined limits – of clients classified as non-performing not internally managed;
- the possibility, in particular circumstances, to call back from the Servicer any positions previously assigned.

The Servicer's activity is always monitored by the unit “Performance Management NPE”.

The internal management responsibility is assigned to specialized managers, all of whom report directly to the Non Core NPE unit. They are identified among the resources with legal skills.

For internally managed positions, the Manager, after a first attempt to contact the borrower and guarantors, defines, on a case by case basis, whether it is possible to collect the debt out of court, or to activate legal actions, such as the registration of a lien on real estate assets of the borrower or guarantors.

In the case of legal actions, the process involves external law firms for executive activities; they are contacted by internal managers. They coordinate actions relating to the borrower and guarantors and send proposals to the competent decision-making bodies.

- “Bad Loans” with exposure within the relevant threshold of Euro 300,000 are automatically assigned loss forecasts equal to the LGD.
- “Bad Loans” with exposure exceeding the relevant threshold must be subject to a periodic review by the Manager of the Bad Loan in order to verify the consistency of loss forecasts, except for positions with a loss forecast equal or higher than the 95%. When analytically assessing bad loans, the Manager of the Bad Loan must apply – consistently with the Guidelines regarding management of loans classified as bad – the “gone concern” approach which envisages, as the main source of repayment, the amount obtained from the sale of the assets subject to any secured guarantee (pledge or appraisal). In addition to this source of repayment, potential repayment flows from the asset of the debtor or guarantors must be assessed as well as any liquidity or other sources of income, other than real estate assets of the debtor or guarantors.
- With secured guarantees on real estate assets, the Manager of the “Bad Loan” must consider the effective value of the guarantee in the appraisal, as specified below.
- To quantify the coverage of the exposure provided by the real estate asset, the spot realizable value (SRV) – equivalent to “market value with assumption”¹ – must be acquired in addition to the market value of the asset. The spot realizable value must be

¹ “The market value with assumption” replaces the value of ready realisation or forced sale and is determined according to the definition set out in Regulation (EU) 575/2013 article 4 paragraph 1 point 76, considering that all the conditions set out in the explanation cannot be satisfied. For further information on the concept of 'assumption', please refer to the ABI 2018 (3.1), TEGoVA (EVS 2016 - EVS.1) and RICS 2017 (VPS 4.8) guidelines.

certified through a monitoring appraisal, drawn down according to the method-related indications approved by the Bank. The SRV is the value identified by the appraisal or the value of the technical consultancy (CTU) or the value formulated at the auction by the competent Court if there are active judicial procedures.

- For individual guaranteed positions, with gross exposure:
 - o greater than the relevant threshold of euro 300,000: the market value and the spot realizable value of the asset must be certified by an appraisal that must be renewed once the position is classified as Bad Loan and, subsequently, every 12 months. If the value of the asset of the single position has already been estimated and it is lower than the threshold of euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;
 - o lower than the relevant threshold of euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory);
- for secured positions where the sum of the gross exposure is higher than the euro 300,000 euro threshold, the market value and the “market value with assumption” of the asset must refer to the value of the asset as reported by an expert appraisal. The appraisal must be renewed once the position is classified as Bad Loans and, then, every 12 months;
- In order to prudently taken into account the depreciation of properties provided as collateral and to quantify their expected value, the VPR must be considered. For positions over the relevant threshold, if the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) must be applied based on the age and the type of asset as well as on the basis of the characteristics of the borrower in relation to specific tables indicated in the Guidelines for the handling of “Bad Loans”.

The Manager of the “Bad Loan” must periodically review the positions over the relevant threshold according to the frequency criteria set out in the “Guidelines for the management of bad loans”.

In particular, the receivables valuation must be continuously updated and when any new elements that may generate a significant change either in recoverable cash flows or in the expected loss arise.

The minimum revision frequency shall be differentiated according to (i) the size of the estimated recovery forecasts, (ii) the presence of real guarantees that are supporting the loan and (iii) the expected loss.

The periodical analytical review of the loss forecast is not required for positions with an exposure under the relevant threshold for the flat-rate valuation and for those with a predicted recovery lower or equal to the 5% of the total exposure.

For remaining positions, the review is required at least every 12 months for all the positions with a predicted recovery of more than 1.000.000 euro.

For secured positions, a review is required at least every 12 months coherently with the needed timing for the renewal of the appraisals.

For the unsecured positions, the review is requested:

- at least every 12 months for the positions with a predicted recovery of more than 500.000 euro;

- at least every 24 months for the positions with a predicted recovery up to 500.000 euro or with a gross coverage (any write-offs made included) at least equal to the 80% of total receivables.

If necessary, the expected loss may also be revised before the periodical review of the position.

For positions with an exposure over the relevant threshold, the expected loss review must be anticipated with respect to the periodical review in case there has been an automatic detection of a relevant reduction of the market value of the guarantees, (ii) in case of a new bidding for the collateral or (iii) in case of serious adverse events.

The above rules also apply to Bad Loans under external management.

Proposals to revise provisions are automatically subject to a decision-making process managed through the IT Procedure (named “PEG”), which requires the intervention of intermediary Bodies, responsible for providing an opinion, and the competent decision-making body as defined in the “Regulations of the limits of autonomy and powers for loan granting and management”.

Furthermore, the PEG procedure historicizes all the information and evaluation expressed on the position for decision tracking purposes.

Structure of the control system

The general structure of the control system includes:

- line controls (level I)
- controls on risks and on compliance (level II).

Line controls (level I)

First-level line controls are aimed at ensuring proper execution of transactions and are carried out directly by operating structures because they are first in charge of the process of risk management.

In compliance with this responsibility, during daily operations, operating structures must identify, measure or evaluate, monitor and mitigate the risks deriving from the normal course of the business in compliance with the risk management process.

First-level line controls can be either “automatic” controls, i.e. carried out directly by application procedures, or hierarchical controls, implemented as part of the same chain of responsibility.

The second-level controls include those carried out by the “Monitoring and Prevention Default” and “Credit Governance” departments “, or by other structures that carry out the operations.

Through the second-level controls, these departments exercise their overall responsibility on the results of the loan processes, preserving the autonomous ability to guide and control them. In particular, these checks envisage the intervention on the operational structures to press for corrective actions, either directly or by means of the central structures of the Area Offices and of the Companies of the Banking Group.

The line controls (of first and second level) can be implemented either systematically or by sampling.

These controls are defined in the regulations on loans issued with reference to each process, according to criteria and methods able to guarantee that all exposures arising from irregularities or inaction are highlighted and examined.

Controls on risks and on compliance (level II)

Controls on risks and on compliance are aimed at ensuring the correct implementation of the risk management processes put in place by the operational structures, the compliance with the operating limits assigned to various functions and the compliance of business operations with regulations, including self-regulation.

The essential element which characterizes the level II controls concerns the fact that they are carried out by a risk control unit separate from the production one. Consequently, the level II controls include the goal to ensure that level I controls are effectively performed as well.

The level II controls regarding loans are assigned to the Risks unit through the “Loan control and monitoring function”.

This unit is responsible for the verification of the correct implementation of the lending processes by the business units, respecting the already established rules and, more specifically, with reference to:

- the monitoring of the performance of exposures classified as performing;
- the monitoring of the performance of exposures classified as non-performing loans;
- the consistency of the classification in the operational statuses of the “Loan management and monitoring: watch list” process, among the exposures subject to concessions of “tolerance” (forbearance), in the statuses of the non-performing loan;
- the appropriateness of the provisions;
- the suitability of the debt recovery process.

Level II controls efficiency is ensured through the identification and definition of a “basic” series of controls. They are defined without affecting the autonomy of the “Loan control and monitoring function” in identifying and carrying out other controls activities deemed functional for the assigned role.

The controls envisage the systematic application of indicators of anomaly to the loan portfolio, the assessment of the deviations detected from time to time, the in-depth analysis of the individual positions and, if necessary, adaptation measures on the same.”.

CREDIT STRUCTURE

Under the section headed “*Credit Structure*”, at page 296 the sub-paragraph “*Nominal Value Test*” is deleted and replaced by the following:

“(A) *Nominal value test*

The Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the aggregate Outstanding Principal Balance of the Eligible Cover Pool is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.”

* * *

Under the section headed “*Credit Structure*”, at page 297-298 the paragraph “*Asset Coverage Test*” is deleted and replaced by the following:

“***Asset Coverage Test***”

The Calculation Agent shall calculate that on each Calculation Date the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

The Calculation Agent shall verify Adjusted Aggregate Loan Amount will be calculated by applying the following formula:

$$A+B+C+D-Z-W$$

where,

(A) “A” is equal to the lower of (i) and (ii), where:

“(i)” means the sum of the ***LTV Adjusted Principal Balance*** of each Residential Mortgage Loan in the Cover Pool, which shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Residential Mortgage Loan in the Cover Pool as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Residential Mortgage Loan multiplied by M (where M is: (a) equal to 80 per cent. for all Residential Mortgage Loans that are less than three months in arrears or not in arrears; (b) equal to 40 per cent. for all the Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables; and (c) equal to 0 per cent. for all Non Performing Receivables and/or Renegotiated Loans)

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Residential Mortgage Loans in the Cover Pool if any of the following occurred during the previous Calculation Period:

(1) *a Residential Mortgage Loan or its Collateral Security was, in the*

*immediately preceding Calculation Period, in breach of the representations and warranties contained in the relevant Warranty and Indemnity Agreement and the relevant Seller has not indemnified the Guarantor to the extent required by the terms of the relevant Warranty and Indemnity Agreement (any such Residential Mortgage Loan an **Affected Loan**). In this event, the aggregate LTV Adjusted Principal Balance of the Residential Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or*

- (2) *the Seller (and/or any Additional Seller) (as the case may be), in any preceding Calculation Period, was in breach of any other material warranty under the relevant Master Receivables Purchase Agreement and/or the Servicer or any Sub-Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Residential Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Calculation Agent without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the Seller (and/or any Additional Seller) (as the case may be), to indemnify the Guarantor for such financial loss) (any such loss a **Breach Related Loss**);*

AND

*“(ii)” means the aggregate **Asset Percentage Adjusted Principal Balance** of the Residential Mortgage Loans in the Cover Pool which in relation to each Residential Mortgage Loan shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Residential Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Residential Mortgage Loan multiplied by N (where N is: (x) equal to 1 for all Residential Mortgage Loans that are less than three months in arrears or not in arrears and/or (y) equal to 40 per cent. for all Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables, and/or; (z) equal to 0 per cent. for all Non Performing Receivables and/or Renegotiated Loans)*

minus

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of the any Affected Loan(s) and/or (2) any Breach Related Losses occurred during the previous Calculation Period calculated as described under (i)(1) and (i)(2) above;

the result of which is multiplied by

the Asset Percentage (as defined below);

(B) *“B” is equal to*

the aggregate amount of all cash standing on the Accounts;

(C) *“C” is equal to*

the aggregate amount of any proceeds advanced under the Subordinated Loan Agreement which have not been applied as at the relevant Calculation Date to acquire further Eligible Assets and their Collateral Security or otherwise applied in accordance with the Transaction Documents;

(D) *“D” is equal to*

the aggregate outstanding principal balance of any Eligible Assets (other than those under letter (A) above) and/or Substitution Assets and/or Eligible Investments, as applicable;

(E) *“Z” is equal to*

the WA Remaining Maturity multiplied by the aggregate (Euro Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor;

(F) *“W” is equal to*

the Potential Commingling Amount.

Asset Percentage means:

93 per cent. or such lesser percentage figure as determined from time to time by the Calculation Agent (on behalf of the Guarantor) and notified to the Rating Agency and the Representative of the Bondholders.

The Guarantor (or the Calculation Agent on its behalf) will, on each Calculation Date, send notification to the Rating Agency and the Representative of the Bondholders of the percentage figure selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to maintain the then current ratings of the covered bonds.

Save where otherwise agreed with the Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by the Rating Agency to ensure that sufficient credit enhancement will be maintained, provided that the Asset Percentage may not, at any time, exceed 93 per cent.

If the Asset Percentages that would result from the above calculations for a particular Calculation Date as determined by the various methodologies of the Rating Agency are not the same, the lowest such figure will be applied as the Asset Percentage on such Calculation Date.

“Set-off”

Under the Cover Pool Management Agreement the Issuer has undertaken, if its rating falls below “A3” by Moody's, to provide to the Rating Agency additional information in respect of certain Debtors’ account balances held with the Issuer only if requested by the Rating Agency.”.

* * *

Under the section headed *“Credit Structure”*, at page 300 the paragraph *“Amortisation Test”* is deleted and replaced by the following:

“Amortisation Test

The Calculation Agent shall verify on each Calculation Date following the delivery of an Issuer Default Notice that the Amortisation Test is met with respect to the Cover Pool. The Calculation Agent shall verify that the Euro Equivalent of the outstanding principal balance of the Cover Pool, considered, for the purpose of such test, as an amount equal to the Amortisation Test Aggregate Loan Amount, which will be calculated on each Calculation Date by applying the following formula:

$$A+B+C-Z$$

where,

(A) *“A” is the lower of:*

- (1) *the actual Outstanding Principal Balance of each Residential Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M; and*
- (2) *the Latest Valuation multiplied by M,*

where M is: (i) equal to 100 per cent. for all the Residential Mortgage Loans that are less than three months in arrears or not in arrears (or such higher percentage as may be agreed with respect to insured Residential Mortgage Loans); (ii) equal to 80 per cent. for all the Residential Mortgage Loans that are equal to or more than three months in arrears but not classified (treated) as Non Performing Receivables; and (iii) equal to 65 per cent. for all the Non Performing Receivables and/or Renegotiated Loans;

(B) *“B” the aggregate amount of all cash standing on the Accounts;*

(C) *“C” is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter “A” above) and/or Substitution Assets and/or Eligible Investments, as applicable, as calculated on the latest Calculation Date; and*

(D) *“Z” is equal to the WA Remaining Maturity multiplied by the aggregate (EUR Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.*

is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date. ”.

CASHFLOWS

On page 306 and ff. of the Prospectus, the paragraph headed “*Pre-Issuer Default Interest Priority of Payments*” is amended as follows (crossed and underlined words are to show the amendments made only):

“The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first, (a) to pay, pari passu and pro rata according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;*
2. *second, to pay any amount due and payable to the Representative of the Bondholders;*
3. *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 ~~and~~, the Guarantor Corporate Servicer, the Registered Paying Agent (if any) and the Registrar (if any);*
4. *fourth, to pay any amounts due to the Cover Pool Swap Provider (if any) (including any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the **Excluded Swap Termination Amounts**));*
5. *fifth, pro rata and pari passu (a) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Rate Swap Agreement (if any) and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), pro rata and pari passu in respect of each relevant Interest Rate Swap Agreement (if any) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (b) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any Base Interest due and payable up to the next following Guarantor Payment Date to the Subordinated Lender pursuant to the terms of the Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;*

6. *sixth, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Reserve Required Amount, as calculated on the immediately preceding Calculation Date;*
 7. *seventh, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Servicer Termination Event is either remedied or waived by the Representative of the Bondholders or a new servicer is appointed;*
 8. *eighth, to pay pro rata and pari passu in accordance with the respective amounts thereof any Excluded Swap Termination Amounts (if any);*
 9. *ninth, to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment Date under item First of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;*
 10. *tenth, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;*
- eleventh, to pay pari passu and pro rata according to the respective amounts thereof any Premium on the Term Loans, provided that no Segregation Event has occurred and is continuing.”*

* * *

On page 308 and ff. of the Prospectus, the paragraphs headed “*Guarantee Priority of Payments*” and “*Post-enforcement Priority of Payments*” are amended as follows (crossed and underlined words are to show the amendments made only):

“Following the delivery of an Issuer Default Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first, (a) to pay, pari passu and pro rata, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;*
2. *second, to pay any amount due and payable to the Representative of the Bondholders;*
3. *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 Paying Agent(s) (if any) ~~and~~ the Portfolio Manager (if any), the Registered Paying Agent (if any) and the Registrar (if any);*
4. *fourth, pari passu and pro rata according to the respective amounts thereof, (i) to pay, on such Guarantor Payment Date or to make a provision for payment of such*

proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, any interest amounts due to the Swap Provider(s), pro rata and pari passu in respect of each relevant Swap Agreement (if any) (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (ii) to pay, on such Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds pari passu and pro rata in respect of each Series of Covered Bonds;

5. *fifth, pari passu and pro rata: (a) in or towards payment on such Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, of, the amounts in respect of principal due or to become due and payable to the Swap Providers (if any) pro rata and pari passu in respect of each relevant Swap Agreement (if any) (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and (b) in or towards payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from the Swap Provider(s) (if any)) of principal amounts that are due and payable on such Guarantor Payment Date (or that will become due and payable during the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, pro rata and pari passu in respect of each Series of Covered Bonds;*
6. *sixth, until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), to credit any remaining amounts to the Transaction Account;*
7. *seventh, to pay pro rata and pari passu, any Excluded Swap Termination Amount (if any) due and payable by the Guarantor;*
8. *eighth, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;*
9. *ninth, to pay pari passu and pro rata according to the respective amounts thereof any Premium on the Term Loans.*

Post-enforcement Priority of Payment

Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. *first, to pay, pari passu and pro rata according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);*
2. *second, to pay any amount due and payable to the Representative of the Bondholders;*
3. *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 Asset Monitor, the Investment Manager, the Back-up Account Bank (if any), the Principal Paying Agent, the Paying Agent(s) (if any) ~~and~~ 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;*
4. *fourth, to pay pro rata and pari passu, any Excluded Swap Termination Amount due and payable by the Guarantor;*
5. *fifth, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;*
6. *sixth, to pay or repay any amounts outstanding under the Subordinated Loan Agreement.”.*

DESCRIPTION OF THE COVER POOL

On page 313 and ff. of the Prospectus, the paragraph headed “*Eligibility Criteria of Banco BPM S.p.A.*” is deleted and replaced by the following:

“Eligibility Criteria of Banco BPM S.p.A.

The Receivables contained in each Portfolio transferred pursuant to the Master Receivable Purchase Agreement executed between the Garantor and Banco BPM S.p.A. will be selected in such a way as to form a plurality of monetary receivables identifiable in a pool (crediti individuabili in blocco), within the meaning of and for the purposes referred to in the combined provisions of article 7-bis and article 4 of the Securitisation and Covered Bonds Law. The Receivables will be identified on the basis of predetermined criteria as follows (the Banco BPM Common Criteria).

Banco BPM S.p.A. Common Criteria

Receivables arising from Mortgage Loans which, as at the Valuation Date, meet the following criteria:

- 1. are residential mortgage receivables in respect of which the ratio between the (i) outstanding principal amount and (ii) the estimated value of the mortgaged property is equal to or lower than 80 per cent.;*
- 2. which are not Non Performing Receivables in compliance with the EU Regulation No. 575/2013 and No. 680/2014, as amended from time to time, as implemented in Italy under the “Circolare della Banca d’Italia del 30 luglio 2008, n. 272 (Matrice dei Conti)”, as amended from time to time;*
- 3. did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (mutui agevolati);*
- 4. that have not been granted to public entities (enti pubblici), clerical entities (enti ecclesiastici) or public consortium (consorzi pubblici);*
- 5. that are not consumer loans (crediti al consumo);*
- 6. that are not “mutui agrari” pursuant to Articles 43, 44 and 45 of the Consolidated Banking Act;*
- 7. that are secured by a mortgage created over real estate assets in accordance with applicable laws and regulations and are located in the Republic of Italy;*
- 8. the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is Banco BPM and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the*

relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage;

9. *in respect of which the hardening period (periodo di consolidamento) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of Art. 39, fourth paragraph of the Consolidated Banking Act;*
10. *that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;*
11. *for which at least an instalment inclusive of principal has been paid (i.e. Mortgage Loans that are not in the pre-amortising phase);*
12. *do not have any Instalment due and unpaid;*
13. *that are governed by Italian law;*
14. *that have not been granted to individuals that as of the origination date were employees of Banco BPM Group (including also loans granted to two or more individuals, one of which was an employee or a manager of Banco BPM Group as of the Valuation Date);*
15. *that are denominated in Euro (or disbursed in a different currency and then re-denominated in Euro);*
16. *in respect of which none of the relevant borrowers or obligors has been served by Banco BPM with a writ of enforcement (precetto) or an injunction order (decreto ingiuntivo) or entered into an out-of-court settlement following a non payment;*
17. *which are mortgage loans whose relevant borrower falls in the category SAE 600 (famiglie consumatrici);*

Banco BPM S.p.A. Additional Criteria

*The Receivables included in each Portfolio to be transferred under this Agreement may, in addition, be identified on the basis of further criteria (the **Banco BPM S.p.A. Additional Criteria**).*

With respect to each Subsequent Portfolio, Banco BPM will indicate at the time of each transfer in the relevant Transfer Notice to the Guarantor and the Representative of the Bondholders the Banco BPM S.p.A. Additional Criteria which will be from time to time selected by Banco BPM from the following Banco BPM S.p.A. Additional Criteria.

Receivables arising from Mortgage Loans which, as at the Valuation Date, meet the following additional criteria:

1. *the advance date falls between [date] and [date];*
2. *the last instalment falls due after [date];*

3. *the ratio between the disbursed amount and the value of the mortgaged real estate property as at the relevant disbursement date is equal to or lower than 80 per cent;*
4. *the relevant debtor is not an employee of Banco BPM that as at the valuation date is retired;*
5. *the relevant instalments are paid through account bank debit or Sepa Direct Debt (SSD);*
6. *the relevant Mortgage Loan is not subject to any payment holiday or suspension of payments;*
7. *the relevant debtor has not requested a reduction of the principal amount outstanding of the Mortgage Loan”.*

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Prospectus headed “*Documents Incorporated by Reference*” at pages 84 and following.

The Board of Directors has approved the consolidated results as at 30 September 2019

On 6 November 2019, Banco BPM issued a press release (the **6 November 2019 Press Release**) announcing that the Board of Directors of Banco BPM approved the quarterly balance sheet and income statement at 30 September 2019.

The 6 November 2019 Press Release has not been audited.

The 6 November 2019 Press Release, which has been published and filed with the CSSF, with the exclusion of the last sentence of the first paragraph at page 12, is incorporated by reference into this Supplement, and shall, by virtue of this Second Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

The financial information included in the 6 November 2019 Press Release published by the Issuer on its website (at https://www.bancobpm.it/media/2019_11_06-Banco-BPM-Financial-results-as-at-30-September-2019.pdf) refers to a 9-month period ended on 30 September 2019.

The following table shows where specific items of information are contained in the 6 November 2019 Press Release.

Document	Information incorporated	Page numbers
6 November 2019 Press Release	<i>Key balance sheet items</i>	2
	<i>Key income statement items</i>	3
	<i>Capital position</i>	3
	<i>Credit quality</i>	4
	<i>Liquidity profile</i>	4-11
	<i>Operational Outlook</i>	11-12
	<i>Explanatory notes</i>	13-17
	<i>Reclassified consolidated balance sheet</i>	18
	<i>Reclassified consolidated income statement</i>	19
	<i>Reclassified consolidated income statement – Quarterly evolution</i>	20
	<i>Reclassified consolidated income statement without PPA line-by-line – Quarterly evolution</i>	21
	<i>Statement of consolidated Comprehensive Income</i>	22

In order to better evaluate Banco BPM's financial information provided in the 6 November 2019 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 6 November 2019 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:

- "Core direct funding" is calculated as the sum of current accounts and demand deposits;
- "Core performing loans to customer" is calculated as the sum of performing mortgage loans, performing current accounts and performing personal loans;
- "Core components of net interest income" is calculated as the amount of net interest excluding the Purchase Price Allocation (PPA) impact and the effects following the first time adoption of the recognition rules provided for by IFRS 9 and 16;
- "Adjusted operating costs" is calculated as operating costs net of the non-recurring economic components;
- "Adjusted Net value adjustments on property and equipment and intangible assets" is calculated as Net value adjustments on property and equipment and intangible assets net of the non-recurring economic components; and
- "Adjusted net income (or profit)" is calculated as net income (or net profit) net of the non-recurring economic components.

It should be noted that:

- i. the APMs are based exclusively on Banco BPM data and are not indicative of future performance;
- ii. the APMs are not derived from IFRS and, as they are derived from the financial information of Banco BPM taken from the 6 November 2019 Press Release prepared in conformity with these principles, they are not subject to audit;
- iii. the APMs are non-IFRS financial measures and are not recognised as measures of performance or liquidity under IFRS and should not be considered as alternatives to the performance measures derived in accordance with IFRS or any other generally accepted accounting principles; and
- iv. the APMs should be read together with the financial information of Banco BPM taken from the 6 November 2019 Press Release.

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 6 November 2019 Press Release (explanatory notes number 6 and 7 at pages 14 and 15).

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, Investors should not place undue reliance on these APMs.

GENERAL INFORMATION

Under the section headed “*General Information*”, at page 343 of the Prospectus, the first paragraph of the sub-section entitled “*Approval, Listing and Admission to Trading*” is amended as follows (the underlined words show the insertions made):

“This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the Commission de Surveillance du Secteur Financier (CSSF) in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive. Application has been made for Covered Bonds issued under the Programme (other than Covered Bonds issued in registered form and the N Covered Bonds) to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of MiFID II.”

* * *

Under the section headed “*General Information*”, at page 343 of the Prospectus, the paragraph entitled “*Trend Information / No Significant Change*” is deleted and replaced by the following:

“Trend Information / No Significant Change

Save as described under “Business Description of Banco BPM Società per Azioni – Recent Developments” as supplemented, there has been no significant change in the financial or trading position of the Issuer since 30 September 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

There has been no significant change in the financial or trading position of the Guarantor since 31 December 2018 (the end of the last financial period for which either audited financial information or interim financial information has been published) and there has been no material adverse change in the prospects of the Guarantor since 31 December 2018.”.

* * *

Under the section headed “*General Information*”, paragraph “*Documents Available*”, at page 343 of the Prospectus, a new letter (b) is added as follows:

“(c) the 6 November 2019 Press Release;”.

Accordingly, the existing letters (c) to (i) are re-numbered as letters (d) to (j).

* * *

Under the section headed “*General Information*”, at page 344 of the Prospectus, the paragraph entitled “*Principal Shareholder of the Issuer*” is deleted and replaced by the following:

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

As at the date of this Prospectus, no shareholder of Banco BPM holds more than 3 per cent of its share capital with the exception of (i) Capital Research and Management Company which holds a share equal to 4.988% and (ii) Invesco Ltd. which holds a share equal to 4.677%. (Source: CONSOB).”.

GLOSSARY

Under the section headed “Glossary”, at page 351 of the Prospectus, the definition of “Covered Bonds” is amended as follows (the underlined words show the insertions made):

“Covered Bonds means each series of covered bonds (obbligazioni bancarie garantite) issued or to be issued by the Issuer pursuant to the terms and subject to the conditions of the Programme Agreement including the Covered Bonds issued in registered form and the N Covered Bonds.”

* * *

Under the section headed “Glossary”, at page 352 of the Prospectus, a new definition of “Custodian” is included after the definition of “Criteria”:

“Custodian means any entity, selected by the Issuer, with which the N Covered Bond Certificate shall be sub-deposited.”

* * *

Under the section headed “Glossary”, at page 356 of the Prospectus, the definition of “Eligible Institution” is deleted and replaced by the following:

“Eligible Institution means any depository institution organised under the laws of any state which is a member of the European Union, United Kingdom, Switzerland or of the United States, (I) whose short-term bank deposits are rated at least “P-3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria) and whose long term bank deposit rating is at least “Baa3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria), or (II) whose obligations are guaranteed by an entity whose short-term bank deposit rating is at least “P-3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria), and whose long-term bank deposit rating is at least “Baa3” by Moody’s (or any other rating level from time to time provided for in the Rating Agency’s criteria).”

* * *

Under the section headed “Glossary”, at page 366 of the Prospectus, the definition of “Master Servicer” and “Master Servicer’s Report” are deleted and replaced by the following:

“Servicer means Banco BPM in its capacity as such pursuant to the Master Servicing Agreement.”

Servicer’s Reports means the Quarterly Master Servicer’s Reports.”

* * *

Under the section headed “Glossary”, at page 367 of the Prospectus, the definition of “Non Performing Receivables” is deleted and replaced by the following:

“Non Performing Receivables means any Receivable-which-qualifies as “non performing” in accordance with the EU Regulation No. 575/2013 and No. 680/2014, as amended from time to time, as implemented in Italy under the “Circolare della Banca d’Italia del 30 Luglio 2008, n. 272 (Matrice dei Conti)”, as amended from time to time.”

* * *

Under the section headed “Glossary”, at page 367 of the Prospectus, the following definitions are added after the definition of “Morgagor”:

“N Covered Bonds means the German law governed covered bonds issued in registered form (Gedekte Namensschuldverschreibungen).

N Covered Bond Agreement means, in respect of any Series of N Covered Bonds, an agreement to be entered into between the Issuer, the Guarantor, the Representative of the Covered Bondholders and the relevant N Covered Bondholder.

N Covered Bond Assignment Agreement means, in respect of any N Covered Bonds, an assignment agreement attached to each N Covered Bond Certificate.”

N Covered Bond Certificate means the certificate evidencing the N Covered Bonds.

N Covered Bond Conditions means the terms and conditions of each N Covered Bond.”

* * *

Under the section headed “Glossary”, at page 368 of the Prospectus, the definition of “Other Guarantor Creditors” is deleted and replaced by the following:

“Other Guarantor Creditors means the Sellers, the Master 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 Portfolio Manager (if any), the Registered Paying Agent (if any) and the Registrar (if any).”

* * *

Under the section headed “Glossary”, at page 372 of the Prospectus, the definition of “Quarterly Master Servicer’s Report” and “Quarterly Master Servicer’s Report Date” are deleted and replaced by the following:

“Quarterly Servicer’s Report means the quarterly report delivered by the Master Servicer on each Quarterly Master Servicer’s Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Master Servicing Agreement.”

“Quarterly Servicer’s Report Date means the date falling on the 18th of each of January, April, July and October of each year.”

* * *

Under the section headed “Glossary”, at page 375 of the Prospectus, the following definitions are added:

“Register means the register of the holders of the Covered Bonds issued in registered form and/or the N Covered Bonds to be maintained by the Registrar.

Registered Paying Agent means the Issuer or any other institution which shall be appointed by the Issuer to act as paying agent in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.

Registrar means the Issuer or any other institution which shall be appointed by the Issuer to act as registrar in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.”

* * *

Under the section headed “Glossary”, at page 376 of the Prospectus, the following definition of “Sofferenza” is added after the definition “Servicer Termination Event”:

“Sofferenza means any Non Performing Receivable referred to a state of permanent distress and handled by the Servicer’s Office Litigation”.

* * *

Under the section headed “Glossary”, at page 378 of the Prospectus, the definition of “Transaction Documents” is deleted and replaced by the following:

“Transaction Documents means the Master Receivables Purchase Agreement, the Master 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 Swap Agreements (if any), the Mandate Agreement, the Quotaholders’ Agreement, the Prospectus, each N Covered Bond Certificate, each N Covered Bond Agreements, each N Covered Bond Assignment Agreement, the N Covered Bonds Conditions, the Deed of Charge (if any), the Master Definitions Agreement and any other agreement entered into in connection with the Programme.”.