This document constitutes a supplement for the purposes of Article 23, paragraph 1, of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended (the "**Prospectus Regulation**").

Banca Akros S.p.A.

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

1st Supplement dated 27 June 2022

(the "**Supplement**")

to the Base Prospectus "**CERTIFICATES PROGRAMME**"

dated 13 December 2021 of

Banca Akros S.p.A.

approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**")

(the "**Base Prospectus**")

The terms used in this Supplement have the same meaning as the terms used in the Base Prospectus.

Any reference to the Base Prospectus is to be read as references to the Base Prospectus as supplemented.

Banca Akros S.p.A. (the "**Issuer**") accepts responsibility for the information contained in this Supplement and declares that the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Supplement, the Base Prospectus as well as any further supplements to the Base Prospectus are published on the following website of the Issuer: www.bancaakros.it/en. Furthermore, this Supplement and the documents incorporated by reference into the Base Prospectus by virtue of this Supplement will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Supplement has been approved by the CSSF in its capacity as competent authority under the Prospectus Regulation.

RIGHT TO WITHDRAW

In accordance with Article 23, paragraph 2a, of the Prospectus Regulation, in the case of an offer of securities to the public, investors who have already subscribed for securities to be issued under the Programme before this Supplement, dated 27 June 2022, is published have the right, exercisable within three working days after the publication of the Supplement, to withdraw their acceptances by contacting the relevant distributor specified in the relevant Final Terms. This right to withdraw shall expire by close of business on 30 June 2022. The right of withdrawal is only granted to those investors who had already agreed to purchase or subscribe for the securities before the Supplement was published and where the securities had not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted.

Purpose of the Supplement

This Supplement serves as update to the Base Prospectus in connection with the publication of financial statements for the financial year ending 31 December 2021.

In particular, the purpose of the submission of this Supplement is to update the information included into the following sections of the Base Prospectus:

(i) *RISK FACTORS*;

(ii) *DOCUMENTS INCORPORATE BY REFERENCE*;

(iii) *INFORMATION ABOUT THE ISSUER*;

(iv) *BUSINESS OVERVIEW*;

(v) *ORGANISATIONAL STRUCTURE*;

(vi) *TREND INFORMATION*;

(vii) *ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES*;

(viii) *FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES*; and

(ix) *ADDITIONAL INFORMATION.*

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1 RISK FACTORS

1.1 The paragraph "A) MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER AND THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES" in the section of the Base Prospectus entitled "*RISK FACTORS*", on pages 13 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"A) MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER AND THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES

A.1) Risks related to the general economic and financial situation of the Issuer and the Group

Risk related to the economic and financial crisis, the impact of current uncertainties of the macroeconomic context, the consequences of the Covid-19 outbreak and of the Russian-Ukrainian conflict

There is a risk that the future evolution of the macroeconomic context could have negative effects on the capital, the economic and the financial situation of the Issuer, as well as on its creditworthiness and / or on the creditworthiness of the Banco BPM Group.

Adverse changes in the factors described below, particularly during economic and financial crisis, could lead the Issuer and / or the Banco BPM Group to suffer losses, higher financing costs, reductions in the value of the assets held, with a potential negative impact on the liquidity of the Issuer and / or the Banco BPM Group and on its own capital solidity. Among the main factors of uncertainty that could affect the future scenarios in which the Bank will operate, the negative effects on the global and Italian economy directly or indirectly related to the Coronavirus pandemic (Covid-19) must be considered. The spread of the Covid-19 pandemic and its implications for public health, economic activity and trade, at over two years from the start of the health emergency, continue to significantly influence the markets in which the Group operates. Although the impact of the pandemic on economic activity considerably diminished over the course of 2021, also thanks to the significant efforts made in the ongoing vaccination campaign, the development of new variants related to the virus in the last quarter did not enable those elements of uncertainty relating to the recovery of economic activity to be significantly reduced. In such complex and delicate macroeconomic context, the Group's commercial and organisational efforts made possible to achieve significant operating results.

The reduction of the impact of the pandemic on the Group's economic activity affected not only the assets of the Group, but also the liabilities issued at fair value. With specific reference to the Issuer, in 2021 financial year, characterized by the health emergency still in place at the international level, the operating income amounted to Euro 110.2 million, decreasing by 12.2% compared to 31 December 2020 and the interest margin is contracted (– 26.5%). Net profit for the period amounted to Euro 10.7 million (Euro 24.2 million as at 31 December 2020).

The macroeconomic scenario outlined above also experienced a sudden change resulting from the tensions between Russia and Ukraine, which resulted in a military operation in the Donbass region in the early morning of 24 February 2022 that initiated the invasion of Ukraine. The Russian invasion was immediately condemned by both the European Union and the United States and all NATO member states, resulting in the approval of a wide range of sanctions against Russia. The effects of the sanctions are, however, also likely to affect the Western countries that imposed them, and the macroeconomic outlook is now highly uncertain since the influence of the events described above will depend to a large extent on the unpredictable duration and outcome of the current conflict. In this scenario, Banca Akros is not expected to be significantly impacted by the Group's direct exposure to Russia and Ukraine. With regard to indirect impacts, given the elements of absolute uncertainty regarding the evolution of the conflict and its consequences on macroeconomic scenarios, it is not possible to exclude negative effects for the Group.

The Issuer's performance is influenced by the general economic situation, in Italy and in entire Eurozone, and by the dynamics of financial markets, and, in particular, by the solidity and growth prospects of the economy of the geographical areas in which the Issuer operates.

In particular, the Issuer's earning capacity and solvency are influenced by the trend of certain factors, such as investor expectations and confidence, the level and volatility of short and long-term interest rates, the exchange rates, the liquidity of financial markets, the availability and cost of capital, the sustainability of sovereign debt, the household incomes and consumer spending, business investments, unemployment levels, inflation and real estate prices.

Negative variations of the factors described above, in particular during periods of economic-financial crisis, could lead the Issuer to suffer losses, increases of financing costs, and reductions of the value of the assets held, with a potential negative impact on the liquidity of the Issuer and its capital soundness.

It should be noted that 2020 and 2021 have been characterized by the spread of the viral pneumonia known as "Coronavirus" (Covid-19) outbreak and that the banking activity has been affected by the consequences of the health emergency, with inevitable implications on the performance of the Banco BPM Group.

After a weak start of the Italian and European economy in the first quarter of 2021, conditioned by the effects of the third Covid-19 wave, the intensification of the vaccination campaigns allowed an improvement in the economic situation which enabled the recovery of a significant portion of the decline in domestic product suffered in 2020. In just five quarters, a deep recession was followed by a very fast recovery, with an unprecedented V-shaped economic rebound. However, the rapidity of growth risks causing more damaging effects in the medium-long term than world economy could indirectly inherit from the pandemic: the increase in income inequalities, widespread interruptions of supply chains, which started in 2020 and extended into 2021, as well as a recovery of consumer price trends, especially in the advanced economies, facilitated by the unprecedented increase of money supply.

In addition, in the last quarter of 2021, the rapid spread of the Omicron variant brought back growing uncertainty, representing a potential obstacle to economic recovery. A worsening of the health situation and / or the medium - to long-term effects of the Covid-19 pandemic could have a negative impact on the Group's overall economic and financial position, with possible repercussions on the Group's ability to generate revenues due to the weakening of customer demand for both financing and investment services and products, with particular reference to the corporate, business and private segments. The turbulence on the financial markets and the recession might instead weigh on the contribution of subsidiaries and on the trend of commissions, both those linked to investment products and those linked to economic activities. The reduction of operating costs, through an improvement of the efficiency, will continue to be one of the main factors of attention, helping to mitigate the pressure on operational management results. During 2021, the institutions of the European Union continued to implement extraordinary initiatives to relaunch growth: the ECB maintained the Pandemic Emergency Purchase Programme (PEPP) unchanged until the end of the year, and the EU finalised the most extensive European stimulus plan ever, known as Next Generation EU (NGEU).

The national and European Authorities activated a series of countermeasures aimed at introducing elements of financial support to the economy, also through the provision of new credit lines backed by public guarantees, as well as the granting of moratoria on existing loans and the granting of moratoria on the payment of first home mortgages.

The Group has granted various support measures to families and businesses, by virtue of the provisions of the aforesaid government interventions as well as on the basis of bilateral initiatives also framed within the Italian banking association (ABI – *Associazione Bancaria Italiana*) agreements. For the Parent Company, as at 31 December 2021, the volume of exposures benefiting from Covid-19 support measures represented by moratoria totalled Euro 14.9 billion and Euro 11.3 billion were past due. In this context, it should be noted that the economic slowdown could lead to a deterioration in the quality of the loan portfolio, also taking into account the amount of loans for which a moratorium has been granted, with a consequent increase in the incidence of non-performing loans and the need to increase provisions, which will be charged in the income statement. During the 2021 financial year, given the persistence of the Covid-19 pandemic, operating expenses were recognised as a result of maintaining certain contingency measures introduced in the 2020 financial year, related to property management, operational support services and physical security and prevention, at the Parent Company's offices and branches aimed at guaranteeing the safety of staff and customers. It should also be noted that the reduction of the impact of the pandemic on the Group's economic activity affected not only the assets but also the financial liabilities issued by the Group and measured at fair value.

With specific reference to the Issuer, in 2021 financial year, characterized by the health emergency still in place at the international level, the profit (loss) before tax from continuing operations decreased to Euro 24.1 million, compared to Euro 41.2 million in 2020. After taxes due in the period (Euro - 6,843 thousand), net charges relating to the contribution to the banking system (Euro - 3,835 thousand) and net expense of redundancy fund (Euro - 2,717 thousand), for a total amount of Euro - 13,395 thousand, net profit for the period came to Euro 10,718 thousand (Euro 24,212 thousand in 2020). The positive impact relating to the realignment of the tax value with the book value of the land on which the building owned by the Bank is situated (Euro + 4,512 thousand) directly impacted Shareholders' Equity and contributed to overall profit of 2021, which therefore stood at Euro 15.2 million.

The total assets and total liabilities of the reclassified separate financial statements as at 31 December 2021 amounted to Euro 8,241.7 million, up with respect to the Euro 7,905.8 million recorded as at 31 December 2020. Out of total assets measured at fair value of approximately Euro 5,670 million, instruments valued using non-observable input parameters (level 3) came to Euro 32.1 million, 0.6% of the total (Euro 32.2 million in 2020), of which Euro 29.9 million referring to the building owned by the Bank. Net non-performing exposures to customers came to Euro 256 thousand (Euro 185 thousand as at 31 December 2020). As at 31 December 2021, net interest income amounted to Euro 53.9 million, down from Euro 73.2 million in 2020 mainly as a result of the decline in coupon interest on securities in the trading book. The balance of "net fee and commission income" in 2021 (Euro 41.0 million) declined (- 1.8%) compared to 2020 (Euro 41.8 million) and it was mainly comprised by the standard brokerage of financial instruments, the placement of securities and Corporate Finance and Investment Banking advisory services.

Operating income amount to Euro 110.2 million, down from Euro 125.4 million as at 31 December 2020. This decrease mainly derives from fewer placements of structured products (certificates) by the distribution networks, which resulted in lower operating income for around Euro 16 million at Bank level. Operating expenses increased (+2.3%) from Euro - 84.6 million in financial year 2020, to Euro – 86.6 million in financial year 2021. Profit from operations as at 31 December 2021 amounted to Euro 23.6 million, while it was Euro 40.9 million (- 42.2%) as at 31 December 2020. The profit before tax from continuing operations amounted to Euro 24.1 million as at 31 December 2021, while it was Euro 41.2 million as at 31 December 2020 (- 41.5%). Profit after tax from continuing operations amounted to Euro 17.3 million as at 31 December 2021, compared with Euro 27.7 million as at 31 December 2020 (- 37.7%).

It should also be noted that the macroeconomic scenario outlined above suddenly changed at the end of February. The tension between Russia and Ukraine, aggravated by the prolonged military operations of the Russian and Belarusian armed forces along a large part of the Ukrainian border, resulted in a military operation in the Donbass region in the early morning of 24 February 2022 that initiated the invasion of Ukraine. The Russian invasion was immediately condemned by both the European Union and the United States and all NATO member states. The condemnation was followed by the approval of a wide range of sanctions against Russia, including the ban on technology exports, the ban on doing business with Russian state-owned companies, strategic companies and oil and gas producers, and the interruption of the SWIFT system for Russian banks. The sanctions generated an immediate crisis in Russia's financial system that generated a rapid and heavy loss of value of the ruble currency, the downgrading of the sovereign rating, the configuration of serious bankruptcy risks for Russian banks and the collapse of the prices of securities issued by Russian companies. The effects of the sanctions are, however, also likely to affect the Western countries that imposed them, and the macroeconomic outlook is now highly uncertain since the influence of the events described above will depend to a large extent on the unpredictable duration and outcome of the current conflict. Today, assumptions of lower economic growth in Europe and Italy are strengthening, as a result of rising energy and commodity prices, which will accentuate the already rising inflation.

In this scenario, Banca Akros is not expected to be significantly impacted by the Group's direct exposure to Russia and Ukraine. This exposure is extremely limited, amounting to less than 0.1% of total cash assets and signature loans. The Group's exposure to the ruble is also substantially balanced. On the other hand, with regard to indirect impacts, given the elements of absolute uncertainty regarding the evolution of the conflict and its consequences on macroeconomic scenarios, it is not possible to exclude negative effects for the Group.

Lastly, it shall be noted that in the current macroeconomic context some uncertainties remain, in particular: (a) the trend of the economy and the prospects for recovery and consolidation of the economies of certain Countries such as the United States and China, which in recent years have shown a constant growth, also strongly conditioned by the effects of the spread of Covid-19, as mentioned above; (b) trends in the real economy with regard to the probability of recession at both the domestic and global levels; (c) the future developments of the monetary policy of the ECB, in the Eurozone and of the FED, in the Dollar area, and of the policies, implemented by various Countries, aimed at encouraging competitive devaluations of their currencies; (d) the instability of the climate of confidence among the holders of the Italian public debt due to the uncertainty on budgetary policies; (e) the risk of an inflationary recovery.

Risk related to uncertainties in the use of estimates in preparing the financial statements and to the fair value valuation of complex financial instruments not listed on active markets on a recurring basis

The application of certain accounting standards necessarily implies recourse to estimates and assumptions that have an impact on the values of assets and liabilities recorded in the statement of financial position and on the information provided in relation to potential assets and liabilities. It should therefore be considered that valuation models inherently entail a risk of incorrect valuation.

However, the models used for the valuation of the fair value of not-listed financial instruments, especially those that are highly complex (structured securities and derivatives), besides being many and different in relation to the type of instrument to be valued, have also required the formulation of specific qualitative and quantitative assumptions that could lead to different results.

Therefore, it should be noted that these models may be extremely sensitive to the input data and the assumptions used and, by nature, imply a risk of incorrect assessment.

As at 31 December 2021, financial instruments held for trading that are not listed on active markets, whose fair value was determined by using models with data and parameters both directly observable and not directly observable, represent assets for a total of Euro 3,575 million and liabilities of Euro 3,444 million, corresponding to the 43.4% of total assets and the 41.8% of total liabilities in the financial statements.

The assumptions that constitute the basis of the estimates of the financial statements take into account all the information which were available as at the date of preparation of the financial statements, as well as any scenarios considered reasonable based on past experience and the current situation of financial markets. The economic and financial crisis made it necessary to adopt assumptions on future outlook marked by significant uncertainty.

Given the uncertainty, it cannot be excluded that the assumptions made, albeit reasonable, may not be confirmed by future scenarios in which the Issuer will operate. Future results could therefore differ from the estimates used in preparing these financial statements, and it would therefore be necessary to adjust any figures currently not predictable or estimable with respect to book values recognised under assets and liabilities in the statements.

The use of estimates and assumptions is strictly affected by the development of the national and international economic context as well as by financial markets trends, which generate significant impacts on interest rates, price fluctuations, actuarial bases and the credit rating of counterparties.

The models used to measure the fair value of unlisted financial instruments, and in particular those characterised by high complexity (structured securities and derivatives), in addition to being numerous and different in relation to the type of instrument to be valued, required the formulation of specific qualitative and quantitative assumptions that could lead to significantly different results.

As at 31 December 2021, financial instruments held for trading and not listed on active markets, whose fair value was determined by using models with data and parameters both directly observable (instruments with fair value level 2 of the fair value hierarchy) and not directly observable (instruments with fair value level 3 of the fair value hierarchy), represent assets for a total of Euro 3,575 million (Level 3 alone amounts to Euro 2,234 thousand) and liabilities of Euro 3,444 million (Level 3 alone amounts to Euro 839 thousand), corresponding to the 43.4% of total assets and the 41.8% of total liabilities in the financial statements (Level 3 alone amounts to 0.027% of total assets and to 0.010% of total liabilities of the financial statements).

In the course of the audit, the internal control system relevant to the financial reporting has been considered, in order to define the most appropriate audit procedures, in particular the understanding and evaluation of the design of controls relevant to the identification, measurement and monitoring of the risk related to the valuation and recognition of financial instruments, as well as the operating effectiveness of those controls.

Throughout the course of the audit, special attention has been paid to the valuation of these financial instruments, focusing primarily on those characterised by a high degree of complexity (structured securities and derivatives). This was considered a key audit matter due to the materiality of the amounts, considering the number and complexity of the valuation models used which, in addition to being numerous and different in relation to the type of instruments, require the formulation of specific qualitative and quantitative assumptions that could determine results significantly different. These models could be extremely sensitive to inputs and assumptions and, given their nature, incorporate a risk of incorrect valuation. For the reasons stated above, the valuation of complex financial instruments (structured securities and derivatives) not listed on active markets and measured at fair value on a recurring basis was considered a key aspect of the audit of the Bank's financial statements as at 31 December 2021.

For more detailed information, see Part E - Information on risks and related hedging policies - of the Notes to the 2021 Financial Statements.

Risk related to the rating assigned to the Issuer and to the Group

In the event of a downgrading of the rating assigned to the Group and / or the Issuer (including the case in which it is due to a worsening of Italy's sovereign debt rating or the so-called "outlook"), a consequently greater expense in obtaining financing, greater difficulty in accessing the capital market, a possible need to add to the guarantees provided or a general ability to generate business may arise. It could also have negative impact on the liquidity of the Group and the Issuer and limit its ability to conduct certain commercial activities, also strategically productive, with a consequent negative impact on the financial, economic and equity conditions of the Group and the Issuer.

The Issuer believes that the risk associated with the rating assigned to the Issuer is of medium - low importance.

The rating assigned to the Issuer constitutes an assessment of the Issuer's ability to fulfil its financial liabilities, including those related to the financial instruments issued from time to time.

Any deterioration of the Issuer's rating could be an indication of a lower ability to fulfill its financial liabilities compared to the past or of the difficulties related to the national economic framework.

Furthermore, considering that - on the basis of SA1 level Support Assessment assigned by DBRS - the ratings of the Issuer are equal to those of the Parent Company, there is a risk that any changes in the ratings of the Parent Company will also have an impact on the rating of the Issuer.

Finally, the Issuer's rating may be affected by the rating of the Republic of Italy, as well as by the evolution of the national macroeconomic context. Therefore, a possible worsening of the sovereign rating and / or of the macroeconomic context of Italy could lead to a downgrading of the rating of the Group and, consequently, of the Issuer, with negative effects on the activities and on the economic and financial position of the Issuer and / or of the Banco BPM Group.

In this regard, for more detailed information, see paragraph "*Risk related to the economic and financial crisis and the impact of current uncertainties of the macroeconomic context, the consequences of the Covid-19 outbreak and of the Russian-Ukrainian conflict"* above.

With regard to the evolution of the creditworthiness assessment of the Issuer and the Group, on 12 May 2021 Moody's Investors Service changed, from Negative to Stable, the outlook of long-term rating on deposits and the long-term rating on senior unsecured debt of Banco BPM, while confirming the other ratings, including the Baseline Credit Assessment (at ba3), the long and short term ratings on deposits (at Baa3 / P-3), as well as the long-term rating on senior unsecured debt (at Ba2). In November 2020, the Parent Company and Banca Akros received confirmation of the investment grade ratings from the DBRS agency, "BBB (low)" for the long-term rating on senior debt and for the long-term issuer rating and "BBB" for the long-term rating on deposits and the trend of the Group's long-term and short-term ratings was confirmed as positive.

Risk related to legal and administrative proceedings and inspection activities of Supervisory Authorities

*Banca Akros is subject to certain legal proceedings. In particular, as at 31 December 2021, the specific provisions allocated over the years to cover potential losses on legal disputes, lawsuits and customer complaints, amounted overall to Euro 75 thousand (compared to Euro 641 thousand as at 31 December 2020) for a "*petitum*" of Euro 564 thousand.*

The risk deriving from legal proceedings and disputes in general consists in the possibility for the Issuer to incur compensation in the event of a negative outcome.

In the ordinary course of its business, the Issuer is subject to certain administrative, judicial and/or arbitration proceedings from which obligations may arise to pay compensation. The specific provisions allocated over the years to cover potential losses on legal disputes, lawsuits and customer complaints, recorded in the balance of provisions for risks and charges, under the item legal and tax disputes, amounted overall to Euro 75 thousand as at 31 December 2021 (compared to Euro 641 thousand as at 31 December 2020). In particular, the pending legal disputes are three (seven as at 31 December 2020) for a "*petitum"* of Euro 564 thousand and a loss forecast of Euro 75 thousand. The decrease in the provisions for risks and charges referred to the above is mainly due to the settlement of two previously outstanding lawsuits.

Moreover, in the course of their ordinary activity, the Banco BPM Group and the Issuer are subject to inspection activities of the supervision Authorities.

The outcomes of such inspection activities may require organizational interventions, both to the Issuer and to the Group, which may be required to adopt direct measures to correct any deficiencies found during investigations and inspections. Furthermore, the supervision Authority could also adopt disciplinary measures against corporate officers with administrative, management or control functions.

A.2) Risks related to the Issuer's business sector

Market risk

The operational VaR of the trading book (i.e. the maximum potential loss from market movements under normal conditions, over a certain time horizon and with a defined confidence level), as at 31 December 2021, amounted approximately to Euro 1.7 million (Euro 4.8 million as at 31 December 2020). The Operational VaR of banking book amounted to Euro 0.126 million as at 31 December 2021 (Euro 1.2 million as at 31 December 2020)(the figure refers only to the specific risk of the HTCS book).

Tensions on financial markets due to Covid-19 outbreak in Europe as well as in the rest of the world since the end of February 2020 resulted in severe shocks and high volatility on both the stock and the bond markets.

Given the trend of financial markets, the change in the value of a financial asset or liabilities could have possible negative effects on the Issuer's and / or the Group's assets and economic, capital and / or financial situation, that have diminished in 2021, mainly due to the discovery and the spread of vaccines.

Taking into account its specific business, the Issuer considers this risk of high importance.

The Issuer is exposed to "market risk", i.e. the risk that the value of a financial asset or liability may vary due to the trend of market factors, such as share prices, inflation, interest rates, exchange rates, commodity prices, and the related volatilities and correlations, or due to events that may impair the credit rating of the relative issuer. Market risk occurs both in relation to the trading book, which includes financial trading instruments and related derivative instruments, as well as in relation to the banking book, which includes all other financial assets and liabilities that are accounted differently from those included in the trading book.

The market risk relating to the trading book results from trading and market making activities in interest rate, exchange rate, equity or debt securities and commodity markets, while the market risk in the banking book is generally linked to changes in interest rates in the various reporting periods, as well as to the trend in the credit rating of the relative issuer. In addition, market risk generally includes settlement risk, deriving from transactions in securities, foreign exchange and/or commodities, as well as counterparty risk, i.e. the risk of counterparty default in derivative and forward and option contracts.

Market risks related exclusively to the trading book are measured using the "Value-at-Risk" (VaR). Given a portfolio of financial instruments, the VaR represents the maximum potential loss resulting from adverse movements in market parameters within a given time horizon (in this case, one day) and with a defined confidence level (in this case, 99%). The market parameters considered are mainly interest rates, exchange rates, credit spreads, prices of shares, indices and funds, their volatility and correlations.

With regard to the operational VaR of the trading book, it should be noted that the average value of the maximum potential loss on a daily basis for the entire 2021 financial year, with a confidence level of 99%, has been equal to Euro 2.4 million, lower than the Euro 4.8 million of 2020. An analysis of its composition, with reference to different factors, shows that the significant risk components are mainly those relating to equity risk for positions in equity instruments, both derivative and cash, and those relating to specific risk on debt securities, due to the presence of positions on Italian financial and government securities.

The decrease in the VaR was mainly due to the lower volatility of market parameters during 2021 with respect to that which occurred following the pandemic in 2020 (in fact, the exit of the previous penalizing scenarios of March/April 2020 was recorded, relating to the outbreak of the Covid-19 pandemic) and a reduction in risk positions relating above all to the bond asset class, which became necessary following the extension of the internal model to the specific risk of debt securities, which led to a higher level of absorption with the same number of positions held, with the consequent need to de-risk the bond portfolio to meet the RAF limits established by the Group.

As at 31 December 2021, the exposure (book value) to the Republic of Italy included debt securities amounting to Euro 208.3 million (2.53% of total assets), including Euro 200.6 million of financial assets measured at fair value through other comprehensive income (2.43% of total assets).

In this regard, for more detailed information, see paragraph "*Risks related to the exposure to sovereign debt*" below.

In relation to the calculation of the capital requirements, starting from 31 December 2020, following the authorisation by the Supervisory Authority (November 2020), the Banco BPM Group uses the extended model to calculate the market risk capital requirement which also includes the specific risk of debt securities. Such measure is then calculated on the basis of the VaR, Stressed VaR - including the debt securities specific risk - and the Incremental Risk Charge (IRC).

During 2021, significant refinements were made to the internal model, with a view to fulfilling the Obligations of previous inspections by the Supervisory Authority: the changes regarded, in particular, the measurement of foreign exchange positions, the quality of VaR, Stressed VaR and IRC market parameter data, the process of identifying and managing Risks Not In Model Engine (RNIME) and the Incremental Risk Charge (IRC) calculation method.

IMA (Internal Model Approach) Capital Absorption, against market risks at the end of 2021, was approximately Euro 130 million, equal to around Euro 1,624 million of RWA.

The operational VaR of the trading book (i.e. the maximum potential loss from adverse movements of market parameters over a certain time horizon and with a defined confidence level) as at 31 December 2021 amounted to Euro 1.7 million (Euro 4.8 million as at 31 December 2020).

The value of the operational VaR of the Banca Akros banking book at the end of 2021 was equal to Euro 0.126 million (Euro 1.2 million at the end of 2020) (the figure refers only to the specific risk of the HTCS book). In particular, the relevant risk component is the debt securities specific risk, which determines almost all of the metric. With regard to the specific risk of the HTCS book, the 2021 financial year was characterised by low volatility in the markets.

The banking securities book of the Issuer is a significant source of general interest rate risk and credit spread risk. Such book specifically includes bonds and a few stock securities (minor shareholdings).

At the end of the year, the total amount of bonds was approximately Euro 316 million in nominal value, divided into Euro 271 million of HTCS (Held To Collect and Sell) accounting category, 92% made up of Italian government bonds and 8% of corporate and financial bonds and Euro 46 million of HTC (Held To Collect) accounting category, exclusively made up of Italian financial securities. The exposure to credit spread risk was approximately Euro - 46 thousand overall, considering a shock of 1 basis point, broken down between Italian Government securities (credit spread sensitivity: approximately Euro - 22 thousand) and other bonds that make up the portfolio (of which Italian financial securities, credit spread sensitivity: approximately Euro -17 thousand).

As long as the time needed to overcome the crisis and the framework of the interventions to contain the effects is not fully outlined and known to the financial markets, a significant degree of volatility in the market prices of financial instruments is expected to persist and may be equally reflected in the volatility of the financial results that will be recorded by the Group.

For more detailed information, see Part E - Information on risks and related hedging policies - Section 2 - Market Risk of the Notes to the 2021 Financial Statements.

Credit Risk

The Issuer is exposed to traditional credit risks. Therefore, failure by customers or counterparties to comply with their contracts and obligations, as well as any lack or errors in assessing their financial position or creditworthiness, could have negative effects on the economic, equity and / or financial situation of the Issuer.

With reference to credit risk, the Issuer does not show particular expositions to individual issuers; thus with reference to concentration risk, it believes that such risk is of low importance, and evaluates the counterparty risk to be of medium importance.

The business, economic and financial solidity of the Issuer, depend, among other things, on its customers and on counterparties creditworthiness.

"Credit risk" is the risk that debtors of the Bank may not fulfil their obligations (including the repayment of bonds held in the various portfolios of the Bank) or that their credit rating may suffer a deterioration (such debtors include the counterparties of financial transactions involving OTC (over the counter) derivatives traded outside of regulated markets - even if, in that case, is more appropriate to refer to a counterparty risk, as specified below) or that the Issuer grants credit that it would not otherwise have granted, or would have granted upon different terms, on the basis of information that is untruthful, incomplete or inaccurate.

In this respect, it should be noted that the granting of loans to the clientele is a residual activity of the Issuer according to its business model.

Concentration risk

Closely connected with credit risk, concentration risk arises from the exposure to individual counterparties, groups of connected counterparties or counterparties in the same economic sector, or which carry out the same activity or belong to the same geographical area. The assessment of potential losses that the Issuer may incur as a result of a counterparty default in relation to individual credit exposure and the overall loan portfolio is an intrinsically uncertain activity that depends on many factors, including the trend in general economic conditions or those relating to specific sectors of production, changes in the rating of individual counterparties, structural and technological changes within debtor companies, deterioration in the competitive position of counterparties, potential bad management of entrusted companies or counterparties, increasing family indebtedness and other external factors such as legal and regulatory requirements.

Based on the new regulations, the "Large Exposure" are determined by reference to the book value of "exposures", rather than the weighted one. In addition, intragroup exposures (which, for the companies belonging to the supervisory banking group, have a weighting of zero percent) are now also considered among those exposures in separate financial statements. As at 31 December 2021, Bank's eligible capital coincides with the amount of Own Funds. Starting from 2019, the reporting of Large Exposures was produced, applying the EBA Guidelines (EBA-GL-2017-15) on connected clients, limited to the alternative approach to central governments. On the basis of the new provisions, as at 31 December 2021, there were 26 positions classified as "Large Exposures" (18 positions as at 31 December 2020), with weighted values that exceed, individually, 10% of the Issuer's eligible capital. The total nominal amount of these positions as at 31 December 2021 was Euro 11,304 million (Euro 9,143 million as at 31 December 2020) corresponding to a weighted exposure of Euro 1,072 million (Euro 527 million as at 31 December 2020).

The main Groups reported as "Large Exposures" in accordance with the criteria without the Guidelines are:

- Group belonging to Banco BPM;
- Anima SGR (in respect of 6 different funds managed by it);
- Euronext N.V.;
- Markov Sicav PLC;
- London Stock Exchange Group PLC;
- the Ministry of Economics and Finance;
- the BNP Paribas SA Group.

Out of the remaining positions, ten relate to counterparties connected to the Ministry of Economy and Finance which, therefore, using the approach "with Guidelines" also include exposures to this Ministry, and a further three relate to leading banking groups.

In general, these parties (customers, counterparties, issuers of securities held in the Issuer's portfolios, etc.) may fail to fulfil their obligations towards the Issuer due to bankruptcy, debt restructuring, lack of liquidity, operational malfunctions or for other reasons. The failure of a major market participant, client or counterparty or even concerns about its default, may cause significant liquidity problems, losses or default by other institutions, which in turn may adversely affect the Issuer. In certain circumstances, the Issuer may also be subject to the risk that some of its claims towards third parties were not due. In addition, a decrease in the creditworthiness of third parties, including sovereign States of which the Issuer holds securities, could result in losses and/or adversely affect the Issuer's ability to bind or otherwise use such securities for liquidity purposes. Therefore, a significant decrease in the creditworthiness of the Issuer's counterparties could have a negative impact on the Issuer's results. While in some cases the Issuer may require additional collateral from counterparties in financial trouble, disputes may arise regarding the amount of collateral that the Issuer is entitled to receive and the value of the assets covered by the collateral, the debtor may not be able to provide the collateral requested or, in other cases, collateral may not be provided at all. Default levels and disputes with counterparties on the assessment of collateral increase significantly during periods of market stress and illiquidity.

The Issuer's current and future operations are significantly affected by commercial and financial transactions with related parties.

Transactions with related parties for the financial year 2021 have been concluded mainly with the Parent Company Banco BPM and have concerned loans to banks for Euro 70,881 thousand (14.15% of the item "Loans to banks") (Euro 175,550 thousand in 2020) and "Financial assets held for trading" for a positive fair value of Euro 2,724,937 thousand (50.78% of the total of the item) (Euro 4,111,108 thousand in 2020) and other assets for Euro 13,946 thousand (18.83%) (Euro 12,576 thousand in 2020).

On the liabilities side, the Issuer has liabilities towards the Parent Company Banco BPM for Euro 808,265 thousand (27.97% of the item "Due to banks") (Euro 721,021 thousand in 2020) and “Financial liabilities held for trading” with the Parent Company for a negative value (fair value, relating to derivative contracts only) of Euro 98,902 thousand (2.74%) (Euro 89,361 thousand in 2020).

The income statement transactions show Interest and similar income and Interest and similar expense to the Parent Company of Euro 43,361 thousand (57.34%) and Euro -992 thousand (4.55%), respectively (each of them Euro 59,678 thousand and Euro 476 thousand in 2020); "Administrative expense" (including "Personnel expenses" and "Other administrative expenses") charged by the Parent Company amount to Euro 53,747 thousand (51.82%) (Euro 54,833 thousand in 2020), while those charged to other companies of the Group amount to Euro 5 thousand (Euro 10 thousand negative in 2020).

Financial and commercial transactions with related parties refer to the Issuer's abnormal operations. With reference to the nature of non-financial transactions with companies of the Group, it should be noted that support and control activities, such as Information Technology, Operations, Administration and Control, Organization, Risk Management, HR, Audit e Compliance, Legal, are centralised within the Parent Company.

Counterparty risk in the context of transactions in derivative contracts

Counterparty risk is defined as the risk that the counterparty in a transaction defaults before the final settlement of the cash flows of said transaction (EU Regulation no. 575/2013). As regards this type of risk, for operating purposes and to provide support for capital adequacy assessment processes (ICAAP process), Banca Akros uses internal methods to estimate exposures to the risk of possible default of counterparties in OTC derivative transactions whereas for Supervisory Reporting, it uses the standardised approach on the entire scope of reference (derivatives, repurchase agreements, securities lending and medium and long term loans).

These methods are mostly based on statistical-quantitative approaches, partially linked to the techniques used for VaR (Value at Risk) estimates, which assess the impact that market risk factors may have on the positive future market value of the overall derivatives portfolio.

In calculating exposure to counterparty risk, for Supervisory Reporting, the Issuer uses the standardised approach on the entire scope of reference (derivatives, repurchase agreements, securities lending and medium and long term loans).

Transactions in derivative contracts expose the Issuer to the risk that the counterparty to the derivative contracts is in breach of its obligations or becomes insolvent before the maturity of the relevant contract, when the Issuer still has a claim on that counterparty.

With reference to the type of core business of the Issuer, which, among other things, trades in OTC derivatives, with the assumption of the risks associated with them, Issuer's exposure to counterparty risk in relation to positions taken in OTC derivatives is higher than its exposure to credit risk.

Exposure to counterparty risk is significantly mitigated with respect to market counterparties with which netting and guarantee agreements are in place through the provision of collateral (particularly in the form of ISDA contracts accompanied by specific Credit Support Annexes with daily settlement of the differentials).

In addition, the Issuer fulfilled its obligations under the EMIR (European Markets Infrastructure Regulation), which introduced, among other things, the obligation to centrally offset certain types of OTC derivative contracts in order to limit exposure to counterparty risk at the systemic level. The Issuer has contractual agreements in place with active counterparties, in accordance with the standards set out in the EMIR.

On 31 December 2021, the positions in financial derivative instruments held by Banca Akros had a positive total value (fair value) of Euro 1,367,988 thousand (Euro 1,537,436 thousand as at 31 December 2020) and a negative total value (fair value) of Euro 1,367,405 thousand (Euro 1,811,086 thousand as at 31 December 2020).

With reference to the derivative positions mentioned above, it should be noted that the positions in over-the-counter derivative contracts - for which the risk of default by the counterparty falls on the Issuer - assumed by the Issuer for trading purposes, as at 31 December 2021, show a positive total value (fair value) of Euro 1,307,000 thousand (Euro 1,489,860 thousand at 31 December 2020) and a negative total value (fair value) of Euro 1,336,631 thousand as at 31 December 2021 (Euro 1,769,774 thousand as at 31 December 2020), in both cases, they are valued on the basis of models using, to a significant extent, parameters that can be observed on the market or on the basis of prices drawn from independent sources.

For more detailed information on the valuation criteria for these positions in over-the-counter derivatives and their characteristics, see Part A.4 (Fair value disclosure) and Part E, Section 3 (Derivatives instruments and hedging policies) of the Notes to the 2021 Financial Statements.

For more detailed information on credit risk, see Part E - Information on risks and related hedging policies - Section 1 - Credit Risk of the Notes to the 2021 Financial Statements.

Liquidity Risk

In order to assess the liquidity profile of the Group, the principal indicators are: (i) the short-term indicator Liquidity Coverage Ratio (LCR) subject to a minimum regulatory requirement of 100 per cent as of 2018 and which as at 31 December 2021 was equal to 209%; (ii) the 12-month structural liquidity indicator Net Stable Funding Ratio (NSFR) which as at 31 December 2021 is greater than 100%; and (iii) Loan to Deposit Ratio (LTD), which corresponds to the ratio between Net loans and Direct funding and as at 31 December 2021 was equal to 91.0%.

As at 31 March 2022, the Liquidity Coverage Ratio is 206% whereas the Net Stable Funding Ratio is greater than 100%. Any negative development of the market situation and the general economic context and/or creditworthiness of the Issuer and / or the Group, possibly accompanied by the need to adapt the liquidity situation of the Bank to the regulatory requirements updated from time to time in implementation of the applicable supervisory legislation, may have negative effects on the activities and the economic, equity and/or financial situation of the Issuer and the Group.

The Issuer evaluates that the liquidity risk is covered by the large availability of liquidity reserves and therefore it believes that such risk is of low importance. Liquidity risk means the risk that the Group is not able to meet its payment commitments, which are certain or envisaged with reasonable certainty.

Usually, two types of Liquidity Risk are identified:

- Liquidity and Funding Risk, namely the risk that the Group is not able, in the short term (liquidity) and long term (funding), to meet its payment commitments and its obligations in an efficient manner due to the inability to obtain funds without prejudicing its core business activities and/or its financial situation;

- Market Liquidity Risk, namely the risk that the Group is not able to liquidate an asset, without generating losses in the capital account due to the poor depth of the reference market and/or due to the timing required to conduct the transaction.

The Issuer's liquidity could be compromised by the temporary inability to receive funds from clients, external counterparties or from the Group to which it belongs, by the inability to distribute liabilities and / or sell certain assets or redeem own investments, as well as by unexpected outflows of cash or by the obligation to provide more guarantees. This may due to circumstances beyond the Issuer's control, such as a general market disruption or an operational problem affecting the Issuer or the Group or third parties, or from the perception among market participants that the Issuer or the Group or other market participants are facing a higher liquidity risk. The liquidity crisis and the loss of confidence in financial institutions may increase the Issuer's funding costs and limit its access to some of its traditional sources of liquidity and/or limit the disinvestment of its assets with related potential insolvency risks.

Examples of liquidity risk are the failure of a major market participant, or even concerns of default on the part of the market participant, which could cause significant liquidity problems, losses or failures on the part of other banking or financial institutions, which in turn could adversely affect the Issuer or the Group, or a decrease in the creditworthiness of third parties in which the Issuer holds securities, which could result in losses and/or adversely affect the Issuer's ability to bind or otherwise use such securities for liquidity funding purposes.

Liquidity risk is managed and monitored as part of the Internal Liquidity Adequacy Assessment Process (ILAAP), which is the process the Group uses to identify, measure, monitor, mitigate and report the Liquidity risk profile of the Group.

With reference to the statutory reporting obligations, it is important to emphasise the decision authorising derogation (waiver) from the individual liquidity requirements for Bank BPM, Banca Akros and Banca Aletti, as of 31 January 2019, with reference to the LCR indicator and from 25 August 2021 with reference to the NSFR indicator. The Group companies under supervision will therefore be treated and supervised as a single "liquidity group". The aforementioned derogation concerning liquidity requirements on an individual basis does not change the management approach for the liquidity risk control activities in relation to the regulatory requirements, which continues to be performed by the Group Liquidity Risk of each of the companies at the Group level, ensuring the monitoring and compliance with any limits defined in the Risk Appetite Framework (RAF).

As part of the centralised system of liquidity governance, in addition to continuously monitoring the liquidity of Banca Akros, the Group defined specific risk indicators for Banca Akros, with related Risk Appetite limits which were always complied with during 2021.

In particular, those specific risk indicators aim to monitor the impact of Banca Akros operations on Group liquidity indicators, with specific reference to the LCR and the NSFR.

In order to assess the liquidity profile of the Group, the following principal indicators are also used:

- the short-term indicator Liquidity Coverage Ratio (**LCR**), which expresses the ratio between the amount of available assets readily monetizable (high quality liquidity assets) and the net cash imbalance accumulated over a 30-day stress period calculated applying the stress scenario provided by the applicable legislation. As of 2018, the indicator is subject to a minimum regulatory requirement of 100% and as at 31 December 2021 is equal to 209%, whereas as at 31 March 2022 is equal to 206%;
- the 12-month structural liquidity indicator Net Stable Funding Ratio (**NSFR),** which corresponds to the ratio between the available amount of stable funding and the required amount of stable funding. As at 31 December 2021 and as at 31 March 2022, the indicator is greater than 100%;
- Loan to Deposit Ratio (**LTD**), which corresponds to the ratio between Net loans and Direct funding. The indicator is equal to 91% as at 31 December 2021.

The liquidity risk control function - in line with the risk Governance model of Banco BPM Group - is outsourced to the Parent Company's Risk Management function, which is responsible for identifying and measuring the Issuer's liquidity risk. This activity is supported by a specific Service Level Agreement. Moreover, to ensure the continuity and correct performance of liquidity risk measurement activities, the Issuer also created the function of "Risk Management Controller".

For more detailed information, see Part E – Information on risks and related hedging policies - Section 4 - Liquidity Risk of the Notes to the 2021 Financial Statements.

Risks related to the exposure to sovereign debt

As at 31 December 2021, the Issuer's exposure to sovereign States amounted, in terms of book values, to a total of Euro 208.35 million and represents 2.53% of total assets and 3.69% of total financial activities. The exposure (book values) to the Italian government included debt securities for Euro 208.34 million at 31 December 2021 and represents 2.53% of total assets and 3.69% of total financial activities.

The persistence of tensions over Government bond market or its volatility, also following the effects of the spread of the Covid-19, could adversely affect the business and/or financial situation Group and/or the Issuer.

The sovereign debt crisis affected market trends and economic policy choices in many European countries. The Issuer is exposed to sovereign debt towards governments, and mainly to the Republic of Italy.

The worsening of the sovereign debt and particularly of the Italian debt, could adversely affect the Issuer's and / or the Group business and/or financial situation or operating results. Furthermore, a downgrade in the rating of the Italian Republic may increase the so-called "valuation haircuts or margins", with negative consequences on the Group's liquidity and economic and financial impacts.

As at 31 December 2021, the Issuer's exposure to sovereign States amounted, in terms of book values, to a total of Euro 208.35 million (compared to Euro 220.2 million as at 31 December 2020) and represents 2.53% of total assets and 3.69% of total financial activities (for definition see items 20 and 30 of the financial statements). In particular, the exposure to Sovereign States consists almost entirely of securities issued by the Republic of Italy.

In detail, as at 31 December 2021, the exposure (book value) to the Italian government included debt securities for Euro 208.34 million and represents 2.53% of total assets and 3.69% of total financial activities; as at the same date, investments in sovereign debt securities to other EU and non-EU countries included debt securities for Euro 14 thousand.

For more detailed information, see Part B of the Notes to the 2021 Financial Statements.

Climate and environmental risks

The Group may be exposed to risks related to "Climate change & ESG (Environment, Social and Governance)" issues, which may involve prudential risks, e.g. related to sustainable development for credit and finance and the optimisation of human capital of the Group and the Issuer.

The Issuer considers climate and environmental risks to be of medium - low relevance.

As part of the Risk Identification process carried out in 2021, the Group identified the issues relating to "Climate change & ESG (Environment, Social and Governance)" as a specific risk factor to which it could be exposed in the considered time horizon. Said issues are seen as the risk drivers underlying prudential risks, for example related to sustainable development in terms of credit and finance and the optimisation of human capital of the Group, and have shown an increase in terms of both the likelihood of their occurrence and their impact with respect to last year. To this end, the Group's risk management has begun an internal assessment process with respect to the current ESG regulatory requirements and consultation procedure, first of all with regard to the "Guide on climate-related and environmental risks" the final version of which was published by the ECB in November 2020. The

ECB Guide clarifies that climate and ESG risks are cross-cutting determinants of other risk factors, of which credit, operational, market and liquidity risks are the most significantly impacted. In 2021, it has been evident the integration of ESG factors into risk policies and processes, including the integration of ESG factors into credit policies, the integration of climate risk into the risk appetite framework, and an initial materiality assessment of climate risk with respect to each of the main risks.

In the ESG sphere, it should also be noted that the integration of ESG requests in the business model of the Group is achieved, in particular, by the activities arranged into seven projects areas that were launched in February 2021. Among these seven areas, a total of 32 projects have been defined which are in the process of being implemented, involving 12 units of the Group and more than 50 staff members. The activities which will be developed within the framework set out under the Parent Company's 2021 – 2024 Business Plan are based on already established and consolidated foundations: first and foremost, at the governance level, thanks to the creation of controls at the board level, with the direct responsibility of the Board of Directors and the central role of the Internal Control, Risk and Sustainability Committee, that can rely on a reference advisor for ESG issues; at the management level with the ESG Committee chaired by the CEO and the Sustainability Department. In addition, specific targets are defined in the incentive plans, both long and short-term, of the CEO and top managers.

For more detailed information, see Part E - Information on risks and related hedging policies - of the Notes to the 2021 Financial Statements.

Operational risks

The Issuer is exposed to many types of operational risks, including the risk of fraud from employees and other third parties, the risk of non-authorized transactions from employees and the risk of operating errors which may result from the purchase and sale of securities and derivative financial instruments and those resulting from inadequacies or failures in information, information technology ("IT") or telecommunications systems; specifically, with regard to the migration of the same information systems, as described below. Operational risk management systems and methods are designed to ensure that the risks connected with the activities of the Issuer are monitored as far as possible.

If any of policies and internal procedure of risks control used by the Issuer fail or have other significant shortcomings, the Issuer's financial condition, results and services offered to customers, could be materially adversely affected.

The Issuer considers such risk to be of medium - low relevance.

Operational risk is defined as the risk of losses suffered as a result of inadequacy or malfunction of procedures, human resources and internal systems, or from external events and inherent in the activities of the Issuer. Losses resulting from fraud, human error, interruption of operations, non-availability of systems, contractual breaches, natural disasters and the impact of a pandemic that can cause the absence of operational continuity are included in this type of risk. Operational risk also encompasses legal risk, while strategic and reputational risks are not included.

It should be noted that on September 2018, the IT systems used by Banca Akros have been migrated to the Group's IT infrastructure.

With reference to operational-reputational risk management at Banca Akros, it is worth highlighting the importance of the specific structuring activity and the dynamic management of the structured Equity and Fixed Income products carried out by Banca Akros as the Corporate & Investment Bank of the Group.

The operational risk (including legal and tax risk) and the reputational risk that is typically associated with Investment Banking, structuring of financial products, marketing of structured products and hedging activities and in the brokerage and research of shares activity is present throughout the industry, due to contractual issues, pricing and management of structured payoff, instances of transparency and potential conflicts of interest.

Regarding the sources of operational risk, an analysis was conducted with reference to the company's operational risk events, with a gross loss equal to or greater than Euro 200 (minimum materiality threshold) and with a reporting date of 1 January 2011 or later.

It is emerged that the main event categories in terms of impact relate to:

- commercial practices, with losses resulting from failures to meet professional obligations towards customers or from the nature or characteristics of the product or service provided;
- processes, with losses due to shortcomings in the settlement of transactions or in process management, as well as losses due to relations with commercial counterparties, sales agents and suppliers.

Banca Akros also highlighted the risk factors relating to maintaining a high quality of human capital (attraction and retention policies) and cybercrime.

With reference to cyber risk, the Group confirmed the level of exposure to cyber-attacks, for which there has been an increase in the probability of occurrence exacerbated by the current context, as the pandemic has had a significant impact on the timing of digital transformation. In this regard, during 2020, the Group continued to strengthen its cyber security oversight, in line with the requirements of the supervisory authorities, and launched a project initiative, with the aim of evolving the methodological framework for managing cyber risk and strengthening the effectiveness of the mitigation of this type of risk. This goal has been pursued by the Group also for 2021.

Moreover, in line with that context, and to continue combating threats and maintaining the levels of security acquired, the Group defined an ongoing Cyber Security Strategy with a long-term plan that includes multiple transversal actions to upgrade Security controls.

As at the date of approval of this Base Prospectus, the Issuer has procedures in place to mitigate and monitor operational risks in order to limit the adverse consequences arising from such risks. However, such procedures adopted by the Issuer may prove to be inadequate to deal with the risks that may arise, also as a result of unforeseeable events wholly or partly beyond the Issuer's control.

With specific reference to Banca Akros, with regard to Operational/Conduct Risk, a strategic indicator called "Cumulated yearly OpLoss / MINTER (%)" was defined in the Risk Appetite Framework, which represents the percentage of Operating Income absorbed by operating losses recognised in the last 12 months (providing a summary measurement of the monitoring and management of operational risk by the Group), with a relative limit, which in 2021, was always observed, therefore the indicator in question was always considered adequate. Again as regards Operational/Conduct Risk, the managerial indicator "Cyber Risk Outlook" was included in the Risk Appetite Framework, which provides a holistic and forward-looking vision of Cyber operational risks through a summary judgement (formulated by weighting the judgements assigned to the single areas), with the relative limit, which in 2021 was also respected, and always considered adequate.

For more detailed information, see Part E - Information on risks and related hedging policies - Section 5 - Operational Risks of the Notes to the 2021 Financial Statements.

A.3) Risks related to the legal and regulatory framework

Risk related to regulatory changes in the banking sector and to the changes of the banking resolution regulation

The Issuer's activities are subject to specific national and European regulations relating to the sector where the Issuer operates. In particular, the Issuer, as a member of the Banco BPM Group, is subject to strict and detailed regulation, as well as to the supervisory activity, exercised on a consolidated basis by the European Central Bank and the Bank of Italy. Therefore, it is required to comply at any moment with the laws and regulations in force at the time. In addition to supranational and national regulations (and those of a primary or regulatory nature) governing financial and banking sectors, the Issuer is subject to specific regulations on, among other *things, money laundering, usury and costumer (consumer) protection and transparency (see Directive 2014/65/EU "**MiFID II**").*

Any potential changes relating to the interpretation and / or application of such provisions by the competent authorities could lead to additional charges and obligations for the Issuer with potential negative impacts on the operating results and economic, equity and financial position of the Issuer.

Regulations governing banks - applicable to the Issuer - regulate the sectors in which credit institutions may operate with the aim to preserve their stability by limiting their risks exposure.

The deep and prolonged crisis of the markets obliged international authorities to adopt new and stricter rules which - in a prospective view - might negatively affect the Bank's business, leading to an increase of operating costs and/or causing negative effects on the economic and financial situation of the Bank.

Capital Adequacy requirements

As at 31 December 2021, capitalisation levels and solvency ratios remained adequate: Own Funds for Regulatory purposes, net of "deductions", amounted to Euro 609.2 million, risk-weighted assets amounted to Euro 3,244.8 million, the Common Equity Tier 1 ratio, the Tier 1 capital ratio and the Total capital ratio were 18.8% (24.5% as at 31 December 2020) and the Leverage ratio was about 12.0% (23.6% as at 31 December 2020).

The Bank ensures constant monitoring, including from a forward-looking perspective, of the adequacy of capital levels in relation to the needs of the business conducted. As mentioned, with specific reference to the planned measures that regard the extension of the internal model for market risk, which from 31 December 2020 also includes the specific risk component on the position in debt securities, including the "I.R.C." (Incremental Risk Charge), the Bank carried out a preventive and gradual reduction of its debt securities exposure in order to mitigate the impact on its Group's regulatory risk indicators.

In 2020, an interdisciplinary project was also launched with the aim of finding governance, IT and organisational solutions to make Banca Akros and Banco BPM Group ready to implement the introduction of the new regulations on the market risk and counterparty risk capital requirements (the Fundamental Review of the Trading Book). These regulations will require at the Group level to significantly strengthen and improve the efficiency of the systems used to calculate of risk metrics (*e.g.* VaR), the internal model and the standard model. During 2021, the work of the inter-departmental team on the "Fundamental Review of the Trading Book" continued. The regulatory timeline for FRTB implementation covers a time horizon that is likely to end in 2025 (Pillar 1 absorption with FRTB requirements from January 2025, as per the CRR3 proposal of 27 October 2021), with the first important regulatory deadline for reporting obligations according to the standardised approach, defined in the third quarter of 2021. For said deadline and therefore also for the fourth quarter of 2021, the reports on FRTB-SA requirements were sent.

It should also be noted that Banca Akros is subject to SREP as part of the broader process involving the Parent Company. In this regard, it should be noted that on 3 February 2022, Banco BPM announced that it has received a notification from the ECB of the SREP decision, which determined a Common Equity Tier 1 ratio requirement of 8.52% for 2022 on a consolidated basis. This requirement includes:.

- the Pillar 1 minimum requirement at 4.5%;
- a Pillar 2 capital requirement (P2R) of 2.25%, unchanged from last year, which must be met for at least 56.25% (corresponding to 1.27%) by CET1 and at least 75% Tier 1;
- the capital conservation buffer of 2.50%;
- the O-SII buffer[1] of 0.25% of the total risk-weighted exposures;

[1] The Bank of Italy, in a communication dated 18 November 2021, identified the Banco BPM banking group as an Other Systemically Important Institution (O-SII) authorised in Italy for 2022.

- the countercyclical capital buffer of 0.003%.

Moreover, as a result of this decision, the additional requirements to be met by Banco BPM are as follows:

- a Tier 1 capital ratio of 10.44%;
- a Total capital ratio of 13.00%.

The provisions of Regulation (EU) 630/2019 (which amends Regulation (EU) no. 575/2013 with regard to the minimum coverage of losses on impaired exposures (so-called CRR II)) and the addendum to the ECB guidelines of 15 March 2018 on non-performing loans, could entail the risk of an increase of Pillar 2 requirements as part of the Supervisory Review and Evaluation Process conducted by the Supervisory Authorities.

Furthermore, since the Parent Company is an Other Systemically Important Institution (O-SII) authorised in Italy for 2021, it is required to gradually reach an O-SII buffer of 0.25% of its total risk-weighted exposures. The Group will be required to achieve this reserve level in increments from 1 January 2019 to 1 January 2022. For 2021, the O-SII reserve is equal to 0.19% of total risk-weighted exposures.

Taking into account that the O-SII reserve for 2021 is equal to 0.19% of total risk-weighted exposures, the minimum consolidated requirements that Banco BPM is required to meet for 2021[2] and until further notice are the following:

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

In this regard, the ECB has not required Banca Akros to comply with additional or specific capital ratios compared to those required by Basel III (as implemented by Directive 2013/36/EU, so-called CRD IV and Regulation 575/2013, so-called CRR) for 2019.

At 31 March 2022[3], Banco BPM CET 1 ratio is equal to 14.0%, the Tier 1 Capital ratio is 15.7% and the Total Capital ratio is 19.5%.

At 31 December 2021[4], the CET 1 ratio of the Parent Company is 14.7%, the Tier 1 Capital ratio is 16.5% and the Total Capital ratio is 19.6%.

With reference to the possibility of distributing dividends, it should be noted that Recommendation ECB/2020/62, adopted on 15 December 2020, recommends, *inter alia*, that until 30 September 2021 banks exercise the utmost prudence in adopting such decisions.

In this regard, it should be noted that on 7 April 2022, the ordinary shareholders' meeting of the Parent Company resolved to distribute to shareholders a total dividend of Euro 287,884,603.94, equal to Euro 0.19 for each of the 1,515,182,126 ordinary shares. The Issuer must comply with the complex system of rules and regulations. The development of the regulations and/or changes in the methods of interpretation and/or application of the same by the competent authorities could give rise to new charges and obligations for the Issuer.

Risk related to the ordinary and extraordinary contribution obligations to the Single Resolution Fund and the Interbank Deposit Guarantee Fund (mandatory scheme and voluntary scheme)

*The Issuer is obliged to provide the financial resources necessary for the financing of the Interbank Deposit Guarantee Fund ("**IDGF**") and the National Resolution Fund ("**NRF**") (merged into the Single Resolution Fund*

[2] Capital requirements as at 31 March 2022, subject to amendments for quarterly quantification of the countercyclical capital buffer.
[3] Consolidated ratios calculated by including the economic result currently being formed at the end of the first quarter and deducting the amount assumed as dividend pay-out on this result.
[4] Ratios calculated by including the economic result being formed at the end of the first nine months of 2021 and deducting the amount of the dividend pay out expected for the year (40%).

*starting from 2016 – "**SRF**"). The ordinary contribution to the Interbank Deposit Guarantee Fund for 2021 amounted to Euro 34 thousand (Euro 23 thousand for 2020), the ordinary contribution to the SRF for 2021 amounted to Euro 4,261 thousand (Euro 3,261 thousand for 2020) and in June 2021, the Bank of Italy called in additional contributions to the National Resolution Fund for Euro 1,388 thousand (Euro 1,030 thousand for 2020).*

These contributory obligations contribute to reducing the Issuer's profitability and adversely affect the level of the Issuer's financial resources.

Following transposition into the national legislation of Directives 2014/49/EU (Deposit Guarantee Schemes Directive –"**DGSD**") of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive – "**BRRD**") of 15 May 2014, starting from financial year 2015, credit institutions are obliged to provide the financial resources necessary for the financing of the IDGF and the NRF (merged into the SRF starting from 2016), through payment of ex ante ordinary contributions to be paid annually, until a certain target level is reached. If the available financial resources of the Interbank Deposit Guarantee Fund and/or of the SRF are insufficient, respectively to guarantee reimbursement to protected depositors or to fund the resolution, it is envisaged that the credit institutions must then make extraordinary contributions.

The ordinary contribution to the SRF for 2021 amounted to Euro 4,261 thousand (the ordinary contribution was Euro 3,261 thousand in 2020). In this regard, it shall be noted that in 2021, as in the previous year, Banca Akros did not avail itself of the option of fulfilling the request by entering into an Irrevocable Payment Commitment (IPC). The ordinary contribution to the Interbank Deposit Guarantee Fund, indicated in the income statement for 2021, amounted to Euro 34 thousand (the contribution requested for 2020 was Euro 23 thousand).

Lastly, it is noted that in June 2021, the Bank of Italy called in additional contributions to the NRF for Euro 1,388 thousand (in 2020, additional contributions of Euro 1,030 thousand were requested), to cover the financial requirements connected with the resolution measures carried out prior to the launch of the NRF.

Finally, it should be noted that the pandemic led to a significant increase in the financial resources that customers decided to keep in current accounts and savings deposits. This phenomenon affected the entire banking system and was reflected in an increase in the minimum financial endowment levels of both the Single Resolution Fund and the Interbank Deposit Protection Fund. This has led to a consequent increase in the *ex-ante* contribution levels of banks required in order to reach the above-mentioned minimum financial requirements."

2 DOCUMENTS INCORPORATED BY REFERENCE

2.1 The Section of the Base Prospectus entitled "*DOCUMENTS INCORPORATED BY REFERENCE*", on pages 46 et seq. of the Base Prospectus, shall be amended as follows with the insertion of the following new table after the first two paragraphs of the Section:

1. The audited company financial statements for the financial year ending 31 December 2021 (available at https://www.bancaakros.it/media/Annual-Report_2021_Akros_WEB.pdf):

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3 INFORMATION ABOUT THE ISSUER

3.1 At the end of the paragraph "History and development of the issuer" in the Section of the Base Prospectus entitled "*INFORMATION ABOUT THE ISSUER*", on pages 105 et seq., the following paragraphs shall be added:

"On **21 January 2021**, the Board of Directors verified the requirements integrity, professionalism and independence of the Standing auditor Claudia Rossi, who replaced Standing auditor Maria Luisa Mosconi following the resignation of the same. At the same meeting, the Board of Directors received a specific disclosure from the Group's Compliance Function regarding EMIR (Trade Repository), MIFIR (Transaction Reporting) and systematic internaliser. Also at the meeting of 21 January, the Board on the planned signature of the contract of sale of Oaklins Italy S.r.l. by the Bank (known as the "Eagle" project).

On **8 February 2021**, the Board of Directors approved the draft financial statements as at 31 December 2020, calling the Shareholders' Meeting for the resolutions under its remit. The Board of Directors reviewed the RAF guidelines in supporting the 2021 Budget and the guidelines for the 2021 budget, in preparation for the subsequent approval of the Budget by the Parent Company. The Board was informed of the possible sale of 5% of the shares held by Banca Akros in Hi - MTF Sim S.p.A. to a new shareholder, identified as Fineco Bank S.p.A.. On the same date, the Board of Directors approved the "Report of the Head of Investment Banking on the self-assessment of the requirements of continuing eligibility to carry out the activities of Nomad". Also at the meeting of 8 February, the Board was updated on the progress of the "Eagle" project, as it had been informed of the signature of the contract of sale of Oaklins Italy S.r.l. on 29 January 2021.

On **24 March 2021**, the Board of Directors acknowledged the additional Report pursuant to Article 11 of Regulation EU 537/2014 drawn up by the Independent Auditors PricewaterhouseCoopers and the Report of the Board of Statutory Auditors. At the same meeting, the Board of Directors approved the Risk Appetite Framework for 2021, which was developed, with the assistance of the competent functions of the Bank and the Group, in line with the objectives of the budget for the year, also in terms of efficient use of available capital resources and, to the extent of its responsibility, agreeing on the revision of the Group methodological document "Risk Appetite Statement" for 2021. Also at the meeting of 24 March, the Board of Directors approved, under its remit, the remuneration policies for Banco BPM Banking Group for 2021.

On **24 March 2021**, the Ordinary Shareholders' Meeting of the Bank approved the financial statements for the year ended as at 31 December 2020 and the aforementioned remuneration policies. At the same shareholders' meeting, a new Board Director was appointed, Caterina Bima, following the resignation of Board Director Paola Galbiati. Lastly, the Shareholders' Meeting appointed Nadia Valenti as Standing auditor for the Board of Statutory Auditors, replacing Claudia Rossi, who had resigned from the same, and appointed Chiara Valeri as Alternate auditor.

On **21 April 2021**, the Board of Directors was informed by the Chairman that the newly-appointed Director Caterina Bima did not accept the position and, therefore, it would be necessary to restore the *plenum* of the Board, decided by the previous Ordinary Shareholders' Meeting on 24 March, by co-opting a new Board Director.

On **27 April 2021**, the Board of Directors proceeded with the co-optation of a new Board Director, and, therefore, in accordance with the provision of the shareholders' meeting to proceed with the restoration of the plenum, established as 11 members, the Board co-opted the new Director Francesca Brunori and, at the same time, verified the requirements of integrity, professionalism and independence envisaged by the reference legislation for appointments of this nature. The Board appointed the new Contact Person for the Anti-Money Laundering Function and received an update on the "Eagle" project, relating to the successful fulfilment of several of the conditions precedent which, contractually envisaged for the successful outcome of the operation, had to be fulfilled to then be able to proceed with the transfer of the shares to Banca Akros.

On **6 May 2021**, the Board of Directors analysed and resolved, in coordination with a parallel board meeting of the Parent Company, on the "Eagle" project, which regarded an update to the contractual arrangements between Banca Akros and the sellers of Oaklins Italy Srl..

On **26 May 2021**, the Board of Directors conducted the annual review of; (i) the requirements of independence and autonomous decision-making; (ii) compliance with the interlocking directorates restriction; (iii) compliance with the limits to accumulating positions in third party companies and (iv) assessment of the time commitment. Also at the meeting of 26 May, a document entitled "ICAAP 2021 Disclosure: Internal Capital Adequacy Assessment Process" was submitted to the Board by the Group's Risk Management and Internal Validation Function. In addition, the Board was informed that on 10 May, Banca Akros had acquired, as contractually envisaged, 80% of Oaklins Italy S.r.l.; said purchase was guaranteed by an escrow account to protect Banca Akros. Lastly, the Board acknowledged the "Annual report on the activities carried out by the Supervisory Body pursuant to Italian Legislative Decree 231/2001" and the periodic monitoring of Trading Activities by Banca Akros in favour of Banco BPM Group in relation to orders transmitted by Banco BPM and by Banca Aletti on financial instruments.

On **23 June 2021**, the Board of Directors was updated as to the fact that on 28 May, Banca Akros had completed the purchase of Oaklins Italy, as the remaining conditions precedent had been fulfilled. Also at the meeting of 23 June,, the Board of Directors appointed Giacomo Elena, Head of the Global Markets Division of Banca Akros, as a new Board Director of the investee company Hi MTF Sim S.p.A..

On **28 July 2021**, the Board of Directors approved the Report on the Condensed Interim Financial Statements as at 30 June 2021 (containing the equity criterion for the valuation of the 100% equity interest in Oaklins Italy S.r.l.), accompanied by the interim report on operations and the reporting package figures for the Parent Company for the purposes of consolidation as at 30 June 2021. Moreover, the Board received disclosure regarding a complaint received from *Fondazione Vicenzo Agnesi* which, in light of the evidence found, did not result in the need to allocate any provisions for the alleged shortfalls. During the same meeting, the new contact person for the Banca Akros Compliance Function was appointed. Lastly, the requirements of the members of the Supervisory Body of the Bank were verified.

On **30 September 2021**, the Board of Directors appointed the new Administrative Manager of Banca Akros. During the meeting, the Parent Company's Risk Management function reported on the Final Decision on the NSFR Waiver. The Board was also informed of the half-yearly audit plan by the control function. Lastly, the Chairman announced the conclusion of the audit activities, overseen by the Audit Function of the Parent Company, regarding the implementation of the "Eagle" project.

On **26 October 2021**, the Board of Directors received from the Risk Management Function of the Parent Company, disclosure on the Fundamental Review of the Trading Book application, which set out the acceptance of the Decision by the European Central Bank. Also at the meeting of 26 October, the Board received disclosure on the update to the Business Continuity and Disaster Recovery plans.

On **5 November 2021**, the Parent Company announced the approval of the 2021-2024 Business Plan.

On **1 December 2021**, the Board of Directors received from the Risk Management Function of the Parent Company disclosure regarding the ex-ante notification sent to ECB to change the internal calculation model for the Incremental Risk Charge (IRC) as part of the market risk measurement framework of the trading book for regulatory purposes. At the same meeting, the Board of Directors received from the Planning and Control Function of the Parent Company the report on the first-half of 2021 relating to the monitoring of outsourced activities.

On **22 December 2021**, the Board of Directors approved amendments to the Bank's Articles of Association, which were necessary to align with the current national and EU banking regulations, to be submitted for approval by the Shareholders' Meeting. The Board of Directors also received disclosure on the 2022 budget process. At the same meeting, the Board approved, coordinating with the company functions and the Parent Company's corporate bodies, the flow of commissions in 2022 for the performance of trading, order execution on behalf of customers, receipt and transmission of orders among Banco BPM, Banca Aletti and Banca Akros. The Board also approved, coordinating with the company functions and the Parent Company's corporate bodies, the flow of commissions for 2022 relating to the issue and placement of certificates by Banco BPM Group and the structuring and financial hedging of certificates by Banca Akros. Lastly, the Board received disclosure on the possible need for a future share capital increase of the investee company Hi-MTF SIM S.p.A., of which Banca Akros holds a stake of 20% of the capital (the other shareholders are Banca Sella, Iccrea Banca, Luigi Luzzatti S.p.A. and Fineco Bank)."

3.2 The paragraph "Legal status, registered office and legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer" in the Section of the Base Prospectus entitled "*INFORMATION ABOUT THE ISSUER*", on pages 105 et seq., shall be deleted in its entirety and replaced as follows:

"The Issuer is an Italian bank established as a joint stock company (*società per azioni*) under the law of the Republic of Italy.

The registered office of the Issuer is at Viale Eginardo, 29, 20149 Milan, with telephone number +39 02434441. The website of the Issuer is www.bancaakros.it/en. The information contained in the website of the Issuer does not form part of this Base Prospectus, unless they are incorporated by reference hereto.

The Issuer's activities are subject to specific Italian and European regulations in relation to the sector in which it operates. In particular, the Issuer, as a member of the Banco BPM Group, is subject to complex and strict regulations, as well as to the supervisory activities carried out on a consolidated basis by the European Central Bank and the Bank of Italy, and is therefore required to comply with the laws and regulations in force from time to time. Besides supranational and national laws and regulations on the financial and banking field, the Issuer is subject to specific regulations on, *inter alia*, anti-money laundering, usury, consumer protection and transparency.

Among the regulations that are significant for the Issuer's activity, we note, in addition to the single supervisory mechanism, the recently revised Directive BRRD (Directive 879/2019/EU - Bank Recovery and Resolution Directive "BRRD II"), which provides for a single resolution mechanism for banking crises and introduces the principle of "bail-in" or "internal bail-out". According to this principle, the regulator may provide that, within the management of a banking crisis, the stakeholders of the banking institution may suffer losses according to their seniority with the exclusion, among other liabilities, of deposits guaranteed by the Interbank Deposit Protection Fund up to the amount of Euro 100,000.

In the event of a crisis situation, as a result of which the Issuer is subject to resolution procedures, the Issuer's shares may be written down and/or its receivables may be cancelled or substantially reduced; in addition, the Issuer's shareholders may see their shareholdings strongly diluted if other liabilities are converted into shares at conversion rates that are particularly unfavourable to them. The claims of other parties than shareholders could participate in the losses in the participation order described above. The introduction of the bail-in could lead to additional impacts such as higher funding costs.

Significant measures are also:

- the Basel III agreements, mainly aimed at strengthening minimum capital requirements, limiting the degree of leverage and introducing policies and quantitative rules to mitigate the liquidity risk in banking institutions.

  With regard to capital requirements, the Basel III agreements foresee - as of 2019 - the introduction of a capital conservation buffer for banks (so-called "capital conservation buffer", i.e. a "buffer" of further compulsory capitalization), which raises (i) the Common Equity Tier 1 (CET 1) ratio to at least 7% of risk-weighted assets, (ii) the Tier 1 ratio to at least 8.5% of risk-weighted assets and (iii) the Total Capital ratio to at least 10.5% of risk-weighted assets. In addition, the Basel III agreements introduced the Leverage Ratio, which measures the degree to which the Tier 1 capital is covered in relation to the Banking Group's total exposure. This ratio is calculated considering assets and off-balance sheet exposures. The objective of the indicator is to contain the degree of indebtedness on the banks' balance sheets. The ratio, as of 30 June 2021, is subject to a minimum regulatory limit of 3%.

- The Regulation (EU) 2019/876 of the Parliament and of the Council, amending Regulation (EU) 575/2013 (so-called "**CRR II**");

- the Directive of the Parliament and of the Council 2019/878/EU, amending Directive 2013/36/EU (so-called "**CRD V**") with regard to leverage ratio, net stable funding ratio, own funds and eligible liabilities requirements, counterparty risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements imposed on credit institutions;

- the CRR Quick-fix (*i.e.* Regulation (EU) 873/2020) which, in response to the economic situation caused by the Covid-19 pandemic, anticipated the application of some of the regulatory innovations introduced by CRR II and CRD V as early as 30 June 2020. Among these measures is included the 35% weighting of exposures to salary-backed loans and the satisfaction of the P2R also with non-primary capital instruments;

- the Directive 2014/49/EU (Deposit Guarantee Schemes Directive or "**DGSD**") of 16 April 2014 and the Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014 (Single Resolution Mechanism Regulation, - cd. "**SRMR**"), recently amended by the Regulation (EU) 2019/877 which will be applicable from 20 December 2020 ("**SRMR II**"): these regulations may have a significant impact on the Bank's and the Group's economic and capital position as they impose the obligation to set up specific funds with financial resources that must be provided through contributions from credit institutions;

- Regulation (EU) 2021/168 of 10 February 2021, published in the Official Journal of the European Union on 12 February 2021, amending Regulation (EU) 2016/1011 as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation. Specifically, with respect to the benchmarks that are being discontinued, the amendments are, primarily, due to the phasing out - by 31 December 2021 - of the London Interbank Offered Rate (LIBOR) benchmark for determining interest rates.

<u>Italian and European initiatives on the provisioning of non-performing loans:</u>

With specific reference to the management, monitoring and valuation of non-performing exposures, it should be noted that on 20 March 2017, the ECB published final guidelines - addressed to European banks, especially to those with levels of gross non-performing loans ("**NPLs**") higher than the European average - on the management of non-performing exposures. In this context, the following should be noted:

- the document defines the measures, processes and best practices that banks should adopt in the treatment of NPLs. The document has been drafted taking into account best practices at the European level;

- Banks are urged to implement ambitious but realistic strategies - including divestments - for the reduction of NPLs;

- the guidelines constitute the basis for structuring ongoing supervisory dialogue with the banks (through joint supervisory teams); governance is one of the aspects considered.

The ECB expects banks to fully adhere to such guidelines (which are also immediately applicable), consistently with the significance and extent of the NPLs amount in their portfolios, but without prescribing quantitative targets for NPLs reduction. Instead, it requires banks to develop a strategy that encompasses a range of options including, for example, NPLs recovery policies, servicing and portfolio sales.

It is expected that the ECB's recommendations will significantly influence the accounting practices already in place and, in addition, it is possible that the alignment of the strategies, policies and processes, including valuation, currently applied to the "best practices" identified by the ECB, will have a significant impact on the Group's and/or the Issuer's financial and economic situation.

Among the measures adopted to contain the stock of non-performing exposures ("**NPEs**") at European banks, a series of interventions by the regulators are also planned, which share the objective of ensuring prudent management of NPEs while preventing the excessive accumulation of impaired loans with a high level of seniority and low collateralisation on the banks' balance sheets. More specifically, these interventions are aimed, on the one hand, at better defining the prudential rules, and, on the other, at the implementation of the aforementioned regulatory provisions, by outlining more clearly the reference context in which they are going to be implemented.

With reference to the prudential area, it should be noted:

- "*Addendum to the ECB Guidance to Banks on nonperforming loans: supervisory expectations for prudential provisioning of nonperforming exposures*" - partially amended by the ECB Communication ("*Communication on supervisory coverage expectations for NPEs*") dated 22 August 2019 - issued by the ECB to accommodate bank supervisory expectations on prudential provisions which, if not met, could result in a higher consolidated capital requirement to be met from 2021 onwards.

  The addendum introduces a minimum level of prudential provisions for non-performing loans, differentiated according to the collateral backing such loans and their seniority, with 100% of the prudential provisions to be reached at the end of the second year for unsecured loans and the seventh year for secured loans. The addendum, published by the ECB on 15 March 2018, complements the aforementioned March 2017 ECB guidance in relation to expectations on provisioning and write-off policies for positions disbursed before 26 April 2019 and classified as NPE after 1 April 2018, for all banks directly supervised by the ECB. In line with the provisions of the CRR, the expected level of provisioning depends on the type of exposure, secured (based on the type of underlying collateral) and unsecured, as well as the period of permanence as impaired (i.e. *vintage*).

  With the amendments introduced on 22 August 2019 by its Communication ("*Communication on supervisory coverage expectations for NPEs*"), the ECB aligns the expectations of banking supervision on prudential provisions with the timetable and grids set out in CRR II, but with reference to the exposures disbursed before 26 April 2019 and classified as NPEs after 1 April 2018. The Communication foresees that the ECB will assess at least on an annual basis the divergences between its supervisory expectations and the actual provisions of the banks and, in the event of deviations, to request additional Pillar II capital requirements.

- "Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) 575/2013 as regards minimum loss coverage for non-performing exposures": Regulation (EU) 2019/630 defines the mandatory Pillar I prudential requirements referring to the exposures disbursed after 25 April 2019 and subsequently classified among NPEs. The new regulation imposes a deduction from CET1 (Pillar I requirement) for impaired exposures not sufficiently covered by provisions or other adjustments.

  Minimum coverage levels on non-performing exposures are defined by distinguishing between: (i) unsecured exposures - for these types of exposures 100% coverage is expected within 3 years of classification as NPE; (ii) exposures secured by real estate collateral and residential real estate loans secured by an eligible protection provider under Article 201 of the CRR (e.g. mortgages eligible for the *Fondo di garanzia per i mutui per la prima casa*) - for these types of exposures a 100% coverage is expected within 9 years of classification as NPE; (iii) exposures secured by other collateral, provided that such collateral is eligible under the relevant regulation - such exposures are expected to be 100% covered within 7 years of being classified as NPE - including exposures guaranteed by official export credit agencies or eligible protection providers with particular characteristics as set out in Regulation (EU) 575/2013 - such exposures are expected to be 100% covered within 5 years of being classified as NPE.

  Minimum coverage levels also depend on the period of time that exposures remain impaired (so-called vintage).

- "*EBA Guidelines on management of non-performing and forbone exposures*": the guidelines, published in October 2018 and in force since 30 June 2019, establish a threshold of 5% (percentage of gross NPL ration at consolidated, sub-consolidated or individual level) which, if reached or exceeded, should determine the definition of an ambitious and realistic NPE reduction strategy, as well as the need to ensure governance and an organisational set-up of NPE management in line with what is indicated in the document.

- "*EBA Guidelines on disclosure of non-performing and forbone exposures*": the guidelines, published in December 2018 and in force since 31 December 2019, specifies the content and uniform disclosure formats to be used by credit institutions for disclosures concerning non-performing exposures, exposures subject to forbearance measures and pledged assets.

- "*EBA Opinion of the European Banking Authority to the European Commission on the Regulatory Treatment of Non-Performing Exposure Securitizations*": this document, published on 23 October 2019, proposes to adapt the CRR and Regulation (EU) 2017/2401 to the particular nature of NPEs by removing certain regulatory barriers to the use of securitisations of loans of this type. While making its proposal to the Commission, EBA pointed out that securitisations are an effective tool for the disposal of NPEs as, compared to bilateral sales, it allows to segment the risk associated with the securitised exposures and, therefore, to attract investors with a different Risk Appetite.

- Communication from the Commission to the European Parliament, the Council and the European Central Bank on tackling non-performing loans in the aftermath of the Covid-19 pandemic, COM(2020) 822: in December 2020, the Commission published a new Action Plan on NPLs, in which it proposed a set of actions with four main objectives in order to avoid a new accumulation of NPLs on banks' balance sheets: (i) facilitate the further development of the secondary markets for distressed assets (in particular the finalisation of the directive on credit managers, credit buyers and collateral recovery; creation of the data hub at European level; revision of EBA templates to be used during the disposal of NPLs); (ii) reform EU legislation on corporate insolvency and debt recovery; (iii) support at the EU level the set-up of national asset management companies and their cooperation; (iv) implement precautionary public support measures in accordance with the EU Bank Recovery and Resolution Directive and State aid frameworks.

<u>Measures to deal with the impact of the "Covid-19" virus on banks:</u>

- On 10 March 2020, the Agreement between ABI and the Business Associations became effective, whereby the possibility of requesting a suspension or extension was extended to loans granted until 31 January 2020. The moratorium refers to loans (and related ancillary elements, including derivative contracts) to businesses damaged by the Covid-19 pandemic. The suspension of the payment of the principal of the loan instalments may be requested for a period up to one year. The suspension applies to medium and long-term loans (mortgages), including those perfected through the issuance of agricultural debt securities, and to leasing operations, whether property or real estate. In the latter case, the suspension concerns the implicit principal of the leasing instalments.

- On 11 March 2020, ESMA issued the following recommendations to market participants for managing the possible impacts of Covid-19 on financial markets:

  (i) *Business Continuity Planning*: all financial market participants, including infrastructures, should be prepared to implement their contingency plans, including the use of business continuity measures, to ensure business continuity in line with regulatory obligations;

  (ii) *Market disclosure*: issuers must disclose as soon as possible any material information regarding the impacts of Covid-19 on their business, prospects or financial situation in accordance with the transparency requirements under the Market Abuse Regulation (EU) 596/2014 (MAR);

  (iii) *Financial reporting*: issuers must ensure transparency on the actual and potential impacts of Covid-19, as much as possible on the basis of both a qualitative and quantitative assessment of their business, financial position and results of operations in their 2019 year-end financial report, if these have not yet been finalised or otherwise in their interim financial reporting;

  (iv) *Fund management*: fund managers must continue to apply the risk management requirements and react accordingly.

- On 12 March 2020, the Governing Council of the European Central Bank adopted a comprehensive set of monetary policy measures to support liquidity and financing conditions for households, businesses and banks and to help preserve the level of supply of credit to the real economy. These measures include the temporary conduct of additional longer-term refinancing operations (LTROs), applying considerably more favourable conditions during the period from June 2020 to June 2021 to all LTRO-III operations outstanding during that period, as well as an additional temporary provision of Euro 120 billion for additional net asset purchases until the end of 2020.

- On 17 March 2020, the *Cura Italia* Decree was adopted. The *Cura Italia* Decree, aimed at providing a response to the emergency situation, also from an economic and financial perspective, is divided into five titles: Title I - Measures to strengthen the National Health System (Articles 1-18); Title II - Measures to support employment (Articles 19-48); Title III - Measures to support liquidity through the banking system (Articles 49-59); Title IV - Fiscal measures to support the liquidity of households and businesses (Articles 60-71); Title V - Additional provisions (Articles 72-127).

  The *Cura Italia* Decree contains, *inter alia*, the provisions relating to *moratoria* or, more generally, periods of suspension of mortgage instalments (and related ancillary elements, including derivative contracts) under certain conditions for a wide range of different types of subjects (both retails and professionals) in order to mitigate the economic consequences of the pandemic.

- On 25 March 2020, the EBA published a clarification explaining a number of additional interpretative issues related to the classification of defaulted loans, the identification and treatment of forborne exposures, debt *moratoria* and contactless payment services.

- On 27 March 2020, the Governing Body of the Basel Committee on Banking Supervision approved a set of measures to ensure additional operational capacity for banks and supervisors in response to the Covid-19 outbreak. The measures provide for the extension by one year (*i.e.* to 1 January 2023) of the implementation deadlines of the Basel III package:

  (i) with respect to the implementation of the Basel III risk assessment measures finalised in December 2017 (instead, the accompanying transitional arrangements for the so-called output floor have been extended by one year to 1 January 2028);

  (ii) with respect to the implementation of the revised market risk framework finalised in January 2019;

  (iii) with respect to the implementation of Pillar III disclosure requirements, finalised in December 2018.

- On 27 March 2020, the European Central Bank published a recommendation in which it invited significant banks, at least until 1 October 2020, (i) not to pay dividends and not to irrevocably agree to pay dividends for the financial years 2019 and 2020, as well as (ii) to refrain from carrying out share buy-backs aimed at remunerating shareholders. This recommendation was repealed and replaced by a new ECB recommendation published on 27 July 2020 in which the ECB extends the period during which credit institutions should not pay dividends and should not repurchase shares until January 2021. On 15 December 2020, the ECB issued a further recommendation in which it repealed the previous recommendations and instead recommended that, until 30 September 2021, significant credit institutions should exercise the maximum caution when making decisions on dividends or on their distribution or on the repurchase of own shares in order to remunerate shareholders. On 23 July 2021, the ECB published its decision not to extend the recommendation on the dividend limit beyond September 2021. Each bank's capital and distribution plans will then be evaluated by supervisory Authorities as part of the normal supervisory process. At the same time, the ECB emphasised that institutions should remain prudent and not underestimate risks in their dividend and shared buy-back decisions, carefully considering the sustainability of their business model.

- On 8 April 2020, the *Liquidità* Decree was approved, adopting exceptional measures to guarantee liquidity to companies and, in addition, some specific instruments were approved, partly similar to those of other states and suggested in the CERIL statement ("*Conference on European Restructuring and Insolvency Law*"), to facilitate the management of companies and insolvency proceedings in the period of emergency.

- On 16 April 2020 (*ECB - "Temporary relief for capital requirements for market risk"*), the European Central Bank announced a potential temporary reduction in capital requirements for market risk, allowing banks to adjust the supervisory component of these requirements, with the aim of responding to the extraordinary levels of volatility experienced in financial markets since the outbreak of the coronavirus (Covid-19): in addition to mitigating pro-cyclicality, this measure aims to maintain banks' ability to provide liquidity to the market and to continue market making activities. With this decision, the ECB allows for a reduction in the qualitative market risk multiplier - established by the Supervisory Authorities - in order to compensate for any observed increase in another factor, the quantitative multiplier (resulting from backtesting), which may increase when market volatility has been higher than predicted by the bank's internal model.

- On 28 April 2020, the European Commission announced the adoption of a number of measures for banks to facilitate the provision of credit to households and businesses within the European Union and to mitigate the economic impact of Covid-19.

  In particular, the package of measures includes:

  - an interpretative communication by which the European Commission encourages banks and supervisors to use flexibility within the EU accounting and prudential framework. For example, the Communication confirms and encourages the use of the flexibility offered by EU rules regarding public and private moratoria on loan repayments (EBA Guidelines of 2 April 2020), highlights the areas where banks are encouraged to act responsibly by not paying dividends to shareholders or adopting a prudent approach to variable remuneration payments, and recalls the help that can be offered to businesses and citizens through digital services; and

  - a proposal to amend Regulation (EU) 575/2013. The Commission proposes "rapid" and targeted measures of a temporary nature, including an adaptation of the timetable for the application of international accounting standards in relation to banks' capital requirements, a more favourable treatment of Government guarantees granted during the crisis, the postponement of the date of application of the leverage ratio reserve requirement and a change in the way of excluding certain exposures from the calculation of the leverage ratio.

- On 19 May 2020, Decree-Law No. 34 of 19 May 2020 (the so-called "*Decreto Rilancio*") was published in the Official Gazette, later converted into Law No. 77/2020 of 17 July 2020, which introduced urgent measures regarding health, support for work and the economy, as well as social policies, related to the epidemiological emergency from Covid-19. Some of the provisions (effective only until 31 December 2020) are aimed at using public leverage to strengthen companies' capital, and are therefore suitable for preventing the risk of companies' insolvencies.

- On 28 July 2020, the ECB communicated its expectations regarding the management of credit portfolio quality in the context of the Covid-19 emergency, so that banks can support businesses that are experiencing or are at risk of experiencing difficulties as a result of the pandemic.

- In August 2020, the Decree-Law no. 104 of 14 August 2020 (the so-called "*Decreto Agosto*"), converted into Law no. 126 of 13 October 2020, was issued, containing, among other things, a number of urgent measures relating to health, support for work and the economy, linked to the Covid-19 emergency. Among the measures envisaged: (i) extended the *moratorium* provided for by the *Cura Italia* Decree for SMEs until 31 January 2021 (previously 30 September 2020) and for companies in the tourism sector until 31 March 2021; (ii) introduced some technical changes to the possibility provided by Article 55 of Decree-Law no. 18/2020 to convert DTAs into tax credits (application to special regimes, such as consolidation and transparency); (iii) extended the SACE guarantee scope also to companies that have been admitted to the procedure of *concordato* with business continuity (or *piani attestati* and restructuring agreements) under certain conditions.

- In October and November 2020, the Council of Ministers issued the Decree-Law No. 137 of 28 October 2020 (the so-called "*Decreto Ristori*") and the Decree-Law No. 149 of 9 November 2020 (the so-called "*Decreto Ristori 2*"), which introduce further urgent measures for the protection of health and for the support for workers and the production sectors, as well as justice and security measures related to the Covid-19 pandemic.

- On 23 November 2020, the Decree of the Ministry of Economy and Finance, No. 169 (the "**Decree 169**") was issued, containing regulations on the requirements and criteria for eligibility to hold office of corporate officers of banks, financial intermediaries, confidi, electronic money institutions, payment institutions and depositor guarantee schemes. Decree 169 aims to significantly strengthen the suitability standards for corporate officers, by raising the requirements already provided for in the current regulations, and by introducing additional profiles that make the new rules more stringent than the current ones and more suitable for assessing situations which do allow an automatic assessment but require a case-by-case approach.

- Among the measures aimed at tackling the Covid-19 emergency, the package of proposals published by the European Commission on 24 July (the so-called "Capital Markets Recovery Package") introduced targeted amendments to the Directive 2014/65/EU ("**MiFID II**"), the Securitisation Regulation and the Prospectus Regulation. In particular, the proposal aims to provide European economies with the best conditions to exit the current crisis due to the Covid-19 pandemic. Regarding MiFID II, the proposed amendments refer to: i) investor protection, ii) commodity derivatives and iii) research regime for SMEs. Regarding the Securitisation Regulation, the proposal foresees the revision of the requirements related to the securitisation of non-performing exposures (NPEs) by proposing a prudential treatment for the synthetic excess spread (SES), a reduction of the risk weight assigned to senior tranches and the extension of the preferential treatment to all synthetic securitisations that comply with the requirements of simplicity, standardisation and transparency to help banks free up capital and allocate the capital to loans to help the economy, in particular to SMEs. Finally, as regards the proposed amendments to the Prospectus Regulation, the European Commission proposes a new category of simplified prospectus to facilitate raising capitals in financial markets.

  On 15 December 2020, the Council approved amendments to the MiFID II and to the Prospectus Regulation. The text of the adopted legislative acts was signed on 16 February 2021 and published in the European Official Journal on 26 February 2021. The amendments to MiFID II entered into force on the day following their publication and Member States will be required to transpose them into national law within nine months of that date. The measures will apply 12 months after the entry into force of the Directive. The amendments to the Prospectus Regulation will enter into force on the 20th day following the date of their publication. With regard to the securitisation regime, in addition to the revision of the requirements for securitisation of non-performing exposures, the amendments in particular also provide for the extension of preferential treatment to all synthetic securitisations that meet the requirements of simplicity, standardisation and transparency to help banks free up capital and commit it to lending to the economy, in particular to small- and mid-capitalisation companies. Following the vote in Parliament at the end of March, Regulation (EU) 2021/557, introducing amendments to the Securitisation Regulation, and Regulation (EU) 2021/558 amending Regulation (EU) 2013/575, to ensure additional tools to promote economic recovery in the aftermath of the Covid-19 crisis were published in the European Official Journal on 6 April 2021. Both regulations entered into force on 9 April 2021.

- In addition, on 1 January 2021, the new definition of default set out in the European Regulation on prudential requirements for credit institutions and investment firms (Article 178 of Regulation (EU) 575/2013) came into force. The definition of default concerns the way in which banks and financial intermediaries must classify customers for prudential purposes. The new definition introduces criteria that are, in some cases, stricter than those provided before.

- The 2021 Budget Law (Law No. 178 of 30 December 2020) extended the "SACE Guarantee" until 30 June 2021 and provided SMEs (companies with no more than 499 employees) access to the SACE Guarantee from

1 March 2021 to 30 June 2021 at the same favourable terms offered to such companies by the SME Guarantee Fund. In addition, the extraordinary measures relating to the Guarantee Fund for SMEs and the extraordinary *moratorium* for micro-enterprises and SMEs (envisaged by Article 56 of the *Cura Italia* Decree) were extended until 30 June 2021. Finally, the operation of the *Fondo Patrimonio PMI* (Article 26 of the *Decreto Rilancio*) was extended until 30 June 2021.

- In March 2021, the Council of Ministers issued the Decree Law No. 41 of 22 March 2021 (the so-called "*Decreto Sostegni*"), which introduced a non-refundable contribution aimed at all companies and self-employed persons with a 30% reduction in turnover compared to 2019. Subsequently, the "Sostegni-bis" Decree Law (of 25 May 2021, no. 73, converted into law by Law no. 106 of 23 July 2021) further extended the extraordinary public guarantees issued by SACE and by the SME Guarantee Fund until 31 December 2021 (including the possibility for SMEs to access the SACE Guarantee under the same conditions as the one provided for by SME Guarantee Fund). For operations with a SACE guarantee, the possibility of extending the duration of the loan against payment of a commission has also been provided for, while for operations with a guarantee issued by the Guarantee Fund for SMEs, the extension is possible against a reduction in the guarantee percentages. In addition, the extraordinary *moratorium* for micro-enterprises and SMEs has been further extended until 31 December 2021, limited only to the principal amount. Further measures of the Decree Law include: the strengthening of the ACE for 2021 through the application of the 15% rate and the extension of the temporal effectiveness of the measures on the transformation of DTAs into tax credits in the case of business combinations.

- On 25 May 2021, the "Sostegni bis" Decree Law was published, converted into Law No. 106 of 23 July 2021, which contains a number of measures aimed at facilitating access to credit and liquidity. In particular, the Decree extends the measures to support businesses and SMEs to 31 December 2021 and introduces some changes to the Guarantee Fund for the first home, expanding the categories of entities that can access the Fund. With the Budget Law 2022, the Decree's support measures have been further extended until 31 December 2022.

<u>Sustainable Finance</u>

In recent years, the financial system has been affected by the definition of a new regulatory framework, which is still in an evolutionary phase, aimed at promoting sustainable finance, in line with the objectives set out in the "Action Plan for Sustainable Finance" defined by the European Commission in March 2018, in which the strategy and measures to be taken are outlined for the realisation of a financial system capable of promoting a truly sustainable development from an economic, social and environmental point of view, contributing to the implementation of the Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development.

Key interventions in this regard include:

- Regulation (EU) 2019/2088 on Sustainability Disclosure in the Financial Services Sector (so-called SFDR - "Sustainable Finance Disclosure Regulation"), which establishes harmonised transparency rules for financial market participants and financial advisors.

- With reference to Regulation (EU) 2016/1011 (so called. Benchmark Regulation), Regulation (EU) 2019/2089 amending the Benchmark Regulation in respect of EU Climate Transition Benchmarks and EU Benchmarks aligned with the Paris Agreement; Delegated Regulation (EU) 2020/1816 supplementing the Benchmark Regulation in respect of the explanation in the Benchmark Statement of how environmental, social and governance factors are reflected in each benchmark provided and published; Delegated Regulation (EU) 2020/1817 supplementing the Benchmark Regulation with regard to the minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology; Delegated Regulation (EU) 2020/1818 supplementing the Benchmark Regulation with regard to the minimum standards for EU climate transition benchmarks and for EU benchmarks aligned with the Paris Agreement Regulation (EU) 2021/168 amending the Benchmark

Regulation as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of substitutes for certain benchmarks that are being discontinued.

- Regulation (EU) 2020/852 (the so-called Taxonomy Regulation), which defines at European level a taxonomy of sustainable activities, establishing precise classification criteria aimed at determining whether an economic activity can be considered environmentally sustainable, also making additions to the SFDR.

In addition, it should be noted that on 2 August 2021, the European Commission published in the Official Journal six delegated acts amending and supplementing the MiFID (Directive 2014/65/EU), IDD (Directive 2016/97 EU), Solvency (Directive 2009/138/EC) AIFMD (Directive 2011/61/EU) and UCITS (Directive 2009/65/EC) derived regulations to include sustainability aspects.

The growing importance attributed to the effects of climate change and to the assessment of the social impact of financial investments (focus on the SDG targets of the UN 2020-30 Agenda) required greater attention from the Bank, which launched the ESG project ("Environmental, Social & Governance") project aimed at fostering the development of a corporate culture that puts people at the centre and facilitates inclusion and Banco BPM's ESG commitments, from green awareness to ESG Ambassadors, from corporate energy requalification to sustainable finance and related concrete actions in the company, from sustainable investments to responsible savings management.

In this context, initiatives related to the allocation of a 5 billion plafond, called "Sustainable Investments 2020-2023", announced by the Group in December 2020, aimed at fostering the green transition, took shape in 2021. In addition, in July 2021, Banco BPM successfully concluded the placement of the first senior preferred Social Bond issue for institutional investors in the amount of Euro 500 million maturing in 2026. In 2021, the desk also participated in a couple of financing transactions with ESG KPIs, formalising the market entry of foreign financing supported by sustainability KPIs. Furthermore, as part of the Risk Identification process carried out in 2021, the Group identified as a specific additional risk factor, the Climate Risk related to the Bank's "Climate change & ESG" environmental issues."

3.3 The paragraph "Credit ratings assigned to the Issuer" in the Section of the Base Prospectus entitled "*INFORMATION ABOUT THE ISSUER*", on pages 105 et seq., shall be deleted in its entirety and replaced as follows:

"As at the date of this Base Prospectus the credit rating agency DBRS Rating GmbH ("**DBRS**") assigned to Banca Akros the following ratings:

Long-term Deposits / Trend	BBB / Positive(1)
Short-term Deposits / Trend	R-2 (high) / Positive(2)
Long-term Senior debt and Long-term Issuer Rating / Trend	BBB (low) / Positive(3)
Short-term Debt and Short-term Issuer Rating / Trend	R-2 (middle) / Positive(4)

(1) BBB / Positive: The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

(2) R-2 (high) / Positive: Upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

(3) BBB (low) / Positive: The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

[(4)] R-2 (middle) / Positive: Adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

DBRS also assigned to the Issuer a support assessment equal to SA1. DBRS took into consideration the direct participation of the Parent Company Banco BPM, equal to 100% of the Issuer's share capital, as well as its strategic importance within the Group, the financial performance and the increasingly central role of the Group's Corporate & Investment Banking business division. This assessment therefore presupposes significant and predictable support from the Parent Company. On the basis of a support assessment at level SA1, the Issuer's ratings are equal to the level of those of the Parent Company.

DBRS is established in the European Union and registered under Regulation (EU) No 1060/2009 as amended and appears on the latest update of the list of registered credit rating agencies on the ESMA website https://www.esma.europa.eu/supervision/credit-rating-agencies/risk."

3.4 The paragraph "Description of the expected financing of the Issuer's activities" in the Section of the Base Prospectus entitled "*INFORMATION ABOUT THE ISSUER*", on pages 105 et seq., shall be deleted in its entirety and replaced as follows:

"The Group's liquidity level was kept at high levels throughout 2021; the regulatory indicators Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), adopted also as internal metrics for measuring the liquidity risk, during the year remained significantly above the Risk Appetite Framework targets.

The use of medium- and long-term funding from the ECB (TLTRO III), by virtue of the particularly favourable conditions introduced by the Central Bank during 2020 to address the consequences of the Covid-19 pandemic, was further increased during the course of the year and stood at a nominal Euro 39.2 billion as at 31 December 2021. During the year, new drawdowns totalling Euro 15.7 billion were made and early repayments of older tranches totalling Euro 4 billion were made; the total net drawdown made in 2021 therefore amounts to Euro 11.7 billion. This strategy made it possible to benefit from the favourable rate and to lengthen the maturity profile.

As at the end of December 2021, the amount of liquidity reserves that can be allocated to the European Central Bank, available (net of the haircut) and not used, is equal to Euro 3.1 billion. To these are added Euro 36.9 billion of excess liquidity deposited with the European Central Bank and Euro 2 billion of high quality assets lent to other counterparties and available in the short term. In addition to the liquidity reserves described above, there are Euro 4.1 billion (net of specific haircuts defined internally) of other securities that cannot be allocated to the European Central Bank.

The Loan to Deposit Ratio (LTD), calculated as the ratio between Net loans and Direct funding, is equal to 91% as at 31 December 2021 (93.5% as at 31 December 2020).

The Group's participation in ECB financing operations (MRO / TLTRO II / TLTRO III) as at 31 December 2021 amounted to Euro 38.8 billion (compared to 27.4 billion as at 31 December 2020)."

4 BUSINESS OVERVIEW

4.1 The Section of the Base Prospectus entitled "*BUSINESS OVERVIEW*", on pages 117 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"**Description of the principal activities, the main categories of products sold and/or services performed, any significant new products or activities and principal markets in which the issuer competes**

The Issuer, before the merger between Banco Popolare and BPM, exercised the Investment Banking and Private Banking activities within the BPM Group.

Following such merger, in compliance with the industrial model of the new Group, Banco BPM has the strategic direction and management role of the structural risks related to the financial activities; the Investment Banking activities are concentrated in Banca Akros; and the Private Banking and Wealth Management activities are centralized in Banca Aletti. In particular, the organisational model adopted by the new Group provides for the centralization of risk positions:

- on the Parent Company for investment portfolios in securities, with the main focus on generating interest margin;

- on the subsidiary - Banca Akros - for risk positions and operating flows relating to the trading of securities, over-the-counter derivatives and other financial assets; in particular: (i) risk positions arising from trading on the secondary market of bonds issued by the Group; (ii) risk positions relating to over-the-counter derivative transactions concluded by Group banks with their customers.

It should also be noted that on 24 May 2017 - following the completion of the merger between BPM and Banco Popolare - the Issuer's Board of Directors approved two partial proportional divisions without exchange ratio projects that envisage the assignment: (i) by Banca Aletti to Banca Akros, of the business division comprised of the assets and resources organised to carry out the Corporate & Investment Banking activity; and (ii) by the Issuer to Banca Aletti, of the business division comprised of assets and resources organised to carry out the Private Banking activity. In this respect, the European Central Bank issued the authorization by communication dated 18 October 2017. The extraordinary shareholders' meetings of Banca Akros and Banca Aletti approved the two division projects on 20 and 21 November 2017, respectively.

On 1 April 2018, the assignment of the Private Banking division of the Issuer to Banca Aletti became effective. On 1 October 2018, the assignment of the Corporate & Investment business division of Banca Aletti to the Issuer became effective.

Starting from the date on which the assignment by Banca Aletti to the Issuer became effective, the certificates issued by Banca Aletti - at that time in circulation - were assigned to Banca Akros. Therefore, these certificates are to be considered as issued by Banca Akros. In addition, Banca Akros fully replaced Banca Aletti in the ownership of the assets and liabilities and of the legal relationships assigned to it relating to the Corporate & Investment Banking division, as described in detail in the division project, pursuant to article 2506 *bis* of the Italian Civil Code.

Investment services

Banca Akros is authorized to provide the following investment services in Italy pursuant to Article 1(5) of the Italian Consolidated Financial Act: (i) dealing on own account; (ii) dealing for customer account; (iii) underwriting and/or placement with irrevocable commitment to the issuer; (iv) placement without an irrevocable commitment to the issuer; (v) portfolio management; (vi) reception and transmission of orders; and (vii) investment advice.

Indication of any significant new products or activities

There are no new products and / or significant new activities supplied by the Issuer.

Principal markets in which the issuer competes

The Issuer's activities are mainly carried out on the Italian and European financial market.

The results achieved by Banca Akros in share brokerage on behalf of third parties in domestic markets were positive, where the Bank improved its ranking to third place (fourth place in 2020) among Italian and foreign brokers active in the Euronext Milan Domestic market (formerly MTA) with a market share of 8.92%, substantially in line with last year (Source: Assosim). The Euronext Milan Domestic market represents a basket of 241 companies, with total capitalisation of around 757.3 billion euro, equal to approximately 43% of the Italian GDP.

On the Euronext Growth Milan market (formerly AIM-Italia) - the SME market, which has grown significantly in the last few years - the Bank improved its ranking by one grade with respect to last year, and is now in third place for trading on behalf of third parties, with a market share of 9.2%. The Euronext Growth Milan market is represented by a basket of 174 companies, with a total capitalisation of around 11.5 billion euro, corresponding to around 0.6% of Italy’s GDP.

With reference to the entire Italian stock market as a whole, Banca Akros is in third place overall for trading countervalues, with a market share of 8.65%, with respect to fourth place in 2020.

Business also continued positively on the Equiduct market, managed by the Böerse Berlin, where Banca Akros continues to be the leading Italian operator.

In specialist and corporate broker activities for issuers listed on the Borsa Italiana, at the end of 2021, 36 mandates were recorded, 6 of which were new. At the end of 2020, 33 mandates had been obtained. Of the 36 mandates currently in force, 10 are from companies listed on the Euronext Milan Domestic market, 12 from companies listed on the Euronext STAR Milan market (formerly STAR) and 14 from companies listed on the Euronext Growth Milan market.

Also in 2021, the role of financial research played by the Bank was fundamental, particularly in the share segment, in terms of generating ideas and proposals for investment allocations to SGRs, Insurance companies, Family Office and Institutional Investors, which were not only Italian. Also thanks to the ESN Llp network, the share research investee company, whose equity is held along with another three European banks and brokers, the impartial opinions and the quality of the recommendations have made Banca Akros’ financial analysis a benchmark in terms of supporting brokerage activities, corporate brokerage and, in general, all of the Bank’s activities serving customers.

The equity derivatives market (IDEM) recorded a decrease in contracts traded overall, although the monthly volatility of the FTSE Mib index rose compared to 2020 (from 14.70% to 18.60%). In total, Euro 25 million in contracts was traded (-0.36% compared to the previous year.

Volumes of listed bonds were down. The growing inflationary pressure and the resulting change in strategy by the authorities, reducing monetary stimulus and moving up interest rate hikes, weighed on the amounts traded.

The volumes traded on the MOT recorded a negative trend for the listed retail bond segment, overall corresponding to -22.91% compared to 2020.

In this context, the Bank confirmed and strengthened its undisputed leading position in third-party brokerage on the fixed-income market (Source: Assosim), with total trading volumes representing 33.04% (21.02% in 2020) of the market total. More specifically, in 2021, the value of listed bond brokerage on behalf of third parties saw Banca Akros in first place on the following markets: DomesticMOT and EuroMOT, with market shares of 34.70% and 28.18% respectively.

Hi-MTF, the only real alternative to the traditional stock market, is a Multilateral Trading Facility (MTF), i.e. a platform for trading financial instruments, recognised by MiFID II regulations, which targets retail customers as a priority, offering guarantees of transparency, liquidity and efficiency. Banca Akros holds 20% of Hi-MTF Sim S.p.A., the same as the other four shareholders (FinecoBank, ICCREA Banca, Banca Sella Holding and Luigi

Luzzatti S.p.A.).

In 2021, Hi-MTF operated on the reference bond market with market shares increasing on 2020, both in terms of the number of contracts traded and volumes. Despite this, this market decreased due to the previously-mentioned drop in volumes traded on the retail fixed-income market, meaning that the Company expected to close 2021 with a loss of over 500 thousand euro, net of taxes.

In brokerage on behalf of third parties on the regulated derivatives markets managed by Borsa Italiana, Banca Akros holds second place in stock futures (fourth in 2020), with a market share of 2.66%, fifth place in the FTSE MIB Index Options, with a market share of 4.19% (third place in 2020), ninth place in stock options, with a market share of 1.71% (sixth place in 2020), and eleventh place in the Futures market on the index (tenth place in 2020).

Banca Akros also holds second place on the ETF (ETFPLUS) market and on the Certificates SEDEX market (third place in 2020), with a market share of 13.5% and 20% respectively. The excellent performance on the ETF market was achieved also due to the contribution of SABE ETF, the proprietary system which automatically searches dynamic best execution, which complies with the dictates of MiFID II, at the service of banking and institutional customers.

Trading on the German market for EEX energy derivatives continued successfully, with an uptrend in the number of customers and of volumes traded on behalf of customers active in trading and risk hedging in the relative sectors. The increase in volumes was mainly due to the sharp growth recorded at the end of 2021 in the prices and volatility of energy products. Electricity rose from an average price of Euro 45 per MWh in 2020 to over Euro 250 per MWh at the end of 2021.

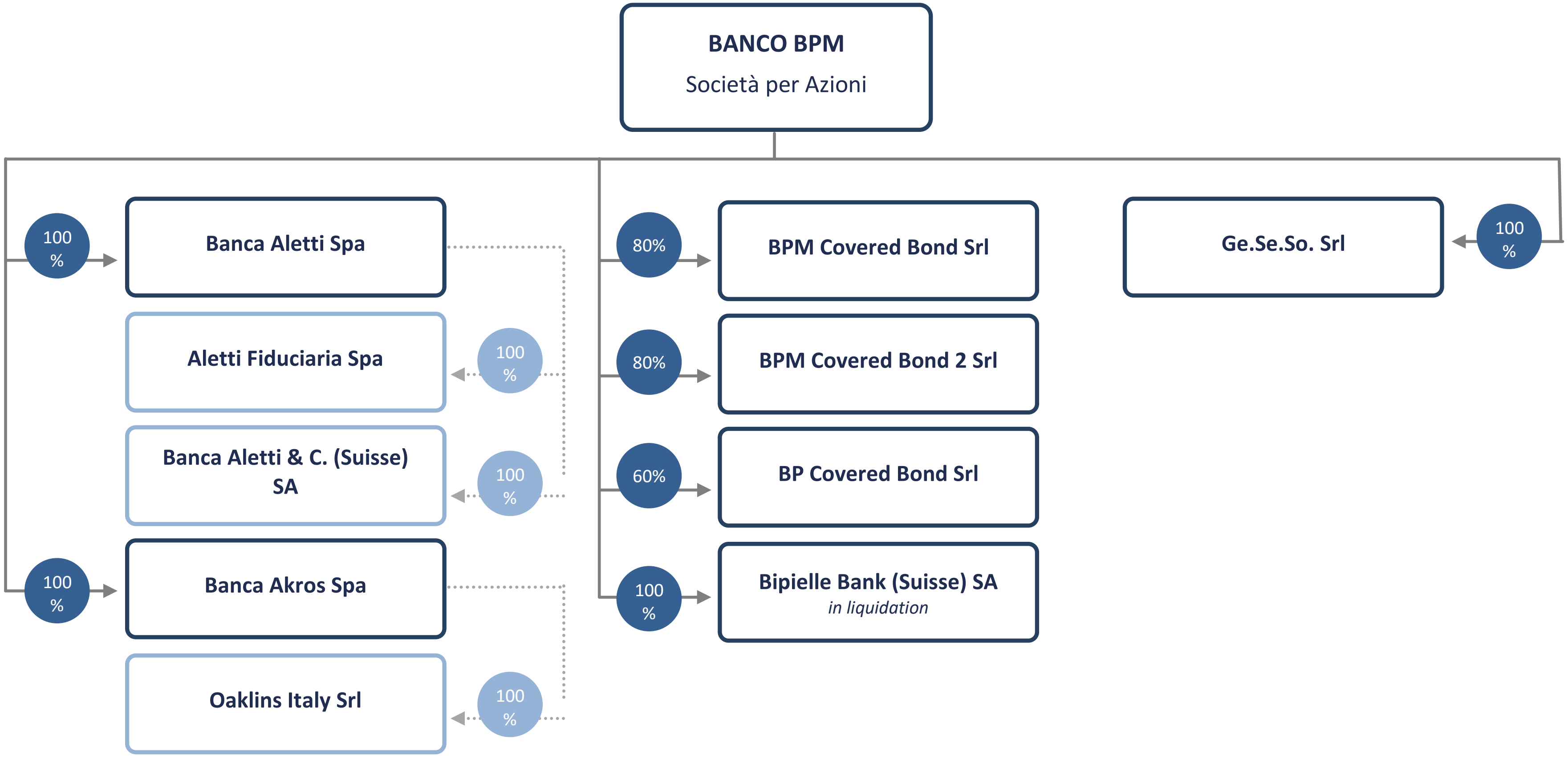
Basis for any statements made by the issuer regarding its competitive position

The information relating to the Issuer's competitive position referred to in the previous paragraph is based on Assosim's Report of 2020 (*Rapporto ANNO 2020 Dati sui volumi di negoziazione delle Associate – Area Compliance, Markets & Operations 27 gennaio 2020*) and on the information and data derived from the Issuer annual financial statements for the financial year 2021."

5 ORGANISATIONAL STRUCTURE

5.1 The paragraph "STRUCTURE OF THE GROUP" in the Section of the Base Prospectus entitled "*ORGANISATIONAL STRUCTURE*", on pages 119 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

The structure of the Group, as at the date of this Base Prospectus, is as follows (as at 13 April 2022):



As part of the initiatives aimed to rationalise the Group's corporate and operational structure, the subsidiaries Bipielle Real Estate S.p.A. and Release S.p.A. were merged into the Parent Company."

6 TREND INFORMATION

6.1 The Section of the Base Prospectus entitled "*TREND INFORMATION*", on pages 121 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"**Any material adverse change in the prospects of the issuer and any significant change in the financial performance of the Group**

Since 31 December 2021, being the date of the last audited annual financial statements of the Issuer, there has been no material adverse change in the prospects of the Issuer, without prejudice to what has been indicated in relation to the spread of Covid-19 and the negative consequences of the pandemic on the economy, on the financial markets and, therefore, on business opportunities that might affect the performance of the Issuer.

Since 31 December 2021, being the date of the last audited annual financial statements of the Issuer, there has been no significant change in the financial performance of the Group.

Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year

The Issuer is not aware of any information on trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects at least for the current year, without prejudice to what has been indicated in relation to Covid-19 emergency, the Russian-Ukrainian conflict and their macroeconomic and sector impacts.

With regard to the evolution of medium-long term operations, the Board of Directors of the Parent Company approved the 2021-2024 Business Plan on 4 November 2021, which defines the new objectives for the 2021-2024 time horizon.

Having said that, with reference to the Group's operating performance in 2022, the external context will inevitably continue to be a significant conditioning factor, also taking into account the sudden change in the macroeconomic scenario that occurred at the end of February 2022, which led to the Russia-Ukraine conflict, in reference to which no significant impact on Banca Akros is expected in connection with the Group's direct exposure to the same countries. However, with regard to indirect impacts, given the elements of absolute uncertainty regarding the evolution of the conflict and its consequences on macroeconomic scenarios, it is not possible to exclude negative effects for the Group."

7 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

7.1 The Section of the Base Prospectus entitled "*ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES*", on pages 122 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"**Board of Directors**

The Issuer adopts the traditional governance system (Board of Directors and Board Statutory Auditors) pursuant to article 2380, paragraph 1 of the Italian Civil Code.

The Board was appointed by the shareholders' meeting held on 6 May 2020. The current Board of Directors of Banca Akros S.p.A. is composed of eleven members. On 5 April 2022, the Shareholders' Meeting resolved to appoint Director Francesca Brunori, previously co-opted, to the Board of Directors.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Directors:

NAME, SURNAME AND POSITION	**PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, WHERE RELEVANT WITH REGARD TO THE ISSUER**
Graziano Tarantini Chairman (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	Lawyer in Milan Vice Chairman of Capfin S.p.A. Vice Chairman of BFS Partner S.p.A. Chairman of the Board of Directors of Oaklins Italy S.r.l.
Domenico Pimpinella Vice-Chairman (appointed on 6 May 2020, for the three-years period 2020 – 2022)	General Manager of ENPAM Foundation
Marco Turrina Chief Executive Officer and General Manager (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	Member of the Investment Committee Wise Sgr Vice Chairman of ASSOSIM – *Associazione Italiana degli Intermediari Mobiliari* Director of Oaklins Italy S.r.l.
Walter Ambrogi Director (appointed on 6 May 2020, for the three-years period 2020 – 2022)	
Carlo Bianchi Director (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	
Michele Cerqua	Sole Director and Shareholder di C-MlR Europe Ltd

Director (appointed on 6 May 2020, for the three-years period 2020 – 2022)	Director of Genomeup S.r.l. Director of Macai S.r.l. Director of Rigenerand S.r.l.
Luca Manzoni Director (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	Head of corporate of Banco BPM S.p.A.
Luca Montebugnoli Director (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	President of the Board of Directors of Vivaticket S.p.A.
Giordano Riello Director (appointed on 6 May 2020, for the three-years period 2020 – 2022)	Managing Director of RPM S.p.A. Chairman of the Board of Directors and Managing Director of NPLUS S.r.l. Advisor of NPLUS Lighting S.r.l.
Bruno Siracusano Director (confirmed on 6 May 2020, for the three-years period 2020 – 2022)	Director of LUZ S.r.l.
Francesca Brunori Director (co-opted on 27 April 2021, until the approval of 2021 financial statements)	Member of Managing Council of SMEs Guarantee Fund President of Comitato Agevolazioni Mediocredito Centrale S.p.A. Director of Credit and Finance Area and Director of Confindustria

On **24 March 2021**, the Bank's Shareholders' Meeting confirmed the plenum of the Board of Directors in 11 members.

On **27 April 2021**, the Board of Directors co-opted Francesca Brunori, confirmed in the office by the subsequent Shareholders' Meeting held on 5 April 2022.

As at the date of publication of this Base Prospectus and based on the documentation available to the Issuer, all the members of the Board of Directors set out above fulfil the expertise and integrity requirements established by current laws and regulations.

For the purposes of their positions at Banca Akros S.p.A., the members of the Board of Directors set out above are domiciled at the registered office of Banca Akros S.p.A.

No Executive Committee has been appointed.

Board of Statutory Auditors

The current Board of Statutory Auditors of Banca Akros S.p.A., appointed by the shareholders' meeting held on 5 April 2022, is composed of three standing statutory auditors and two alternate statutory auditors.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Statutory Auditors:

NAME, SURNAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER, WHERE RELEVANT WITH REGARD TO THE ISSUER
Marcello Priori Chairman (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Accountant in Milan Chairman of the Board of Statutory Auditors of Banco BPM S.p.A. Standing Auditor of Bipiemme Assicurazioni S.p.A. Standing Auditor of Banca Aletti S.p.A. Chairman of the Board of Statutory Auditors of Bipiemme Vita S.p.A. Chairman of the Board of Directors of F2A S.p.A. Chairman of the Board of Statutory Auditors of Primonial Reim Italy S.p.A. Chairman of the Board of Directors of Corob S.p.A.
Nadia Valenti Standing Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Standing Auditor of Banco BPM S.p.A. Project Manager of GKSD Advisory
Anna Maria Sanchirico Standing Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Accountant in Milan Standing Auditor of NSA S.p.A. Standing Auditor of NSA Soluzioni Assicurative S.p.A. Standing Auditor of SER-VIZ S.p.A. Standing Auditor of AEM (CRAEM)
Antonio Assenso Alternate Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Chairman of the Board of Directors of SO.CA.BI. S.p.A. Chairman of the Board of Statutory Auditors of Gruppo SAE (Sapere Aude Editori) S.p.A. Chairman of the Board of Statutory Auditors of Adapta Processi Industriali per l'igiene e la sterilizzazione S.p.A. Chairman of the Board of Statutory Auditors of Demax Depositi e Trasporti S.p.A. Chairman of the Board of Statutory Auditors of Innova S.p.A. Standing Auditor of Com. E - Comunicazione & Editoria S.r.l. Auditor of Credsec S.p.A. Single Auditor of Miki Travel Agency Italia S.r.l. Single Auditor of VDG Rem S.r.l. Standing Auditor of Medinext S.r.l.
Chiara Valeri Alternate Auditor	Standing Auditor of Europa Gestioni Immobiliari S.p.A. Standing Auditor of AXA Assicurazioni S.p.A.

(confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Standing Auditor of QUIXA Assicurazioni S.p.A. Chairman of the Board of Statutory Auditors of Andion Italy S.p.A. Chairman of the Board of Statutory Auditors of Solidus Holdco S.p.A. Standing Auditor of Elidata S.p.A.

As at the date of publication of this Base Prospectus and based on the documentation available to the Issuer, all the members of the Board of Statutory Auditors set out above fulfil the expertise and integrity requirements established by current laws and regulations.

For the purposes of their positions at Banca Akros S.p.A. the members of the Board of Statutory Auditors set out above are domiciled at the offices of Banca Akros S.p.A., in Milan.

Conflicts of interest of members of the Board of Directors and the Board of Statutory Auditors

As at the date of publication of this Base Prospectus, based on the duties of disclosure of directors and statutory auditors, the Issuer is not aware of any potential conflicts of interest between the obligations of the member of the board of directors to the Issuer and their private obligations and/or interests. The members of the Bank's administrative, management and control bodies are required to comply with the following provisions aimed at regulating relevant cases in terms of the existence of a specific interest concerning the implementation of an operation:

- Article 136 of the Italian Banking Act (obligations of bank officers), which requires the adoption of a special authorisation procedure in the event that an officer enters into obligations directly or indirectly with the bank which he administers, manages or controls;

- Article 53, paragraph 4 and 4-*quater*, of the Italian Banking Act and the implementing provisions adopted by the Bank of Italy (Circular 285/2013 as subsequently amended and supplemented), with particular reference to the supervisory provisions on relations with connected persons;

- Article 2391 of the Italian Civil Code (directors' interests);

- Article 2391-bis of the Italian Civil Code (transactions with related parties).

The Issuer and its bodies have adopted internal measures and procedures to ensure compliance with the above provisions. With regard to transactions with related parties, the Issuer has adopted, in accordance with the initiatives under the management and coordination of Banco BPM, the Regulation "Procedures for regulating transactions with related parties" approved by the Board of Directors of Banco BPM.

Independent Auditors

PricewaterhouseCoopers S.p.A. (the "**Independent Auditor**") has been appointed by the shareholders' meetings of Banca Akros S.p.A. held on 23 March 2016 as independent auditor of the annual financial statements for the financial years from 2016 to 2024.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is in Piazza Tre Torri 2, 20145 Milan, Italy.

There were no resignations, revocations from the appointment or terminations of the appointment agreement of the Independent Auditor during the years 2019, 2020 and 2021."

8 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

8.1 At the end of the paragraph "Financial information - Incorporation by reference" in the Section of the Base Prospectus entitled "*FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES*", on pages 126 et seq. of the Base Prospectus, the following paragraph shall be added:

"PricewaterhouseCoopers S.p.A.'s audit reports on the Issuer's financial statements for the financial year ending on 31 December 2021 was issued without qualification or reservation."

8.2 The paragraph "Legal and arbitration proceedings" in the Section of the Base Prospectus entitled "*FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES*", on pages 126 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced has follows:

"The risk arising from legal proceedings and disputes, entails the possibility that the Issuer may have to pay compensation in case of their unfavourable outcome. Usual, legal disputes relate to actions for invalidity, annulment, ineffectiveness or compensation for damages resulting from transactions relating to the ordinary banking and financial activities carried out by the Issuer.

During the ordinary course its business, the Issuer is subject to certain administrative, legal and/or arbitration proceedings from which obligations may arise for the Issuer to pay compensation. As at 31 December 2021, the specific provisions allocated over the years to cover potential losses on legal disputes, lawsuits and customer complaints, recorded in the balance of provisions for risks and charges, under the item legal and tax disputes, amounted to Euro 75 thousand (compared to Euro 641 thousand as at 31 December 2020), in respect of a "*petitum*" of Euro 564 thousand (Euro 662 thousand in 2020). The decrease in the provision for legal disputes mentioned above, is mainly due to the settlement of two previously existing lawsuits.

Save as disclosed in this paragraph, no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months may have, or have had in the recent past significant effects on the Issuer and/or Group's financial position or profitability.

Legal proceedings arising from the assignment of assets and liabilities belonging to the business unit involved in the partial division

As at the date of publication of this Base Prospectus, in respect of assets and liabilities relating to the investment banking business division, the Issuer is not party of any legal and/or arbitration proceedings from which obligations may arise for the Issuer to pay compensation. As a consequence of the assignment of the Corporate & Investment Banking business division, which became effective on 1 October 2018, Banca Akros fully replaced Banca Aletti in the ownership of the assets and liabilities and of the legal relationships assigned to it relating to the business unit, as described in detail in the division project, pursuant to article 2506 bis of the Italian Civil Code, so that Banca Akros is entitled continue to exercise - without interruption - the rights assigned to it by the division. The principle laid down in article 2506 quater, paragraph 3, of the Italian Civil Code - relating to the joint and several liability of both banks due to obligations owed by the demerged bank but not satisfied by the bank to which they relate - is also maintained. Liability for debts arising prior to the division operation - the destination of which is identified in the division project - is direct and unlimited for the bank to which the debts relate, and subsidiary and limited to the actual value of the net assets, assigned or remaining, for the other bank. Since this is a partial division consisting in the transfer of part of Banca Aletti's assets to Banca Akros, this transfer results in an actual transfer that involves the acquisition by Banca Akros of assets that did not previously exist in its assets. This transfer constitutes a particular succession. Therefore, if there are any outstanding disputes that arose before the transfer of the Corporate & Investment Banking business division, the rules set forth in Article 111 of the Italian Code of

Civil Procedure may be applied and the Issuer may bring an action in court and appeal against any adverse decisions taken against Banca Aletti.

Inspection activities of the Supervisory Authorities and other Authorities

During the normal course of its business, Banco BPM Group and the Issuer are subject to inspections promoted by the Supervisory Authorities.

In particular, as part of the Single Supervisory Mechanism, Banco BPM Group is subject to the supervision of the ECB; with regard to specific issues such as compliance with anti-money laundering regulations or transparency, the supervisory activity is directly carried out by the Bank of Italy and Consob.

The supervisory activity involves ordinary and recurrent inspections mainly at the headquarters of the Parent Company ("on site inspection"), which are supported by "remote" inspections, conducted through structured and continuous information exchanges rather than through specific requests for documentation and thematic analysis.

In the context of rationalising and standardising the methods, processes and information systems within the Group, already in place in the second half of 2018, a new validation was obtained from the Supervisory Authorities of the internal model on market risks for Banca Akros, which replaced the previous internal model adopted by the Issuer.

With reference to the IMA (Internal Model Approach) capital requirement, the Supervisory Authorities has authorized the extension of the internal "Target" model for the Parent Company's market risks to Banca Akros, starting from the Final Decision (letter dated 20 August 2018, following the TRIM inspection).

During 2019, a request to extend the internal model on market risk to the specific risk of debt securities and to the exchange rate risk of the banking book was also submitted to the Supervisory Authorities, authorisation granted in 2020.

During 2021 the Supervisory Authorities were requested to change the "Risk Not in Model Engine" (RNIME) Framework for measuring the market risk of the trading book for the purposes of regulatory requirements, supplemented at the start of 2022 with an application for a "material" change to the internal calculation model of the Incremental Risk Charge (IRC).

As part of the ordinary supervisory activity, the Banco BPM Group is subject to several on-site or remote audits; the other Group inspections in areas where the Issuer was not directly involved have mainly already been concluded with the issue of the so-called "Final follow up letters" or "Decisions" through which the ECB communicates the corrective actions required in relation to the areas for improvement identified. In cases where the inspection activities have shown areas for improvement in the context of the processes examined, the Group has implemented specific corrective action plans.

Lastly, it is noted that, regarding the EMIR, the CONSOB measure (chron. record no. 113062/20) regarding claims of breach of Article 9 of Regulation EU no. 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (Trade Repository – EMIR) was settled. In February 2021 the Authority settled the claim with an administrative fine at the minimum of the prescribed range (Euro 30 thousand) with the related publication of the order."

8.3 The paragraph "Significant change in the issuer's financial position" in the Section of the Base Prospectus entitled "*FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES*", on pages 126 et seq. of the Base Prospectus, shall be deleted in its entirety and replaced has follows:

"Since 31 December 2021, being the date of the last published interim financial statements of the Issuer, there has been no significant change in the financial position of the Issuer.**"**

9 ADDITIONAL INFORMATION

9.1 The paragraph "Memorandum and Articles of Association" in the Section of the Base Prospectus entitled "*ADDITIONAL INFORMATION*", on page 129 of the Base Prospectus, shall be deleted in its entirety and replaced as follows:

"The Issuer was incorporated as a securities firm on 3 April 1973.

The current Articles of Association was registered with the Milan Company Register Office on 11 April 2022.

Pursuant to Article 2 of its Articles of Association, the Issuer has as its object the collection of savings and the exercise of credit in different forms and, in compliance with the provisions in force and respectively applicable: (I) the activity of trading in securities, financial instruments and currencies and securities brokerage activities in general; (II) the performance of all permitted banking and financial operations and services, as well as any other instrumental operation or in any case connected to the achievement of the corporate purpose. The Issuer may issue bonds, securities, securities or debt instruments, in accordance with current regulatory provisions."