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 9 June 2023

(the "**Supplement**")

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

dated 12 December 2022 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.luxse.com).

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 2, 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 9 June 2023, is published have the right, exercisable within two 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 13 June 2023. 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 2022.

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) *TREND INFORMATION*;

(v) *ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES*; and

(vi) *FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES*.

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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" (except for the risk factors denominated "*Risk related to the rating assigned to the Issuer and to the Group*", "*Climate and environmental risks*" and "*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)*") in the section of the Base Prospectus entitled "*RISK FACTORS*", on pages 13 et seq. of the Base Prospectus, shall be amended 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

Risks related to the economic/financial crisis, the impact of the current uncertainties of global macro-economic factors and the consequences arising from the continuation of the Russia-Ukraine 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) and to the conflict between Russia and Ukraine, must be considered. The disruptive effects of the Covid-19 pandemic on global supply chains became more apparent in the first half of 2022 and, in the first months of 2022, the war in Ukraine triggered a serious continental energy crisis. 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 2022 financial year, the reclassified operating income amounted to Euro 119.2 million, up by 8.2% compared to 31 December 2021 and the interest margin increased (+ 5.00%). Net profit for the period amounted to Euro 18.7 million (Euro 10.7 million as at 31 December 2021).

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. This conflict and the sanctions imposed by the international community on Russia's government, companies and economy, as well as the countermeasures activated by the latter, have led to a situation of high uncertainty on the macroeconomic level, exchange rates, energy and raw material costs, the cost of debt, inflationary expectations, and the cost of credit. 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 length and the evolution of the conflict and its consequences on macroeconomic scenarios, it is not possible to exclude negative effects for the Group.

The first months of 2023 have been characterised by the volatility in the international financial markets increased sharply in March 2023 as a result of certain events that occurred in the US banking sector and the collapse of trust in relation to Credit Suisse. The conjunction of these events raised concerns about the possible spread of *disruptions and led to a sudden increase in risk aversion in global financial markets. Substantial falls, later largely recovered, also affected bank share prices in the Euro area.*

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 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.

In the course of 2022, the global growth outlook deteriorated gradually but significantly. This was due to the sharp increase in inflationary dynamics, which was aggravated in Europe by the outbreak - in the first months of 2022 - of the war in Ukraine, which triggered a serious continental energy crisis. In fact, on 24 February 2022, Russia announced a military operation in the Donbass, initiating an invasion of Ukraine.

In addition, the disruptive effects of the Covid-19 pandemic on global supply chains became more apparent in the first half of 2022. Finally, the widespread and aggressive monetary tightening adopted to counter some inflationary pressures and the significant erosion of household purchasing power in the face of sharp price increases exacerbated the growth slowdown.

The Euro area economy, which is heavily dependent on Russian gas supplies, felt the impact of the Russian-Ukrainian conflict at various times during 2022, also following the adoption of trade sanctions against Russia. The confluence of risks, the exponential increase in energy costs caused by the energy crisis and the resulting high price dynamics weighed on businesses and consumers, pushing the area onto a path of lower growth and higher consumer inflation. As a result, the annual inflation rate in the Euro area rose in the course of 2022, only to slow down slightly in the last quarter.

The Italian economy suffered to a relatively greater extent than other Euro area economies from the economic shock caused by the rise in energy and basic commodity prices: indeed, after sustained growth in the central quarters of 2022, household consumption fell in the last part of the year, as the marked rise in consumer prices had an impact on disposable income.

2022 also saw an important and sudden reversal by the central banks (the Federal Reserve System and the European Central Bank ("**ECB**")) regarding the monetary policies of the major western economies, which radically opted for restrictive monetary policies to curb rising inflation.

The volatility in the international financial markets increased sharply in March 2023 as a result of certain events that occurred in the US banking sector. Among these, the major event concerned Silicon Valley Bank, which was declared insolvent on 10 March 2023, due to its – failed - attempt to cover losses incurred from the sale of a large amount of securities, leading to the collapse of its share price and huge outflows of deposits. Almost simultaneously, two other smaller US banks also failed - the Silvergate Bank and the Signature Bank.

Then, in the week of 13 March 2023, the Swiss bank Credit Suisse (which had been experiencing for years some difficulties already known to the markets and supervisory authorities) was hit by a collapse of trust, which caused its share price to fall sharply on the stock markets. The conjunction of these events raised concerns about the possible spread of disruptions and led to a sudden increase in risk aversion in global financial markets. Substantial falls, later largely recovered, also affected bank share prices in the Euro area.

As at the date of this Supplement, the Group does not have investments in any of the mentioned counterparties.

The abovementioned uncertain outlook for the Euro area economy is likely to affect the Group's budget estimates, as they require a selection of assumptions and hypotheses that may not be confirmed by actual future developments.

The increase in official interest rates has therefore been passed on to the cost of bank loans in 2022. Indeed, an increase in interest rates can be observed both for outstanding amounts and for new loans to households and enterprises. In December 2022, the interest rate on new Euro loans to households for house purchases was 3.09% (1.40% in December 2021). The average rate on new Euro loans to non-financial corporations rose to 3.44%, from 1.18% at the end of 2021. In contrast, the weighted average rate on total loans to households and non-financial corporations is 3.22% (2.13% in December 2021).

In this context, it should be noted that the direct impact of the Russia-Ukraine conflict on the Issuer's Group is not material, as it has no operations in Russia or Ukraine and no significant credit exposure to customers domiciled in these countries or indirectly related to Russian or Ukrainian counterparties. As at 31 December 2022, these exposures are entirely represented by loans. In fact, the Group's exposure represented by securities has been reduced to zero as of March 2022, with the sale of the only Russian government bond for a nominal value of Euro 2 million, which resulted in an insignificant loss (Euro 0.1 million).

With specific reference to the Issuer, in 2022 financial year, the profit (loss) before tax from continuing operations increased to Euro 30.2 million, compared to Euro 20.1[1] million in 2021. After taxes due in the period (Euro - 8,935 thousand), net charges relating to the contribution to the banking system (Euro - 2,556 thousand), net profit for the period came to Euro 18,725 thousand (Euro 10,718 thousand in 2021).

The total assets and total liabilities of the reclassified separate financial statements as at 31 December 2022 amounted to Euro 9,445.5 million, up with respect to the Euro 8,241.7 million recorded as at 31 December 2021. Out of total assets measured at fair value of approximately Euro 6,207 million, instruments valued using non-observable input parameters (level 3) came to Euro 32.5 million, 0.5% of the total (Euro 32.1 million in 2021), of which Euro 29.7 million referring to the building owned by the Bank. Net non-performing exposures to customers came to Euro 149 thousand (Euro 256 thousand as at 31 December 2021). As at 31 December 2022, net interest income amounted to Euro 56.5 million, up from Euro 53.8 million in 2021 mainly as a result of the increase in coupon interest on securities in the portfolio, including the special purpose bonds issued by Banco BPM purchased against the investment of liquidity related to certificates subscribed by network customers. The balance of "net fee and commission income" in 2022 (Euro 47.7 million) increased (+ 16.3%) compared to 2021 (Euro 41.0 million) and it was mainly resulting from higher placements of structured products (Certificates) by the distribution networks and the growth of Advisory M&A activities.

As at 31 December 2022, reclassified operating income amount to Euro 119.2 million, up from Euro 110.2 million as at 31 December 2021. The main increase is due to higher net fee and commission income, resulting mainly from higher placements of structured products (Certificates) by the distribution networks. Operating expenses decreased (- 1.8%) from Euro - 90.6[1] million in financial year 2021, to Euro – 88.9 million in financial year 2022. Profit from operations as at 31 December 2022 amounted to Euro 30.3 million, while it was Euro 19.5[1] million (+ 54.9%) as at 31 December 2021. The profit before tax from continuing operations amounted to Euro 30.2 million as at 31 December 2022, while it was Euro 20.1[1] million as at 31 December 2021 (+ 50.7%). Profit after tax from continuing operations amounted to Euro 21.3 million as at 31 December 2022, compared with Euro 14.6[1] million as at 31 December 2021 (+ 46.2%).

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) the impact of the COVID-19 pandemic on global growth and individual countries (see the preceding paragraphs); (b) confirmation of growth trend, or recovery and consolidation perspectives, for the US and Chinese economies, which have shown consistent progresses in recent years but have recently lost momentum; (c) the ECB, in the Euro area, and the Federal Reserve System's, in the US, monetary policy effectiveness and their future developments, adverse future developments in the Dollar area, policies implemented by other countries aimed at promoting their currencies' competitive devaluations; (d) sovereign debt sustainability of certain countries and the

[1] This value has been restated in the audited company financial statements for the financial year ending as at 31 December 2022.

related recurring tensions on the financial markets; and (e) risks related to a high increase of inflation; (f) international banking system crisis.

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 2022, 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 4,055 million and liabilities of Euro 3,759 million, corresponding to the 42.9% of total assets and the 39.8% 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 2022, 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 4,055 million (Level 3 alone amounts to Euro 0.435 million) and liabilities of Euro 3,759 million (Level 3 alone amounts to Euro 0.427 million), corresponding to the 42.9% of total assets and the 39.8% of total liabilities in the financial statements (Level 3 alone amounts to 0.005% of total assets and to 0.005% 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 2022.

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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 2022, there has been no allocation of specific provisions to cover potential losses on legal disputes, lawsuits and customer complaints, for a "*petitum*" of Euro 4,532 thousand (compared to Euro 75 thousand as at 31 December 2021 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. As at 31 December 2022, there has been no allocation of specific provisions in the balance in the Provisions for risks and charges, item Legal and tax disputes to cover potential losses on legal disputes, lawsuits and customer complaints, (compared to Euro 75 thousand as at 31 December 2021). In particular, the pending legal dispute is one (three as at 31 December 2021) for a "*petitum"* of Euro 4,532 thousand: the current legal situation has led to no loss being expected. The decrease in provisions for legal disputes mentioned above is the result of the settlement of a previously pending lawsuit. We also note the notification of a further dispute during the first quarter of 2023 for a *petitum* of Euro 1,448 thousand.

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 2022, amounted approximately to Euro 1.6 million (Euro 1.7 million as at 31 December 2021). The Operational VaR of banking book amounted to Euro 0.885 million as at 31 December 2022 (Euro 0.126 million as at 31 December 2021) (the figure refers only to the specific risk of the HTCS book).

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 issuers. 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.

The identification, measurement and operating control of the risk positions of the Bank are conducted using a position-keeping and risk control system that provides monitoring of exposure levels and of the verification of compliance with the operating limits defined by the Board of Directors of the Parent Company and by the Board of Directors of Group banks.

Financial risks are monitored on a daily basis through the use of deterministic indicators (sensitivity to market risk factors and indicators relating to the issuer) as well as probabilistic indicators (Value at Risk - VaR). The VaR, which indicates the maximum potential loss associated with market movements in unexceptional conditions, over a certain time horizon and with a certain confidence interval, represents a synthetic risk measurement. The approach used to calculate the VaR is based on historical simulation. The values calculated are provided with a confidence interval of 99% and a time horizon of one day. The correlations used are those implicit in the historical scenarios of risk factors applied to estimate the empirical distribution of values in the trading book.

The managerial Value at Risk (VaR) measurement considers the interest rate risk, equity risk, foreign exchange risk and credit spread risk, as well as the benefit of correlation between the risks. Correlation risk and dividend risk are also considered, measured through stress testing techniques, with the benefit of diversification with respect to the first risk group cited.

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 2022 financial year, with a confidence level of 99%, has been equal to Euro 2.1 million, lower than the Euro 2.4 million of 2021. 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 average VaR in the second half of 2022 (approximately Euro 1.9 million) was down compared to that of the first half (approximately Euro 2.4 million) mainly due to the decrease in both the equity component and that relating to specific risk on debt securities (bond component). The interest rate component instead rose slightly in the second half of the year, also due to the greater volatility recorded on this risk class, especially after the end of the accommodative policies issued by the central banks stemming from the inflationary pressures generated in particular after the outbreak of the war in Ukraine.

As at 31 December 2022, the exposure (book value) to the Republic of Italy included debt securities amounting to Euro 303 million (3.2% of total assets), including Euro 282 million of financial assets measured at fair value through other comprehensive income (2.99% of total assets). In this regard, for more detailed information, see paragraph "*Risks related to the exposure to sovereign debt*" below.

With reference to the IMA (Internal Model Approach) capital requirement, note that, from the reporting date of 31 December 2020, Banco BPM Group has used the extended model for the calculation of the capital requirement for Market Risk. Said requirement is therefore calculated on the basis of VaR, Stressed VaR – including the specific risk of debt securities –, IRC (Incremental Risk Charge) and RNIME (Risk Not In Model Engine).

On 11 January 2023, the Final Decision was received from the ECB, approving the implementation of the relative change in the IRC calculation method, following the resolution of obligation 18 (IMI 4145) requested in January 2022. The new method guarantees a more accurate estimate of the P&Ls associated with rating migration events through a greater number of financial instruments used to calibrate the spread levels of the worst rating classes. A forward structure with different maturities (1, 3, 5, 7, 10 years) for the different rating classes and sectors was also introduced in the Asset Swap Spread matrix and a CDS spread matrix was created to calculate the P&L associated with the shock spreads of the CDS, with the same forward structure (1, 3, 5, 7, 10 years). Therefore, the new methodology will be used to calculate capital absorption/RWA starting from the first quarter of 2023. The ECB decision in question also provides for the removal of the 10% IRC add-on.

IMA (Internal Model Approach) Capital Absorption, against market risks at the end of 2022, was approximately Euro 87 million, equal to around Euro 1,083 million of RWAs.

The value of the operational VaR of the Banca Akros banking book at the end of 2022 was equal to Euro 0.885 million (Euro 0.126 million at the end of 2021) (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.

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 2022, the total amount of bonds was approximately Euro 412 million in nominal value, divided into Euro 367 million of HTCS (Held To Collect and Sell) accounting category, made up almost entirely of Italian government bonds (300 million BTP 12/2024 and 50 million Cassa Depositi e Prestiti 07/2024), and Euro 45 million in the HTC (Hold To Collect) accounting category, made up entirely of bonds issued by Mediobanca. The sensitivity to the overall interest rate risk at the end of the financial year came to -69 thousand euro, entirely on Euro, assuming a parallel shift in the rate curve of 1 basis point. The exposure to credit spread risk was approximately Euro -75 thousand overall, considering a shock of 1 basis point, mainly attributable to Italian government bonds.

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.

With regard to the Market risk initiative, the assessment and selection of a supporting data provider (ESG rating and score) was concluded and the materiality analysis was completed.

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 2022, Bank’s eligible capital coincides with the amount of Tier 1 capital. 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 2022, there were 36 positions classified as "Large Exposures" (26 positions as at 31 December 2021), with weighted values that exceed, individually, 10% of the Issuer's eligible capital. The total nominal amount of these positions as at 31 December 2022 was Euro 13,198 million (Euro 11,304 million as at 31 December 2021) corresponding to a weighted exposure of Euro 1,096 million (Euro 1,072 million as at 31 December 2021).

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

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

Out of the remaining positions, 13 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 8 relate to 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 2022 have been concluded mainly with the Parent Company Banco BPM and have concerned cash and cash equivalents for Euro 37,020 thousand (79.94% of the total item as at 31 December 2022) (Euro 12,340 thousand in 2021), loans to banks for Euro 838,856 thousand (62.44% of the item "Loans to banks") (Euro 70,881 thousand in 2021) and "Financial assets held for trading" for a positive fair value of Euro 2,523,976 thousand (43.33% of the total of the item) (Euro 2,724,937 thousand in 2021) and other assets for Euro 6,938 thousand (9.37%) (Euro 13,946 thousand in 2021).

On the liabilities side, the Issuer has liabilities towards the Parent Company Banco BPM for Euro 1,104,267 thousand (39.47% of the item "Due to banks") (Euro 808,265 thousand in 2021) and “Financial liabilities held for trading” with the Parent Company for a negative value (fair value, relating to derivative contracts only) of Euro 1,148,904 thousand (29.13%) (Euro 98,902 thousand in 2021).

The income statement transactions show Interest and similar income and Interest and similar expense to the Parent Company of Euro 45,526 thousand (46.86%) and Euro -3,932 thousand (9.67%), respectively (each of them Euro 43,361 thousand and Euro 992 thousand in 2021); "Administrative expense" (including "Personnel expenses" and "Other administrative expenses") charged by the Parent Company amount to Euro 56,341 thousand (55.96%) (Euro 53,747 thousand in 2021), while those charged by other companies of the Group amount to Euro 10 thousand negative (Euro 5 thousand positive in 2021).

Financial and commercial transactions with related parties refer to the Issuer's normal 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.

As required by supervisory regulations, the Group has drawn up an internal ex-ante management process for Most Significant Transactions (MST) and for the supervision of large exposures, controlled by specific company regulations in this regard.

Counterparty risk in the context of transactions in derivative contracts

Counterparty risk is defined as the risk that the counterparty in a transaction default before the final settlement of the cash flows of said transaction (EU Regulation no. 575/2013). As regards this type of risk, from a prudential point of view and with reference to capital adequacy assessment processes (ICAAP process), Banca Akros uses the standard method (SA – CCR) to estimate exposures to the risk of possible default of counterparties in OTC derivative transactions, the same used for Supervisory Reporting.

For internal purpose only, Banca Akros uses an internal model to estimate exposures of collateralized OTC derivatives; this method is less conservative than standard approach and it is 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 2022, the positions in financial derivative instruments held by Banca Akros had a positive total value (fair value) of Euro 2,054,897 thousand (Euro 1,367,988 thousand as at 31 December 2021) and a negative total value (fair value) of Euro 2,064,972 thousand (Euro 1,367,405 thousand as at 31 December 2021).

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 2022, show a positive total value (fair value) of Euro 2,013,533 thousand (Euro 1,307,000 thousand at 31 December 2021) and a negative total value (fair value) of Euro 2,030,149 thousand as at 31 December 2022 (Euro 1,336,631 thousand as at 31 December 2021), 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.

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 2022 was equal to 191%; (ii) the structural liquidity indicator Net Stable Funding Ratio (NSFR) which as at 31 December 2022 is greater than 100% and equal to 131%; and (iii) Loan to Deposit Ratio (LTD), which corresponds to the ratio between Net loans and Direct funding and as at 31 December 2022 was equal to 90.73%. As at 31 March 2023, the Liquidity Coverage Ratio is 199% whereas the Net Stable Funding Ratio is greater than 100% and equal to 130% and the Loan to Deposit Ratio is equal to 89.76%.

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 be 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 Banco 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 2022.

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 2022 was equal to 191%, whereas as at 31 March 2023 is equal to 199%;
- 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 2022, the indicator is greater than 100% and equal to 131%, whereas as at 31 March 2023 is equal to 130%;
- Loan to Deposit Ratio (**LTD**), which corresponds to the ratio between Net loans and Direct funding. The indicator is equal to 90.73% as at 31 December 2022, while as at 31 March 2023 is equal to 89.76%.

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".

Risks related to the exposure to sovereign debt

As at 31 December 2022, the Issuer's exposure to sovereign States amounted, in terms of book values, to a total of Euro 302.84 million and represents 3.21% of total assets and 4.9% of total financial activities. The exposure (book values) to the Italian government included debt securities for Euro 302.83 million at 31 December 2022 and represents 3.21% of total assets and 4.9% of total financial activities.

The persistence of tensions over Government bond market or its volatility, also following the evolution of the Italian political environment, 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 2022, the Issuer's exposure to sovereign States amounted, in terms of book values, to a total of Euro 302.84 million (compared to Euro 208.35 million as at 31 December 2021) and represents 3.21% of total assets and 4.9% 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 2022, the exposure (book value) to the Italian government included debt securities for Euro 302.83 million and represents 3.21% of total assets and 4.9% 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.

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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. 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.

Banco BPM Group fully adopts the Traditional Standardised Approach (TSA) to calculate capital requirements for all companies that make up the Supervised Group, while with regard to the other qualitative-quantitative elements envisaged by Supervisory Regulations, as requested by the ECB, it meets all of the requirements of the CRR (Regulation (EU) no. 575/2013) for the TSA, as well as those envisaged by the above-mentioned AMA in Articles 321 (points b-e) and 322 (points b-f). Thus, in line with the past, Banca Akros continues to use the TSA (Traditional Standardised Approach) for the calculation of capital requirements for operational risk.

Also in compliance with the relevant regulations, the Group adopted an operational risk management model that illustrates the management methods and the people involved in risk identification, measurement, monitoring, mitigation and reporting. In particular, the model refers to centralised oversight functions (governance and control functions) and decentralised oversight functions (coordinators and ORM contacts, which are specifically involved in the key processes of collecting operating loss data, continuously assessing the operating scenario and forecasting exposure to risk). This model is governed by specific Group Regulations approved by the Corporate Bodies. Banco BPM Group adopts a reporting model, consisting of a management IT system for the Corporate Bodies and Top Management (significant losses and related recoveries, overall assessment of the risk profile, RAF indicator profile, capital absorption and risk management policies implemented and/or planned) and an operational reporting system, for the purposes of adequate risk management in the relevant areas.

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 2012 or later. The loss data in question, recorded in the Group's Loss Collection management archive, have been broken down by type of event, with views by impact and by number of events, according to the event classification standards provided by the Regulator.

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 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 2022, was always observed, therefore the indicator in question was always considered adequate.

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 Russia-Ukraine war has led to a potential increase in the manifestations of cyber security & IT risk, which, however, the Group adequately controls and monitors thanks to its internal control systems. In this regard, access to the Group's online systems was further strengthened. In this regard, the losses recorded in 2022 were low, thanks to constant monitoring aimed at preventing and mitigating the risk in question. The new IT risk methodology, approved in 2020 and applied to a first perimeter of critical applications, was extended to 2021 and continued in 2022. The residual risk assessment of individual applications also incorporated aspects linked to strategic and reputational risk into the calculation methodology. The overall assessment under way is confirming a low residual risk. The process of rationalisation and consolidation of the supplier base, launched in 2020, continued, which, on the one hand, led to a reduction in suppliers considered non-essential and, on the other hand, made it possible to take advantage of new partnerships in the areas of digital innovation and cybersecurity. Over the same period of time, controls on outsourced services were also strengthened, both within and outside the Group, to ensure adequate control over the stability and quality of services offered by suppliers.

In this regard and in order to continue with efforts to combat and maintain the security levels acquired, the cybersecurity strategy continued, in line with the multi-year plan, through cross-functional interventions to develop security measures.

Various initiatives were implemented to develop the tools to support the IT risk analysis model, including the definition of an integrated IT and security control model. With a view to the development of human capital and the skills of IT resources, and in consideration of process and technological innovation, a development programme is underway to support IT transformation and strengthen the role of Data Quality and IT Security of the Group with a view to up-skilling and re-skilling professional and cross-functional skills.

The Key Risk Indicators presented in the Risk Appetite Statement 2022 did not exceed the pre-established thresholds. The 2021 IT Risk Questionnaire, whose completion is required by the ECB, showed that Banco BPM made several improvements compared to 2020, both in terms of reducing exposure to risk and increasing maturity in various areas subject to monitoring.

For the period in question, pending the completion of the assessment process, the first indicators point to a confirmation of these results also for 2022.

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 Cyber 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 2022 was also respected, and always considered adequate.

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 2022, capitalisation levels and solvency ratios remained adequate: Own Funds for Regulatory purposes, net of “deductions”, amounted to Euro 615,773 thousand, risk-weighted assets amounted to Euro 2,746,838 thousand, the Common Equity Tier 1 ratio, the Tier 1 capital ratio and the Total capital ratio were 22.4% (18.8% as at 31 December 2021) and the Leverage ratio was about 11.8% (12.0% as at 31 December 2021).

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 and 2022, 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 14 December 2022, Banco BPM received a notification from the ECB of the SREP decision, which determined a Common Equity Tier 1 ratio requirement of 8.70% for 2023 on a consolidated basis. On the date of such decision, this requirement included:

- the Pillar 1 minimum requirement at 4.5%;
- a Pillar 2 capital requirement (P2R) equal to, by CET1 ratio, 1.446%;
- the capital conservation buffer of 2.50%;
- the O-SII buffer[2] of 0.25% of the total risk-weighted exposures;
- the countercyclical capital buffer of 0.003%.

Moreover, as a result of this decision, the additional requirements to be met by Banco BPM were, in line with the indications provided by the SREP decision, as follows:

[2] The Bank of Italy, in a communication dated 22 November 2022, identified the Banco BPM banking group as an Other Systemically Important Institution (O-SII) authorised in Italy for 2023.

- a Tier 1 capital ratio of 10.68%;
- a Total capital ratio of 13.32%.

Following the update of the countercyclical reserve on 31 December 2022, equal to 0.011%, the minimum requirements to be met by Banco BPM for 2023 are, as follows:

- a Tier 1 capital ratio of 10.69%;
- a Total 1 capital ratio of 13.33%; and
- a CET1 ratio of 8.71%.

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, it shall be noted that the Bank of Italy, by means of communication dated 22 November 2022, confirmed the Group as an Other Systemically Important Institution (O-SII) for 2022 and the O-SII reserve is equal to 0.25%, whereas for 2021, the O-SII reserve was equal to 0.19%.

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

At 31 December 2022[3], the CET 1 ratio of the Parent Company is 14.3% (14.7% as at 31 December 2021[4]), the Tier 1 Capital ratio is 16.6% (16.5% as at 31 December 2021) and the Total Capital ratio is 19.6% (same percentage as at 31 December 2021).

Excluding the impact of the transitional regulations, the Group's fully phased-in capital ratios as at 31 December 2022[5] are the following: CET 1 ratio 12.8%, Tier 1 ratio 15.2% and Total Capital ratio 18.1%.

It shall be noted that as of 1 January 2023 there are no longer any transitional provisions applicable; therefore, the capital ratios can be defined as '*fully phased*'. In more detail, as at 31 March 2023[6], the Parent Company's CET1 ratio is equal to 13.6%, the Tier 1 Capital Ratio is equal to 15.9%, while the Total Capital ratio is equal to 18.8%.

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.

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[3] Ratios calculated by including the profits for the year ended 31 December 2022 and deducting the total proposed dividends of Euro 0.23 per share outstanding and other profit allocations. Based on the provisions of article 26, paragraph 2 of the CRR, the inclusion of profits in Common Equity Tier 1 capital (CET1) is subject to the prior permission of the ECB as competent authority, which requires such profits to be audited by the independent auditors.

[4] Ratios calculated by including the profit for the year 2021 and deducting the amount that the Board of Directors resolved to be submitted to the Shareholders' Meeting as dividend.

[5] See footnote no. 3.

[6] The capital ratios as at 31 March 2023 have been calculated by including the current economic result of the first quarter 2023 net of the portion expected to be distributed as dividend under the specific applicable regulations.

2 DOCUMENTS INCORPORATED BY REFERENCE

2.1 The Section of the Base Prospectus entitled "*DOCUMENTS INCORPORATED BY REFERENCE*", on pages 45 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 and the number of the following document incorporated by reference shall be modified to 4:

3 The audited company financial statements for the financial year ending 31 December 2022 (available at https://www.bancaakros.it/media/Annual-Report_2022_Akros_WEB.pdf):

Contents	***Page***
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3 INFORMATION ABOUT THE ISSUER

3.1 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 116 et seq., shall be deleted in its entirety and replaced as follows:

"The Group's liquidity level was kept at high levels throughout 2022; 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.

During 2022, given the changed economic conditions and restrictive monetary policies put in place by the European Central Bank, the use of medium- and long-term funding from the ECB (TLTRO III), was reduced to Euro 12.5 billion and stood at a nominal Euro 26.7 billion as at 31 December 2022. During the 2022 financial year, European Central Bank adjusted the conditions for the interest rate applicable to the TLTRO financing, which changed from negative at the beginning of 2022 to the rate applied on the deposit facility equal to 2% at 31 December 2022. In December 2022, the Parent Company therefore proceeded with the partial early repayment of the TLTRO that is due in June 2023 for an amount equal to Euro 12.5 billion. In the first months of 2023, the rate applied on these transactions further increased and reached 3% on 31 March 2023.

As at the end of December 2022, 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 19 billion. To these are added Euro 12.2 billion of excess liquidity deposited with the European Central Bank and Euro 2 billion of securities allocated to the pooling account, but available since they exceed the total funding from the ECB. In addition to the liquidity reserves described above, there are Euro 4.9 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 90.73% as at 31 December 2022 (90.99% as at 31 December 2021)."

4 TREND INFORMATION

4.1 The Section of the Base Prospectus entitled "*TREND INFORMATION*", on page 122 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 2022, 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, the Russian-Ukrainian conflict and the negative consequences of the same on the economy.

Since 31 December 2022, being the date of the last published 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, the Russian-Ukrainian conflict and their macroeconomic and sector impacts. In addition, the uncertain outlook for the Eurozone economy has recently been exacerbated by the turbulence in the financial markets caused by the failure of certain medium-sized US banks and the resolution of the Credit Suisse Group in Europe.

Having said that, with reference to the Group's operating performance in 2023, the external context will inevitably continue to be a significant conditioning factor, taking into account the sudden change in the macroeconomic scenario that has occurred, both due to the crisis of the international banking system and as a result of the continuing Russia-Ukraine conflict, in which regard, however, no significant impact is expected in connection with the Group's direct exposure to the same countries. Nevertheless, with regard to indirect impacts, also with reference to the rise of inflation, to the international banking crisis and the evolution of the conflict, it is not possible to exclude negative effects for the Group."

5 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1 The Section of the Base Prospectus entitled "*ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES*", on pages 123 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 19 April 2023. The Shareholders' Meeting confirmed the plenum of the Board of Directors in 11 members. The current Board of Directors of Banca Akros S.p.A. is composed of 11 members.

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
Mauro Paoloni Chairman (appointed on 19 April 2023, for the three-years period 2023/2025)	Full Professor in Business Economics at Università degli studi Roma Tre Registered in the Register of Qualified Chartered Accountant of Rome Member of Board of Directors of Banco BPM S.p.A. Chairman of Oaklins Italy S.r.l.[7]
Domenico Pimpinella Vice-Chairman (confirmed on 19 April 2023, for the three-years period 2023/2025)	General Manager of ENPAM Foundation
Giuseppe Puccio[8] General Manager (appointed on 3 December 2022, permanent assignment)	Chief Executive Officer of Oaklins Italy S.r.l.
Walter Ambrogi Director (confirmed on 19 April 2023, for the three-years period 2023/2025)	Head of International Dept. Corporate & Investment Banking Division Milan – London of Intesa Sanpaolo S.p.A. (from December 2010 to June 2015) Head of Global Services Dept of Intesa Sanpaolo S.p.A. (from May 2009 to November 2010) Banca Commerciale Italiana / Intesa Sanpaolo S.p.A.: ▪ Head of International Trade Services (from February 2006 to April 2009)

[7] Oaklins Italy S.r.l. is a 100% subsidiary of Banca Akros.
[8] Please be informed that Marco Turrina has resigned from the office of Member of the Board of Directors, Chief Executive Officer and General Manager with effect starting 3 December 2022.

	▪ General Manager, London branch (from March 2004 to January 2006) ▪ General Manager and Area Manager for Greater China, Taiwan and Corea, Hong Kong (from June 1999- February 2004) ▪ Head of International Trade Services Dept.. Milan (from June 1995 to May 1999) ▪ First Vice President and Deputy General Manager, NY Branch (from 1994 to May 1995) ▪ Senior Manager, London Branch (from 1991 to 1993) ▪ Operational/managerial duties in several branches in Italy (from 1978 to 1990)
Carlo Bianchi Director (confirmed on 19 April 2023, for the three-years period 2023/2025)	Commercial and credit manager of Banca Commerciale Italiana and Banca Intesa (from 1991 to 9/5/2010) Loan origination manager (from 10/05/2010 to 30/06/2010) and Credit Dipartment Director (from 01/07/2010 to 31/12/2016) of Banco Popolare S.p.A. Head of Credit Function (from 01/01/2017 to 01/09/2019) of Banco BPM S.p.A. Chief Lending Officer of Banco BPM (from 02/09/2019 to 31/12/2021)
Cristina Brambilla Director (appointed on 19 April 2023, for the three-years period 2023/2025)	Granting Manager – reporting to Chief Lending Officer of Banco BPM S.p.A.
Francesca Brunori Director (confirmed on 19 April 2023, for the three-years period 2023/2025)	Member of the Managing Board of the "Fondo di Garanzia per le PMI", a public guarantee fund established by Italian law (Law n° 662/96) Chairman of Comitato Agevolazioni Mediocredito Centrale S.p.A. Director of the Financial Affairs Department of Confindustria Chairman of Financial Affairs Working Group of Business Europe
Michele Cerqua Director (confirmed on 19 April 2023, for the three-years period 2023/2025)	Assistant Professor at Università Cattolica del Sacro Cuore - Milano (Corporate Finance; Corporate Governance) Member of the Board of Directors of COMFACTOR Commercio Factoring S.r.l.
Antonia Cosenz Director (appointed on 19 April 2023, for the three-years period 2023/2025)	Head of Legal and Regulatory Affairs of Banco BPM S.p.A.
Luca Manzoni Director (confirmed on 19 April 2023, for the three-years period 2023/2025)	Head of Corporate & Investment Banking of Banco BPM S.p.A. Member of the Board of Directors of Oaklins Italy S.r.l.

Alberto Petranzan Director (appointed on 19 April 2023, for the three-years period 2023/2025)	Member of Board of Directors of ENASARCO (Ente Nazionale di Assistenza per gli Agenti e i Rappresentanti di Commercio). He was Member of Investment Committee from 2016 to 2020. Member of Board of Directors of Confcommercio Imprese per l'Italia Chairman of F.N.A.A.R.C. (Federazione Nazionale Associazioni Agenti e Rappresentanti di Commercio)
Arianna Rovetto Director (appointed on 19 April 2023, for the three-years period 2023/2025)	Head of Anti Money Laundering Function of Banco BPM 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 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.

Please be informed that Marcello Priori has resigned from the office of Chairman of Board of Statutory Auditors with effect from the Bank's Shareholders' Meeting held on 19 April 2023. The Bank's Shareholders' Meeting appointed as Chairman Alfonso Sonato until the approval of the financial statements as at 31 December 2024.

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
Alfonso Sonato Chairman (appointed on 19 April 2023, until the approval of the financial statements as at 31 December 2024)	Registered in the Register of Qualified Chartered Accountant of Verona Chairman of the Board of Statutory Auditors of Banca Aletti S.p.A. Standing Auditor of Aletti Fiduciaria S.p.A. Standing Auditor of Banco BPM Vita S.p.A. e Banco BPM Assicurazioni S.p.A. He also holds positions of Chairman of the Board of Statutory Auditors or Standing Auditor in various companies such as Salus S.p.A., Promofin S.p.A., Zenato az. vitiv. S.p.A., S.I.F.I. S.p.A.
Nadia Valenti Standing Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Project Manager of GKSD Advisory Standing Auditor of Banco BPM S.p.A.

Anna Maria Sanchirico Standing Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Registered in the Register of Qualified Chartered Accountant of 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 Scientifica 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 GBS APRI S.p.A Standing Auditor of KUMI S.p.A Standing Auditor of Miki Travel Agency Italia S.r.l.
Chiara Valeri Alternate Auditor (confirmed on 5 April 2022, for the three-years period 2022 – 2024)	Chairman of the Board of Statutory Auditors of Solidus Holdco S.p.A. Standing Auditor of Europa Gestioni Immobiliari S.p.A. Standing Auditor of AXA Assicurazioni S.p.A. Standing Auditor of QUIXA Assicurazioni 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.

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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 2021 and 2022."

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

6.1 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 page 127 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 2022 was issued without qualification or reservation."

6.2 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 127 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 2022, there has been no allocation of specific provisions in the balance in the Provisions for risks and charges, item Legal and tax disputes to cover potential losses on legal disputes, lawsuits and customer complaints, (compared to to Euro 75 thousand as at 31 December 2021). In particular, the pending legal dispute is one (three as at 31 December 2021) for a "*petitum"* of Euro 4,532 thousand: the current legal situation has led to no loss being expected. The decrease in provisions for legal disputes mentioned above is the result of the settlement of a previously pending lawsuit. We also note the notification of a further dispute during the first quarter of 2023 for a *petitum* of Euro 1,448 thousand.

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.

In the context of the streamlining and standardisation of methodologies, processes and information systems within the Group, during 2019, a request was submitted to the Supervisory Authorities 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. The authorisation was granted in 2020.

During 2021 the Supervisory Authorities were notified of the introduction of the "Risk Not in Model Engine" (RNIME) Framework for measuring the market risk of the trading book for the purposes of regulatory requirements, and at the beginning of the year 2022, an application was filed for a "material" change to the internal model for calculating the Incremental Risk Charge (IRC). Both amendments were approved by the Supervisory Authority, the most recent (IRC) with a resolution dated 11 January 2023.

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."

6.3 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 page 129 of the Base Prospectus, shall be deleted in its entirety and replaced has follows:

"Since 31 December 2022, being the date of the last published annual financial statements of the Issuer, there has been no significant change in the financial position of the Issuer."