MEDIOBANCA

Information Document

This Information Document (hereinafter the "**Document**"*)*, intended for Clients and potential Clients (hereinafter the "**Clients**" or "Clientele") of Mediobanca – Banca di Credito Finanziario S.p.A. (hereinafter the "**Bank**" or "**Mediobanca**"), is drawn up pursuant to: i) Consob Regulation no. 20307 of 15 February 2018 (Intermediaries Regulation); ii) Delegated Regulation (EU) 565/2017 (implementing Directive 2014/65/EU, known as MiFID II) and the relative national implementation legislation; iii) art. 120 of Legislative Decree no. 209 of 7 September 2005 and subsequent amendments and additions (known as "CAP").

This Document aims to provide information on the Bank and on the investment and ancillary services offered by it, as well as on the nature and risks of the products and financial instruments handled.

An up-to-date copy of the Document is available for consultation on the Bank's website (www.mediobanca.com) and on the Bank's premises open to the public.

This Document is divided into the following sections:

A. INFORMATION ON THE BANK AND ON COMMUNICATIONS WITH THE CLIENT

B. INFORMATION ON THE INVESTMENT SERVICES OFFERED

C. INFORMATION ON THE PROTECTION OF CLIENTS' FINANCIAL INSTRUMENTS AND MONEY

D. INFORMATION ON CLIENT CATEGORISATION

E. INFORMATION ON SUITABILITY/APPROPRIATENESS ASSESSMENT

F. INFORMATION ON INSTRUMENTS, FINANCIAL AND INSURANCE PRODUCTS, THE PORTFOLIO MANAGEMENT SERVICE AND RELATED RISKS

G. INFORMATION ON COSTS, CHARGES AND INCENTIVES CONNECTED WITH THE PROVISION OF SERVICES

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I. INFORMATION ON THE STRATEGY OF EXECUTING AND SENDING ORDERS

Version 10/2018

A. INFORMATION ON THE BANK AND ON COMMUNICATIONS WITH THE CLIENT

A.1 COMPANY INFORMATION

Mediobanca, with offices at Piazzetta E. Cuccia, 1, Milan - (Tel. 0288291 - Fax 028829550), VAT no. 10536040966. Tax code and Milan, Monza, Brianza, Lodi Companies Register entry no. 00714490158. Entered in the Register of Banks – Parent Company of the Mediobanca Banking Group – entered in the Register of Groups under no. 10631 - a member of the Fondo Interbancario di Tutela dei Depositi [Interbank Fund for the Protection of Deposits] and of the Fondo Nazionale di Garanzia [National Guarantee Fund].

A.2 COMMUNICATION BETWEEN BANK AND CLIENT

Clients may communicate with the Bank in Italian or English and the Bank communicates with its Clients in Italian or English, depending on the method selected by the Client. The methods of communication between the Bank and Clients, with regard to the provision of investment and ancillary services, are laid down in the relevant contracts to which reference is expressly made.

The Bank's notices issued to Clients are sent in writing by post to the address indicated by the Client at the time of opening individual accounts or subsequently with suitable notice, or by email for those services for which the Bank makes this method of communication available and if the Client has expressly chosen that option. Clients accepting the Internet banking service consult notices by accessing the reserved area of the Bank's website.

In accordance with the applicable legislation, Mediobanca may issue notices and information to Clients on its investment services provided via its website on the following address www.mediobanca.com.

With regard to the methods of sending the Bank orders involving investment services, as provided for by the individual contracts, Clients may use the following communication channels:

- telephone orders, following the recognition procedure applied by the account manager (where applicable). Telephone calls in which the Client gives orders to the Bank are recorded on a magnetic medium, a fact of which the Client is duly informed;
- orders issued via FIX link or Bloomberg chat;
- orders issued by email to the agreed email address, provided this is stipulated by written agreement and they are sent from the email address notified by the Client at the time of opening the account;
- paper orders on forms prepared and supplied by the Bank itself, issued on the Bank's premises or through a financial advisor authorised to operate outside the premises, entered in the relevant Register kept pursuant to the Consob provisions;
- orders issued by fax, to be sent where applicable to the number of the manager of the account/branch at which the contractual account to which it refers is domiciled.

With regard to the provision of services concerning the execution of orders, receipt and transmission of orders and placement, even outside the office, the Bank:

- on receiving an order, issues the Client, if required by the legislation and as agreed by contract, with a certificate containing, besides identification details of the order itself,

any warnings issued by the Bank on conflicts of interest, unsuitability/inappropriateness of the transaction to which the order refers and information on the costs and charges and possible receipt of incentives. In the case of telephone orders, the aforesaid information must be contained in the recording of the call;

- as soon as possible, and by the first business day following that of execution of the order at the latest, or that on which the Bank itself receives confirmation from the intermediary to whom it was sent, of execution of the order, the Bank provides the Client with a written notice of confirmation containing the identification details of the transaction performed. If confirmation of execution has to be sent to the retail client by a third party, the Bank is exempted from sending its own confirmation. In the case of orders for a retail client concerning units or shares in UCIs executed periodically, the Bank may provide the retail client, if the Management Company or SICAV does not do so directly, with a half-yearly report containing the information stipulated by the legislation. In the case of orders relating to insurance products, the information is supplied directly by the insurance companies according to the periodicity defined in the contractual provisions regarding those products;

- if required by the legislation or if an ongoing relationship is maintained with the Client, it sends the Client a personalised annual report on the costs of the investment services and financial instruments, indicating the aggregate total costs charged to the Client during the reference period, as well as the presence of any financial incentives received from third parties;

- no later than the end of the business day in which the threshold has been exceeded or, if it is exceeded on a non-business day, no later than the end of the subsequent business day, notifies the retail Client that holds positions in financial instruments characterised by the leverage effect or transactions with potential liabilities, when the initial value of each instrument undergoes 10% depreciation and subsequent multiples of 10%;

- sends the Client, at the contractually agreed frequency and in any event at least quarterly, a report on the financial instruments held by the Bank containing information on the financial instruments themselves at the end of the period forming the subject of the report (e.g. securities statement of account);

- sends the Client, at least on a half-yearly basis, a statement containing a periodic assessment of the suitability of their investments.

With regard to the advisory service concerning investments, the Bank:

- for any advice provided, issues a copy of the form identifying the financial instruments or products on which advice is provided, the type of transaction and the outcome of the assessment of suitability made by the Bank (as well as possible warnings on conflicts of interest, costs and charges and incentives relating to the transaction);

- sends a half-yearly report containing a list of the financial instruments bought by the Client differing from the Bank's recommendations, as well as a report containing the periodic assessment of suitability of their investments;

- sends the Client a personalised annual report on the costs of the Advisory Service and the financial instruments, indicating the aggregate total costs charged to the Client during the reference period. On the Client's request, this information is also supplied in analytical form.

With regard to the portfolio management service, the Bank:

- sends the Client, at the contractually agreed frequency and in any event at least quarterly, a report on the financial instruments held by the Bank containing information on the financial instruments themselves at the end of the period forming the subject of the report (e.g. securities statement of account);

- sends a quarterly report containing the information referred to by the legislation in force. If the Bank is authorised to manage a portfolio that has recourse to financial leverage, the report will be provided on a monthly basis. If the Client asks to be informed of the transactions performed at any time, the report will be provided on an annual basis, apart the exceptions provided for. This report includes: 1) the report on the Client's financial instruments and liquidity held by the Bank; 2) a personalised report on the costs and charges connected with the provision of the management and deposit services, indicating the aggregate total costs charged to the Client during the reference period;

- informs the Client when the total value of the portfolio undergoes 10% depreciation, and subsequent multiples of 10%, of the value of the portfolio recorded as at the date of the prior report. The report is provided no later than the end of the business day in which the threshold has been exceeded or, if it is exceeded on a non-business day, no later than the end of the subsequent business day.

The documentation sent to the Bank will be deemed to be approved 60 days after the date of receipt if no complaint is received in writing according to the method provided for in section A.3.

A.3 COMPLAINTS

Complaints about financial products

If a Client wishes to make a complaint concerning a product or the Bank's conduct, the investor may submit a complaint using one of the following methods: (i) registered letter with acknowledgment of receipt to be sent to the address: Piazzetta Enrico Cuccia, 1 – 20121 Milan; (ii) email to the email address: reclami@mediobanca.com; (iii) certified email to the address: mediobanca@pec.mediobanca.it.

Mediobanca must respond to complaints within 60 days. If a complaint is considered to be well-founded, Mediobanca must inform the client in writing, indicating the time within which it undertakes to resolve the problem reported. Otherwise, if Mediobanca considers the complaint to be unfounded, it will have to give reasons for not accepting it. In the absence of a response within the stipulated periods or if the client is not satisfied with the outcome of the complaint, before having recourse to the courts the Client may apply to the Arbitro per le Controversie Finanziarie [Securities and Financial Ombudsman] (hereinafter "ACF") or other forms of out-of-court settlement of disputes. For further information, see the section "Reclami" [Complaints] on the website www.mediobanca.com.

Complaints about insurance investment products

Clients who wish to submit a complaint about the distribution of insurance products by Mediobanca must follow the procedure outlined in the previous paragraph (see "*Complaints about financial products*").

On the other hand, Clients who wish to submit a complaint about issues regarding the insurance products themselves must send such request in writing to the Company's complaints offices, at the address indicated in the relative forms provided upon subscription.

The Company must respond within 45 days. If a response is not received within the envisaged deadline or if the result of the complaint is not deemed to be satisfactory, Clients also have the right to contact the IVASS Office, User Protection Service, at Via del Quirinale, 21 - 00187 Rome, attaching the documentation relative to the complaint made to the Company.

B. INFORMATION ON THE INVESTMENT SERVICES OFFERED

The Bank has been authorised by Banca d'Italia to carry out the investment services referred to in Article 1, section 5, of Legislative Decree no. 58 of 24 February 1998 (Testo Unico dell'Intermediazione Finanziaria, hereinafter "**TUF**" [Consolidated Finance Act]), in addition to the relative ancillary services. Mediobanca has also been registered in section D of the Single Register of Insurance Intermediaries since 24 July 2017, under no. D000579754.

In particular, the Bank provides the following services:

- **receipt and transmission of orders**: service through which the Bank receives orders involving financial instruments from Clients and transmits them for execution to an intermediary authorised for proprietary trading and to execute orders on behalf of clients;

- **execution of orders on clients' behalf**: conclusion of agreements regarding the purchase or sale of one or more financial instruments on Clients' behalf;

- **proprietary trading of financial instruments**: purchase and sale of financial instruments as a direct counterparty with Clients. Proprietary trading includes trading in over-the-counter (OTC) derivative financial instruments;

- **placement and distribution**: the Bank provides the service of placement of financial instruments, both its own and those of third parties, also through its network of Branches and Financial Consultants authorised for off-site operations. The Bank also distributes insurance/financial products based on agreements stipulated with insurance companies;

- **non-independent investment advice**[1]: service provided by the Bank on a non-independent basis, through which the Bank provides personalised recommendations with regard to one or more transactions relative to financial instruments or insurance/financial products. The Bank also provides consulting on instruments placed by it. The Bank provides the advisory service concerning investments functionally to the other investment services offered;

- **portfolio management**: the service consists of management, on a discretionary and individualised basis, of investment portfolios that include one or more financial instruments. Upon granting of the portfolio management mandate by the Client, the Bank agrees, upon payment of consideration, to manage the Client's portfolio, through transactions involving the financial instruments, based on said management mandate and in accordance with the relative management line selected. With regard to the

1) Investment advice is classified as "non-independent" when, in providing such an investment service, the Bank, inter alia, accepts and retains fees, commission or other monetary or non-monetary benefits paid or supplied by third parties or by a person acting on behalf of third parties in relation to the provision of the service.

various portfolio management lines, the Bank has delegated to Mediobanca SGR S.p.A., with registered office in Milan, at Piazzetta Bossi 1, part of the Mediobanca Group, the activities involved in management of the assets of its Clients, as well as the related administrative activities;

- **placement without an irrevocable commitment vis-à-vis the issuer**;
- **firm undertaking and/or placement based on an irrevocable commitment vis-à-vis the issuer**.

For further details on the rules and conditions governing the aforesaid investment services, see the relevant contractual forms available at the Bank on the Client's request.

C. INFORMATION ON THE PROTECTION OF CLIENTS' FINANCIAL INSTRUMENTS AND MONEY

C.1 MEASURES TO PROTECT CLIENTS' FINANCIAL INSTRUMENTS AND MONEY

The money held by the Bank follows the bank deposit rules and therefore the Bank does not acquire ownership thereof, without prejudice to the right of the depositing Client to request the return thereof.

In providing investment and ancillary services, the financial instruments held by the Bank on the Client's behalf are placed in deposits opened at the Bank and constitute separate assets, for all purposes, from those of the Bank and those of other Clients thereof. No actions are admitted on these assets by or in the interests of the intermediary's creditors or by or in the interests of the creditors of any depositary or subdepositary thereof. Actions brought by the creditors of individual clients are admitted within the limits of the assets owned by the latter.

Financial instruments represented by paper certificates belonging to the Clients are generally kept by the Bank in suitable safes with access limited solely to personnel authorised to handle and manage such securities. The Bank is authorised to sub-deposit financial instruments, both paper and dematerialised, at centralised depositaries or other authorised entities pursuant to the legislation in force.

If the securities deposited present characteristics of fungibility or when otherwise possible – without prejudice to the Client's responsibility for the formal regularity thereof – the Bank is also authorised to group them together or to allow them to be grouped together by the aforesaid organisations and the Client agrees to receive in return as many securities of the same type and quality.

Moreover, within the scope of the provision of the portfolio management service, the Bank holds the Client's liquidity itself in suitable management accounts and deposits the financial instruments relating to each portfolio in the *omnibus account* opened at the depositary, i.e. an account in which financial instruments relating to a plurality of Clients are placed. It should be noted that the Bank remains responsible vis-à-vis the Client for the Client's money and the financial instruments deposited and sub-deposited as provided for by the relevant contracts applicable. To this end, the Bank:

- periodically monitors the activities of the sub-depositaries, checking the efficiency and the reliability of the service provided by them;
- has adopted suitable procedures to reconstruct each client's position in financial instruments and liquidity at any time;

- regularly reconciles the Client's position with the evidence produced by the depositaries and, possibly, by sub-depositaries.

C.2 INFORMATION ON GUARANTEES AND CLEARING RIGHTS

GUARANTEE RIGHTS

The Bank holds a right of pledge and a right of retention on the securities held by the Client howsoever held by the Bank itself or subsequently received by it, to guarantee any claim, even if not liquid and payable and even if backed by another real or personal guarantee, already existing or held in respect of the Client, represented by the current account debit balance and/or dependent on any bank transaction, such as: loans howsoever granted, opening of credit, opening of documentary credits, advances on securities or goods, advances on loans, discounting or trading in securities or documents, issue of guarantees to third parties, bond deposits, amounts carried over, sale of securities and foreign exchange, intermediation or service transactions. The pledge and retention rights are exercised on the aforesaid securities or parts thereof for sums suitably matched to the claims held by the Bank and in any event not more than twice the sums receivable.

In particular, the assignment of claims and pledges howsoever granted or established in favour of the Bank also guarantees any other claim held by the Bank itself, at any time, even if not liquid and payable, in respect of the same person.

LEGAL AND VOLUNTARY CLEARING

When several relationships or accounts of any kind or nature exist between the Bank and the Client, including deposit accounts and/or relating to the Asset Management Mandate, even if held at Italian and foreign branches of the Bank itself, legal clearing takes place in any event for all purposes. Upon the occurrence of one of the cases provided for by Article 1186 of the Italian Civil Code, or upon the occurrence of events negatively affecting the Client's asset, financial or economic position, so as to jeopardise the recovery of the claim held by the Bank, the latter is also entitled to apply clearing even if the claims, albeit in different currencies, are not liquid and payable, at any time, without any obligation of notice and/or formalities, without prejudice to clearing, which may not be opposed by the Bank's authorisation to write cheques. The Bank will promptly inform the Client in writing. If the account is held by more than one person, the Bank is authorised to assert the guarantee rights described above, up to the amount of the entire claim resulting, even in respect of accounts and relationships held only by some of the joint holders.

C.3 INVESTOR INDEMNITY OR DEPOSIT GUARANTEE SYSTEM

The Bank is required to participate in a deposit guarantee system established and recognised in Italy, in accordance with the provisions of Legislative Decree no. 659 of 4 December 1996. This principle was confirmed by Legislative Decree no. 30 of 15 February 2016, which endorsed the new directive 2014/49/EU. The Fondo Interbancario di Tutela dei Depositi (FITD) is a consortium of banks set up under private law, the activities of which are governed by the Articles of Association and by the Regulation on the functioning of the Company Bodies, as well as Regulations on specific issues. The aim of the FITD is to guarantee the depositors of the consortium banks. The latter agree to prove the financial resources necessary to achieve the objectives of the FITD. The maximum guaranteed amount per depositor is €100,000.00.

The **Bank is a member of the Fondo Nazionale di Garanzia** set up to protect sums receivable by clients from società di intermediazione mobiliare [investment intermediaries] and other

parties authorised to trade in securities. Further information on cover can be found on the website: www.fondonazionaledigaranzia.it.

D. INFORMATION ON CLIENT CATEGORISATION

Italian legislation, in line with the Community provisions, provides for the categorisation of Clients into the following three categories, each of which is granted a different level of protection which is reflected, in particular, in the obligations that each intermediary is required to observe:

- **Retail Clients**

  These are all those Clients not categorised as eligible counterparties or professional clients. Retail Clients are granted the maximum protection with regard, in particular, to the scope of the information that the Bank has to provide, the performance of checks on the "suitability" and "appropriateness" of the services requested/provided and the transactions performed, and the execution of orders on financial instruments under the most favourable conditions (known as *Best execution*).

- **Professional Clients**

  These are persons with experience, competence and knowledge such as to be considered able to make informed decisions on investments and to correctly assess the risks they are assuming. Consequently, for these Clients the legislation provides a lower level of protection both with regard to the assessments of suitability and appropriateness and with regard to the obligations to provide information on the provision of certain services.

  The legislation has identified those categories of persons who, by nature, are deemed to be professional clients (known as **per se professional clients**), distinguishing between public professional Clients and private professional Clients. The former include the Government of the Italian Republic and Banca d'Italia and the latter parties such as banks, investment companies, insurance enterprises, asset management companies, pension funds, institutional investors, stockbrokers, large enterprises[2] and institutional investors whose principal activities involve investing in financial instruments, including entities dedicated to the securitisation of assets or other financial transactions. Then there are parties which, while not belonging to the aforesaid categories, meet certain requirements such that they may need to be regarded as professionals (known as **elective professional clients**).

- **Eligible counterparties**

  These comprise a subset of the category of professional clients, which may only be established with regard to the provision of services involving the execution of orders, proprietary trading and receipt and transmission of orders and services ancillary thereto. The rules of behaviour provided for other categories of investors do not apply to these Clients.

- **Change in categorisation**

2) These are enterprises meeting at least two of the following requirements of size at individual company level: a) balance-sheet total: €20,000,000; b) net turnover: €40,000,000; c) equity: €2,000,000.

The Bank informs Clients of the categorisation attributed to them at the time of opening their accounts, simultaneously informing them of the possible right to request a different categorisation and of the possible limits deriving therefrom in terms of protection granted.

The categorisation originally assigned to the Client may be changed, either on the Bank's initiative (**only with the effect of granting further protection**) or on the request of the Client, who may ask the Bank to be placed in a category offering greater protection (e.g. from professional Client to retail Client) or in a category offering less protection (e.g. from retail Client to professional Client). In such event, the Bank makes an appropriate assessment of the Client's competence, experience and knowledge and is entitled to accept the request or not, informing on the outcome of the assessment made and providing a specific indication of the protections and rights to indemnity that could be lost. It is up to the professional Client to inform the Bank of any changes that might affect their categorisation.

Clients of the Bank's Private Banking Division are all categorised automatically in the category "retail clients", with the sole exclusion of those clients for whom the MIFID legislation provides for categorisation in the category of "eligible counterparties". Initial classification as "retail client" does not exclude the Client's right to ask to move to a less protected category (per se professional client or elective professional client).

The Bank makes an appropriate assessment of the Client's competence, experience and knowledge and is entitled to accept the request or not, informing the Client of the outcome of the assessment made.

Without prejudice to the above, the Private Banking Division, in providing the investment services offered, also carries out, in favour the professional Clients and in their best interests, an assessment of suitability with regard to the profile assigned to the Client in light of the information provided in the document "Modulo per la raccolta di informazione per la profilazione della Clientela" [Form for the collection of information for Client profiling], drawn up pursuant to the Delegated Regulation (EU) 2017/565.

E. INFORMATION ON SUITABILITY/APPROPRIATENESS ASSESSMENT

In order for all clients of the Private Banking Division to **acquire a better knowledge of the Client** characteristics, their requirements, risk tolerance and knowledge of and experience in investments, and in order to **act in their best interests**, the Bank asks the Client, prior to providing the investment service, to complete a questionnaire in order to collect information on the following:

- financial and asset position;
- investment objectives and risk appetite;
- knowledge of and experience in investments.

In view of the purpose of the information collected and as the Bank, in providing investment services, relies on the information supplied by the Client, particular attention must be paid to the completion of the questionnaire so that it is completed in an informed manner and in its entirety, selecting, from the predefined answers, the one that best represents the Client's position.

The information supplied by the Client constitutes an essential aspect for a correct profiling thereof and, consequently, for a correct assessment of suitability of the service provided. The

Client must therefore provide full, specific, truthful and up-to-date information and promptly inform the Bank of any significant changes. In the event of total or partial absence of such information, the Bank shall not provide the service.

It is specified, however, that in the absence of updates to the profile, the questionnaire has a maximum validity of 24 months. If the information required for the suitability assessment is not updated, it will be impossible for the Bank to determine whether the requested instrument and/or service are still suitable for the Client. Following this impossibility, the Bank, following notification to the Client in any form, shall abstain from carrying out the relative purchase/subscription transactions.

Based on the profile attributed to the Client, which is divided into risk profile, timescale and experience and knowledge, and taking into account the nature and characteristics of the service provided and the investment risk, the Bank assesses the suitability of the instrument/service proposed, in the light of the overall portfolio as defined in the relative contracts to which express reference is made, and **does not advise on/recommend transactions that are not suitable**.

The suitability assessment constitutes protection for the investor and therefore seeks to check that the transaction/service offered allows the following criteria to be satisfied:

- it corresponds to the Client's investment objectives, including risk tolerance;
- it is of such a nature that the Client is financially able to bear any risk connected with the investment in accordance with their investment objectives;
- it is of such a nature that the Client has the necessary experience and knowledge to understand the risks inherent in the transaction or in the management of the portfolio;
- it is consistent with the timescale declared by the Client;
- it observes the maximum thresholds of concentration on an issuer determined based on the Client's risk profile;
- it observes the maximum thresholds of holding of complex financial products within the scope of the Client's portfolio.

The investment risk is represented by the possibility that the value of the product or financial instrument acquired may vary over time. **The concept of risk is closely connected with that of return: at higher levels of risk there may be greater prospects of a return but also greater levels of loss.** The risk appetite represents the level of individual tolerance to the possibility that the value of the Client's investment may fluctuate, more or less considerably, over time.

For the purposes of the suitability assessment, the Bank categorises each financial instrument, based on internally agreed criteria.

For Clients of the CIB Division, the Bank, when it does not provide the investment advisory service or the individual portfolio management service, applies the "appropriateness" regime.

The Bank requires such Clients, if they are classified as retail, to fill out a questionnaire for the collection of information on investment knowledge and experience.

Based on the Client's level of knowledge and experience, the Bank assesses the appropriateness of the product or transaction.

For Clients of the CIB Division, the Bank assumes that, with regard to products, transactions and services for which clients are classified as "professional" or "eligible counterparties", said Clients have the necessary level of experience and knowledge to comprehend the risks.

F. INFORMATION ON INSTRUMENTS, FINANCIAL AND INSURANCE PRODUCTS, THE PORTFOLIO MANAGEMENT SERVICE AND RELATED RISKS

F.1 TYPES OF INSTRUMENTS AND FINANCIAL PRODUCTS HANDLED

Depending on the investment service provided, the Bank makes the following types of products and financial instruments available to its Clients, with the description in terms of nature and risks provided in the subsequent paragraphs (the list below is subject to changes also on account of the commercial choices which the Bank reserves the right to make):
- Shares and other equity securities;
- Debt equities;
- Units or shares in UCIs (investment funds and SICAVs);
- Derivative financial instruments;
- Financial products issued by insurance companies;
- Complex financial instruments/products;
- Portfolio management services.

SHARES AND OTHER EQUITY SECURITIES

By acquiring equity securities (the most common securities in this category are shares), clients become shareholders in the issuing company, participating in its economic risk. The possible return connected with holding an equity security is based on the economic trend of the company issuing it and is subject to the resolution of the shareholders' meeting to distribute all or part of the profits. In the event of bankruptcy of the issuing company, shareholders will be paid residually, i.e. after all the credit rights of other holders of interests have been satisfied. Shares differ based on: a) rights they attribute: administrative (such as the right to vote, the right to challenge resolutions of the shareholders' meeting, the right of withdrawal and the option right) and financial/equity-related (dividend right, repayment right); b) legal system of circulation: registered or bearer (the legislation provides for the compulsory registration of all share certificates except for savings shares which may be issued to the bearer).

The risks associated with this type of instrument are the risks of a variation in price and issuer risk.

Other equity instruments include hybrid instruments characterised by their ability to combine some of the characteristics of the bond issues (predetermined coupon payments higher than those of the 'senior' bonds) with those of share issues with no administrative rights (right to vote). In the event of the Issuer's insolvency, the "other equity instruments" are only refunded to shareholders in advance.

DEBT EQUITIES

By acquiring debt equities (the most common of which include bonds), clients become financial backers of the issuing company and are entitled to periodically receive the interest provided for by the regulation on issue and, at maturity, repayment of the loan capital. Interest may be paid periodically, during the lifetime of the security, or at maturity ***(zero coupon)***, in a fixed **(fixed-rate bonds)** or variable amount, depending on the trend of market

rates **(variable-rate bonds)**. When purchasing a bond, it is therefore essential to consider the level of reliability and solvency of the issuer. Depending on the issuer, bonds may be divided into:

a) **government bonds,** i.e. financial instruments issued by national governments, whether in euros or in other currencies, which generally provide for the repayment of the nominal value at maturity and a coupon or zero coupon return. The risk of insolvency of these issuers coincides with the sovereign risk since they are public debt securities;

b) **supranational bonds,** i.e. financial instruments issued by supranational entities that cannot be identified with a single country (such as the World Bank or European Investment Bank). The risk of insolvency of these issuers is generally low;

c) **corporate bonds,** i.e. financial instruments issued by companies incorporated under private law (whether banks or industrial companies), distinguishing between:

- **plain vanilla bonds**: these are bonds that grant the right to receive interest, based on pre-established terms, and at maturity repayment of the capital at the nominal value. They do not present any derivative component;

- **structured bonds**: these are bonds that differ from plain vanilla bonds in that their repayment and/or return are indexed to the price trend of other assets such as shares, government bonds, interest rates, currencies, commodities, units or shares in UCIs, indices or baskets or derivative contracts relating to the aforesaid assets. In particular, they are characterised by the incorporation of derivative instruments into a fixed- or variable-rate debt security. They therefore have a derivative component and are more complex instruments characterised by a higher risk connected with the uncertainty of the return that requires a suitable assessment by the investor;

- **convertible bonds**: these are bonds that may be converted, at the investor's choice and in predetermined periods, into shares (known as converted shares) in the company issuing the bonds themselves or in a third party company. Following conversion, the investor will hold an equity security;

d) **subordinated bonds,** i.e. financial instruments generally issued by credit institutions and investment companies subject to prudential monitoring by the competent authority for which the right of repayment, in the event of the issuer's insolvency, is subordinate to the repayment of the other unsubordinated bonds of the same issuer (see also the information provided in section E.1.1 with regard to the so-called *bail-in* in this respect).

The risks associated with this type of instrument are interest risk, credit spread risk and issuer risk. For large issuers and for states, the level of reliability is mainly represented by the rating, i.e. by an opinion expressed by specialist, independent agencies.

In the case of structured bonds, besides the risks mentioned above, liquidity risk (as it might not be possible to trade these instruments in trading venues) and the risks connected with the derivative component contained should be carefully assessed.

In the case of convertible bonds, besides the risks mentioned above, the price risk relating to the converted share should also be taken into consideration.

In the case of subordinated bonds, besides the risks mentioned above, the risk associated with the type of subordination should also be assessed.

UNITS AND SHARES IN UCIs (INVESTMENT FUNDS AND SICAVs)

The main risks deriving from an investment in units/shares in UCIs are associated with the type of financial instrument in which the fund invests and the investment policy adopted, aspects that are specifically indicated in the Regulations and, if provided, in the Prospectuses or in the KIID, a copy of which is delivered to Clients before subscription.

Participation in a UCI involves risks associated with the possible variations in value of the units, which in turn are affected by fluctuations in the value of the financial instruments in which the UCI's resources are invested. For a correct determination of the risks, one therefore has to be aware of the specific characteristics of each fund and understand its investment policy in particular.

INVESTMENT FUNDS AND SICAVs

The mutual investment fund is an independent asset, belonging to a plurality of members, subdivided into units and managed by an asset management company. The assets managed are independent and separate from those of the individual members and from those of the asset management company. This separation of assets, whose primary aim is to provide a guarantee, allows the fund's assets not to be affected by creditors of the managing company who, in the event of individual actions to protect the claim or in the event of bankruptcy of the company, may only satisfy their credit rights on the company's assets and not on the assets of the subscribers' fund as well.

Participation in a mutual investment fund is effected by subscribing for units of equal value represented by registered or bearer certificates that incorporate equal rights. Each member acquires the right to a share of the assets, proportionate to his contribution to the fund. In that way, he also assumes the risk deriving from the investments made by the manager.

The various types of mutual investment funds present on the market include **real estate investment funds**, which only or mainly invest in real estate and in interests in real estate companies, and **securities investment funds**, which invest in instruments on the securities market (equity securities, debt securities, derivatives, etc.). Securities investment funds may be open-ended or closed-ended:

- **open-ended funds**, in which the subscriber is entitled to request repayment or to supplement the investment at any time;

- **closed-ended funds**, which the subscriber may only join on the date of formation of the fund itself or on pre-established dates; similarly, the repayment of the investment, and further cash contributions, may only be made on pre-established dates. Real-estate investment funds are always closed-ended, owing to the nature of the investments that characterise them.

Investment funds are also divided into:

- **Harmonised UCITS (Undertakings for the collective investment in transferable securities)**: mutual investment funds falling within the scope of application of Directive 2009/65/EC;

- **AIFs (Alternative Investment Funds)**: these are distinguished from harmonised mutual investment funds because they have the possibility of investing in different and even more risky assets than those stipulated for the open-ended funds, notwithstanding the prohibitions and prudential rules on the containment and spreading of risk established by Banca d'Italia. More specifically, an AIF could:

- be invested in financial instruments characterised by a higher degree of complexity and risk, such as units in hedge funds. Real-estate funds may be classified as AIFs, owing to the nature of the investments characterising them;
- present a higher level of concentration of investments (both with regard to the issuing entities and with regard to specific commodity/geographical sectors);
- operate in speculative or hedge derivatives;
- resort more significantly to the use of financial leverage;
- be reserved[3] and in this case participation is reserved for the type of investors specified in the Fund Management Regulations, or non-reserved.

For these reasons, these instruments should be deemed to have a higher risk/return profile not suitable for all types of Clients. AIFs may be reserved.

SICAVs are established in corporate form; therefore, the subscriber acquires the status of shareholder with the possibility of influencing the asset management policy and the company business, by exercising the right to vote.

Investment in mutual funds and SICAVs allows:

- asset management to be assigned to persons performing this task professionally;
- a diversification of investments that is difficult for individual investors to obtain.

EXCHANGE TRADED FUNDS (ETF)

Exchange Traded Funds (ETF) are a particular category of funds or SICAVs characterised by having the same composition as a specific stock exchange index; the certificates representing the units are admitted to trading on a regulated market. In fact, ETFs passively replicate the composition of a market index (geographical, sectoral, share or bond) and consequently also its return. ETFs are divided into physical ETFs, that replicate the benchmark by purchasing the securities forming the basket of the benchmark index with the same weight, and synthetic ETFs which, while committed to replicating the index taken as a benchmark, pursue that result using a swap, or a derivative contract issued by a counterparty.

ETFs are instruments with no guarantee on the capital invested or any predetermined return and as such involve the specific financial risk of the reference market (specific risk and generic risk of the securities forming the basket of underlying securities). In the case of synthetic ETFs, one also has to assess the counterparty risk connected with the particular methods of replicating the benchmark. For ETFs of indices expressed in a currency other than the euro, besides the market risk, one also has to assess the exchange risk.

3) With the entry into force of MEF Decree no. 30 of 5 March 2015, participation in reserved Italian AIFs is also permitted, where provided for by the Fund Regulations, by non-professional investors subscribing for or acquiring units or shares in AIFs for an amount of not less than €500,000 (five hundred thousand euros).

EXCHANGE TRADED COMMODITIES (ETC)

ETCs are financial instruments issued following direct investment by the issuer or in physical goods (in this case, the ETCs are defined as physically-backed) or in derivative contracts on raw materials. In the case of ETCs, one therefore has to assess the counterparty risk. The price of the ETC is connected, directly or indirectly, with the trend of the underlying assets.

DERIVATIVE FINANCIAL INSTRUMENTS

The term "derivatives" indicates the main characteristic of these products: their value derives from the trend of the value of an asset or from the future occurrence of an objectively observable event (the underlying asset). The ratio, which may be determined by mathematical functions, that links the value of the derivative to the underlying asset, constitutes the financial result of the derivative, known as the pay-off. Derivatives are divided into: a) derivatives traded in trading venues; b) derivatives not traded in trading venues, i.e. Over the Counter (OTC).

The risks associated with derivative financial instruments are mainly those relating to the underlying instruments or, potentially, the entire range of financial risks (see also the information provided in section E.2). For a correct determination of the associated risks, one needs to be aware of the specific characteristics of each derivative instrument.

FORWARD CONTRACTS

A forward contract is an agreement between two parties for the delivery of a given quantity of a certain underlying asset at a price (delivery price) and on a date (maturity date) fixed in advance.

The underlying assets may be of various types: a) financial assets, such as shares, bonds, currencies, derivative financial instruments, etc.; b) commodities, such as oil, gold, wheat, etc. The buyer of a forward contract (i.e. the party undertaking to pay the delivery price at maturity to receive the underlying assets) opens a long position, while the seller (i.e. the party undertaking to deliver the underlying asset at maturity to receive the delivery price) opens a short position. The variations in value of the underlying asset determine the risk/return profile of a forward contract, which may be summarised as follows:

- for the buyer of the contract, i.e. the party that has to buy a certain commodity at a certain date and at a price already fixed in the contract, the risk is represented by the depreciation in the commodity. In this case, in fact, it would be forced to pay the price already fixed in the contract for a commodity whose market value is lower than the price to be paid: if the buyer were not bound by that contract, it could be more advantageous to buy the commodity on the market at a lower price. For the opposite reason, if the underlying asset appreciates in values, it will make a profit, as it will pay a fixed price for a commodity that is worth more;

- for the seller of the contract, i.e. the party selling a certain commodity at a certain date and at a price already fixed in the contract, the risk is represented by the appreciation in the commodity. The contractual undertaking, in fact, forces it to sell the commodity at a lower price than the price it would make on the market. On the other hand, it will make a profit if the underlying asset depreciates in value since, thanks to the contract arranged, it will sell the commodity at a higher price than the market price.

The contract may be executed at maturity with:

- the actual delivery of the underlying commodity by the seller to the buyer following payment of the delivery price: in this case, it constitutes a physical delivery;

- payment of the difference in cash between the current price of the underlying asset, at maturity, and the delivery price indicated in the contract. This difference, if positive, will be returned by the seller to the buyer of the contract, and vice versa if negative: in this case, it constitutes a cash settlement.

The main types of forward contracts are as follows:

a) forward contracts

Forward contracts are characterised by the fact that they are arranged outside trading venues. The delivery price is also known as the forward price. In forward contracts, the only cash flows take place at maturity, when the buyer receives the underlying commodity in exchange for the price agreed in the contract (physical delivery), i.e. the two parties exchange the difference between the market price of the assets at maturity and the delivery price indicated in the contract which, if positive, will be payable by the seller to the buyer and vice versa if negative (cash settlement). This type of contract includes currency forward contracts.

b) futures contracts

These are differentiated from forward contracts by the fact that they are standardised and traded in trading venues and have the clearing house as the sole counterparty (in Italy, Cassa di Compensazione e Garanzia – CC&G). Their price, which, like all listed securities, is the result of trading, is also known as the future price. The future price corresponds to the delivery price of the forward contracts but, since they are listed, is not specifically contracted between the parties since, like all listed securities, it is the result of the purchase bids made by a party wishing to buy meeting the sale bids made by a party wishing to sell. It is generally indicated in "index points". The underlying asset may be a financial asset, **financial futures** or **commodities futures**. At the time of sale of the contract, the two parties have to pay CC&G the initial margins that will be returned at maturity. Each day, CC&G calculates the difference between the value of the contract that day and the value of the contract on the previous day and requests payment of the margin of variation by the party accruing the loss. This mechanism will be repeated at maturity of the contract.

SWAPS

In swaps, two parties agree to swap payment flows (also known as cash flows) at certain dates. Payments may be expressed in the same currency or in different currencies and the amount thereof is determined in relation to an underlying asset. Swaps are OTC (over-the-counter) contracts and, therefore, not traded in trading venues. The underlying asset may be of various types and considerably influences the characteristics of the contract which may, in practice, take different forms. It is precisely the variation in the value of the supply that generates the risk/return profile: the party that is bound by a supply whose value has depreciated compared to the initial value (and therefore compared to the consideration) will make a profit and vice versa.

At maturity of the contract, the contractual financial obligations may be extinguished by crediting/debiting a sum equal to the profit/loss deriving from the position matured (***cash settlement***) or with the physical delivery/withdrawal of the underlying asset (***physical delivery***).

OPTIONS

An option is a contract that attributes the right, but not the obligation, to buy (call option) or sell (put option) a given quantity of (underlying) assets at a pre-fixed price (strike price) by a certain date (expiry or maturity), in which case it constitutes an American option, or the achievement thereof, in which case it is a European option.

The asset underlying the option contract may be: a) a financial asset, such as shares, bonds, currencies, derivative financial instruments, etc.; b) a commodity, such as oil, gold, wheat, etc.; c) an event of varying types.

The buyer, following payment of a sum of money known as the premium, buys the right to sell or buy the underlying asset. The seller receives the premium and, in return, is required to sell or buy the underlying asset on the buyer's request. Execution of the contract for certain types of options may be effected:

- with actual delivery of the underlying asset, which is known as physical delivery;
- with the delivery of the difference in cash between the current price of the underlying asset and the strike price (cash settlement).

Buying an option is a highly volatile investment and there is a very high probability that the option will be of no value at maturity. In this case, the maximum loss for the investor is given by the premium paid plus the commission paid to the intermediary. The sale of an option generally gives rise to a higher risk as the losses that may be sustained by the seller, in the event of an unfavourable market trend, may be potentially unlimited.

CERTIFICATES

Certificates are derivative financial instruments traded in trading venues that replicate the trend of the underlying assets, with or without leverage effect. Based on the classification proposed by ACEPI[4], they are divided into:

- **protected/guaranteed equity instruments**: these are instruments that allow a client to bid on the increase (or decrease) in the underlying assets by protecting the capital invested against possible decreases (or increases). The level of protection is defined at the time of issue of the product, so as to offer total protection (100%) or partial protection of the capital invested (e.g. 90%, 80% or lower). The protection threshold therefore establishes the minimum amount of capital invested that may be recovered or, conversely, in the event of partial protection, the maximum amount of capital invested that may be lost;
- **conditionally protected equity instruments**: these are instruments that allow a client to bid on the increase in the underlying assets and at the same time protect the capital invested (but only if the underlying assets do not reach the protection barrier) and, for some types of certificates, allow a profit to be made even in the event of small decreases. These are therefore investment products for which the efficacy of the protection mechanism is subject to the underlying assets not reaching a certain barrier level. This barrier is fixed at the time of issue below the level of the underlying assets, generally at 30% or 40%;
- **unprotected equity instruments**: these products allow the bearers to invest in a specific underlying asset, being exposed to the performance achieved by it, whether

4) ACEPI (Associazione Italiana Certificati e Prodotti di Investimento [Italian Association of Certificates and Investment Products]), which includes the main issuers of structured products.

downwards or upwards, proportionately or more than proportionately. The assets underlying these certificates are usually indices, commodities, baskets and more generally underlying assets not easily achievable by an individual investor with a direct investment;

- **leverage instruments**: also known as leverage certificates, these may be bull or bear. Bull leverage certificates are financial instruments that allow the investor to assume a bullish position on the underlying assets by using just a portion of the value requested to buy them. Bear leverage certificates are financial instruments that allow the investor to assume a bearish position on the underlying assets: buying a certificate with bear leverage is financially equivalent to selling the underlying assets short and simultaneously placing a deposit with the issuer equal to the amount corresponding to the strike price, for a period coinciding with the residual life of the certificate.

WARRANTS AND COVERED WARRANTS

Warrants are negotiable financial instruments that grant the holder the right to subscribe for, buy or sell, at or by the maturity date, a certain quantity of financial instruments (generally shares).

Covered warrants are derivative financial instruments issued by a financial intermediary granting the buyer the right to buy (covered warrant call) or sell (covered warrant put) an underlying asset at a pre-established price (strike price) at (or by) a pre-fixed maturity date.

COMPLEX FINANCIAL INSTRUMENTS/PRODUCTS

In general, complex instruments/products are characterised by:

- optional elements (relating to one or more risk factors), conditions or mechanisms for amplifying the trend of the underlying assets (leverage effect) in the form of determining the pay-off of the financial product; and/or

- limited observability of the underlying assets (e.g. proprietary indices, portfolios of securitised loans, assets not traded on transparent markets) with the resulting difficulty in valuing the instrument; and/or

- illiquidity (e.g. an instrument not traded in any trading venue) or difficulties in liquidation of the investment (e.g. lack of institutional counterparties on the market, high costs of release, barriers to exit).

With Notice no. 0097996/2014, Consob listed several financial products of high complexity (Grey List). In this list, Consob also identified products of very high complexity not normally suitable for retail Clients (Black List).

Financial products of very high complexity not suitable for retail clients (Black List)	i. financial products deriving from loan securitisation transactions or transactions involving other assets (e.g. Asset Backed Securities) ii. financial products for which, upon the occurrence of certain conditions or on the issuer's initiative, the conversion into shares or reduction in the nominal value is provided for (e.g. Contingent Convertible Notes, products classifiable as Additional Tier I pursuant to Article 52 of EU Regulation no. 575/2013 (known as CRR)) iii. credit-linked financial products (exposed to a third party credit risk) iv. derivative financial instruments referred to in Article 1, paragraph 2, letters d) to j) of the TUF, not traded in trading venues, for non-hedging purposes v. structured financial products, not traded in trading venues, whose pay-off does not render full return of the capital invested by the client at maturity

	certain
Financial products of very high complexity	vi. derivative financial instruments referred to in Article 1, paragraph 2, letters d) to j) of the TUF other than those referred to in point iv vii. financial products with pay-offs linked to the indices that do not observe the ESMA guidelines of 18 December 2012 on ETFs viii. perpetual bonds ix. alternative UCIs x. structured financial products, traded in trading venues, whose pay-off does not render full return of the capital invested by the client at maturity certain xi. financial products with leverage greater than 1 xii. UCITS referred to in Article 36 of EU Regulation no. 583/2010 (i.e. structured UCITS providing investors with a pay-off, on certain pre-established dates, based on an algorithm and linked to the return, to the development of the price or to other conditions of financial assets, reference indices or portfolios, or UCITS with similar characteristics) as well as class III or V policies with similar characteristics.

FINANCIAL PRODUCTS ISSUED BY INSURANCE COMPANIES

The degree of risk of the financial insurance product depends both on the type of underlying asset and on the presence or otherwise of guarantees of return of the capital or of a minimum return on investment. Financial insurance products are divided into:

a) index-linked policies

Index-linked policies are life insurance contracts in which the value of the benefits is linked to the trend of a specific index or another benchmark which may be a share market index/security or a basket of indices or securities. The investor therefore assumes the risk associated with the trend of this benchmark.

Index-linked policies generally provide a guarantee of return of the capital invested at maturity and are therefore also subject to the issuer risk.

b) unit-linked policies

Unit-linked policies are contracts in which the amount of the sum insured depends on the trend of the value of the units of internal insurance funds/UCIs in which the premiums paid are invested and give rise to the risks connected with the variations in value of the units themselves, which are in turn affected by fluctuations in the price of the financial instruments in which the fund's resources are invested.

c) endowment policies

An endowment policy is a contract whereby the investor assigns a specific sum of money to the insurance company which, through separate management, undertakes to return it on a predetermined date, capitalised and increased by the interest accrued over the term of the contract, the return not being affected by any reference to the lifetime of the policyholder or other parties. In short, the capital invested is revalued annually, based on the returns on the investments made by the separate management, taking the guaranteed minimum into account, if present. The insurance company may be required to effect payment in a single instalment or as a life annuity.

This type of policy does not present the risk of loss of capital if minimum guarantees of return are provided by the insurance company. If the endowment policy is associated with an internal insurance fund or a benchmark, however, the same risks as those described for unit-linked policies or index-linked policies are present.

F.2 DISCLOSURE ON RELATED RISKS

This section provides Clients and potential Clients with basic information on the nature and risks connected with investments in: a) financial instruments; b) derivative financial instruments; c) financial insurance products; and a brief description of the financial products/services supplied by the Bank.

GENERAL WARNINGS

Before investing in financial instruments, the investor must obtain information from the Bank on the nature and risks of the transactions that are being considered. The investor must only close a transaction if he has properly understood the nature and level of exposure to risk involved. To that end, the Bank makes the relevant documentation available to Clients before closing a transaction.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL INSTRUMENTS

To assess the risk deriving from an investment in financial instruments, the following aspects must be borne in mind:

- the variability in the price of the financial instrument;
- the liquidity;
- the currency in which it is denominated;
- the degree of complexity of the financial instrument;
- the other factors that constitute a source of general risks.

A separate discussion must be held on derivative financial instruments and structured bonds forming a derivative part and with regard to financial insurance products.

VARIABILITY OF PRICE

The price of each financial instrument depends on many factors and may vary to a greater or lesser extent depending on the nature thereof.

SPECIFIC RISK AND GENERIC RISK

Both for equity securities and for debt securities, the risk may be ideally broken down into two components: the specific risk and the generic (or systematic) risk. The specific risk depends on the issuer's particular characteristics and may be substantially reduced by subdividing the investment into securities issued by different issuers (portfolio diversification), while the systematic risk represents that part of variability of the price of each security that depends on the market fluctuations and cannot be eliminated by diversification. The systematic risk for equity securities traded on an organised market originates from the market changes in general; changes that may be identified in the movements of the market index. The systematic risk of debt securities originates from fluctuations in market interest rates that affect the prices (and therefore the returns) of securities to a greater extent the longer the residual

life (the residual life of a security at a certain date is represented by the period of time remaining between that date and the time of its repayment).

ISSUE RISK

For investments in financial instruments, one has to assess the solid equity position of the issuing companies and their economic prospects taking into account the characteristics of the sectors in which they operate.

One has to consider that the prices of **equity securities** reflect the average expectations of market operators on the prospects of a profit made by the issuing enterprises at any time. With regard to **debt securities**, the risk that the issuing companies or financial entities are unable to pay the interest or repay the capital loan is reflected in the amount of interest that these bonds guarantee for the investor. The higher the perceived risk of the issuer, the higher the interest rate the issuer will have to pay the investor. To assess the suitability of the interest rate paid by a security, one must take into account the interest rates paid by issuers whose risk is considered to be lower, particularly the return offered by government bonds, with regard to issues with the same maturity.

RISKS DERIVING FROM THE APPLICATION OF MEASURES TO REDUCE OR CONVERT EQUITY INSTRUMENTS AND/OR BAIL-IN MEASURES

Within the scope of the issuer risk concerning financial instruments issued by banks, acquired either within the scope of investment service agreements or within the scope of the portfolio management contract, the investor must also take into account the so-called bail-in introduced by the European legislation on the prevention and management of banking crises (European Directive 2014/59/EU "Banking Resolution and Recovery Directive", introduced into the Italian legal system with Legislative Decrees nos. 180 and 181 of 16 November 2015).

Based on that Directive, among the instruments for managing banking crises and investment companies, measures have been provided for in particular to reduce and convert shares and other equity instruments (including subordinated bonds) and resolution measures, to which the Resolving Authorities (in Italy Banca d'Italia) may have recourse when the procedure for reducing or converting shares and other equity instruments does not allow the intermediary's state of serious difficulties or risk of serious difficulties to be remedied. Among these resolution measures, the bail-in consists in reducing shareholders' and creditors' rights, with the possibility of setting the nominal value at zero, or in converting their rights into equity in order to absorb the losses and recapitalise the bank experiencing difficulties. Bail-in is applied following a hierarchy whose logic provides for the person investing in more risky financial instruments to sustain any losses or conversion to shares before the others. Only after exhausting all the resources of the most risky category is the following category involved.

More specifically, the order of priority in the event of recourse to bail-in is as follows: i) shares; ii) other equity securities; iii) subordinated bonds; iv) bonds and other admissible liabilities, including deposits of more than €100,000 made by persons other than natural persons and small and medium-sized enterprises; v) deposits made by natural persons and small and medium-sized enterprises of sums exceeding €100,000.

Investors subscribing to or acquiring the aforesaid financial instruments issued by banks, by parent companies of banking groups, by companies belonging to banking groups with offices in Italy, in other member states of the European Union or even non-EU countries but operating in Italy or in the territory of the European Union through a branch or by investment companies must therefore consider their investment to be exposed to the risks indicated,

even if the financial instruments were acquired prior to the date of entry into force of the measures to reduce or convert equity securities or the bail-in measures (1 January 2016).

Details of the main instruments involved in and excluded by the bail-in are provided below.

Instruments involved in and excluded from Bail-in	
Instruments involved	◆ Shares and units in banks and investment companies ◆ Warrants ◆ Bank and investment company bonds ◆ Subordinated securities ◆ Repurchase agreements ◆ Bearer certificates of deposit ◆ Deposits not protected by the deposit guarantee system (i.e. for sums exceeding €100,000) ◆ Derivative contracts
Instruments excluded	◆ Deposits protected by the deposit guarantee system (i.e. for sums up to €100,000) ◆ Liabilities guaranteed, including guaranteed bank bonds and other instruments guaranteed ◆ Liabilities deriving from the holding of Client assets or under a fiduciary relationship, e.g. the contents of a safe deposit box or securities held in a suitable account ◆ Interbank liabilities (excluding intragroup relations) with an original term of less than 7 days ◆ Liabilities deriving from participation in payment systems with a residual term of less than 7 days ◆ Sums payable to employees, trade payables and tax payables, provided they are privileged by the bankruptcy legislation
Exceptional exclusions	◆ Assets which, included in the bail-in, undermine the stability of the financial/economic system (asset positions of senior authorities/companies with national influence) ◆ Complex assets which, if used in the bail-in practice, would lengthen the execution times ◆ Assets which, if included in the bail-in, would destroy value, with worse consequences for the other creditors as well.

INTEREST RISK

With regard to **debt securities**, the investor must take into account the fact that the actual measurement of interest is constantly adapted to the market conditions by variations in the price of the securities themselves. The return on a debt instrument will only be close to that incorporated into the security itself at the time of purchase if the security itself is held by the investor to maturity. If the investor needs to release the investment before the security matures, the actual return could be different from that guaranteed by the security at the time of purchase.

In particular, for securities providing for the payment of pre-defined interest that may not be altered over the term of the loan (fixed-rate securities), the longer the residual life the greater the variability in the price of the security itself in relation to variations in the market interest rates. For example, consider a zero coupon security – a fixed-rate security that provides for the payment of interest in a single instalment at the end of the period – with a residual life of 10 years and a return of 10% per annum; the increase in market rates by one percentage point gives rise to a reduction in price of 8.6% for the aforesaid security.

It is therefore important for the investor, in order to assess the suitability of his investment in this category of securities, to check when he may need to release the investment.

RISK DIVERSIFICATION

As pointed out, the specific risk of a particular financial instrument may be reduced by diversification, i.e. by subdividing the investment into several financial instruments. Diversification may prove costly and difficult to implement for an investor with limited assets, however. Investors may achieve a high degree of diversification at low cost by investing their funds in units or shares of collective investment undertakings (mutual investment funds, variable-capital investment companies (SICAV) or fixed-capital investment companies (SICAF)). These undertakings invest the funds paid in by savers among the various types of securities provided for by the regulations or investment programmes adopted.

It should be pointed out that **investments in these types of financial instruments may be risky**, however, owing to the characteristics of the financial instruments in which they plan to invest (e.g. funds only investing in securities issued by companies operating in a particular sector or in securities issued by companies domiciled in certain States) or owing to an insufficient diversification of investments.

LIQUIDITY

The liquidity of a financial instrument consists of its ability to be converted quickly into cash without impairment. This depends firstly on the characteristics of the market on which the security is traded. In general, with other conditions being equal, **securities traded on markets are more liquid than securities not traded on those markets**, since the supply and demand for securities is largely carried on those markets and therefore the prices recorded thereon are more reliable as indicators of the actual value of the financial instruments.

Several types of financial instruments are liquid not owing to the existence of a secondary market but owing to the fact that the party managing them or acting as the client's counterparty at the time of liquidation assumes specific contractual obligations to buy back the product or to convert the product itself into cash at objectively defined prices, without penalisation and with predetermined timing (e.g. mutual open-ended investment funds, bonds for which the issuer assumes the obligation to buy them back from the client under predefined conditions).

One should therefore take into consideration the fact that the release of illiquid products and the performance of transactions outside the organised markets may cause higher risks to be assumed by the investor, taking into account the difficulties in selling in reasonable periods and/or the possibility of selling at a price that does not represent the actual value of the product itself, or penalisation in economic terms in general.

THE CURRENCY IN WHICH IT IS DENOMINATED

If a financial instrument is denominated in a currency other than the investor's reference currency, typically the euro for an Italian investor, in order to assess the overall risk of the investment one has to take into account the volatility of the exchange rate between the reference currency (euro) and the foreign currency in which the investment is denominated, as the trend of exchange rates may condition the overall result of the investment and may also result in significant losses of the capital invested. This is particularly true for the currencies of the so-called emerging countries, which are typically more volatile.

OTHER FACTORS CONSTITUTING A SOURCE OF GENERAL RISKS

MONEY AND SECURITIES DEPOSITED

The investor may obtain information on the protection provided for sums of money and securities deposited for the performance of transactions, particularly in the event of the intermediary's insolvency. The possibility of recovering possession of money and securities deposited could be conditioned by particular legislative provisions in force in the places in which the depositary has offices, as well as the guidelines of bodies which, in cases of insolvency, are attributed powers to settle the asset positions of the party experiencing difficulties. See section A.6 in this respect.

COMMISSION AND OTHER CHARGES

Before commencing operations, the investor must obtain detailed information on commissions, expenses and other charges payable to the intermediary. This information must be included, however, in the contracts on the investment services or in the information provided on the financial product. The investor must always take into consideration the fact that these charges should be deducted from any profits made in the transactions performed while they will be added to any losses incurred.

TRANSACTIONS PERFORMED ON MARKETS DOMICILED IN OTHER JURISDICTIONS

Transactions performed on markets domiciled abroad, including transactions on financial instruments traded even on domestic markets, could expose the investor to additional risks. These markets could be regulated in such a way as to offer reduced guarantees and protection for investors. Before performing any transaction on these markets, investors should obtain information on the rules concerning these transactions. One should also consider that, in such cases, the supervisory authority will be unable to ensure observance of the rules in force in those jurisdictions where the transactions are performed. The investor should therefore obtain information on the rules in force on those markets and any actions that may be undertaken with regard to such transactions.

ELECTRONIC SYSTEMS SUPPORTING TRADING

The trading systems are supported by computerised systems for the order routing procedures, for cross-referencing, recording and clearing transactions. Just as all automated procedures, the systems described above may suffer temporary outages or be subject to malfunctioning.

The possibility for the investor of being indemnified for losses deriving directly or indirectly from the events described above could be jeopardised by limitations of liability established by the suppliers of the systems or by the markets. The investor should obtain information from the intermediary on the aforesaid limitation of liability connected with the transactions under consideration.

INCREASES IN CAPITAL KNOWN AS HYPERDILUTING INCREASES

Pursuant to Consob Notice no. 0088305 of 5 October 2016, hyperdiluting increases are increases in capital with option rights characterised by the issue of a very high number of shares compared to the number of shares in circulation at a highly discounted price in relation to the market price. Investors acquiring option rights to the shares resulting from a hyperdiluting increase in issuers' capital with shares listed in Italy may exercise these option rights and receive new shares before the end of the increase in capital. The delivery of new

shares before the end of the increase in capital may, however, cause the investor to forfeit the right of revocation provided for by Article 95-*bis*, paragraph 2, of the Consolidated Finance Act. To prevent the investor from unknowingly forfeiting the right of revocation, the Bank delivers the new shares at the end of the increase in capital, unless the investor expressly requests early delivery.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are characterised by a very high risk that cannot be assessed by the investor due to the complexity thereof.

Investors must therefore only close transactions in such instruments after understanding the nature and the degree of exposure to the risk involved. One should consider that, in general, trading in derivative financial instruments is not suitable for many investors. Once the risk of the transaction has been assessed, the investor and the intermediary must check whether the investment is suitable for the investor, particularly with regard to asset position, investment objectives and experience in the field of investments in derivative financial instruments.

Several risk characteristics of the most common derivative financial instruments are illustrated below.

FUTURES

LEVERAGE EFFECT

Transactions in futures involve a high degree of risk. The amount of the initial margin is lower (by a few percentage points) than the value of the contracts and this produces the so-called "leverage effect". This means that a relatively small movement in market prices will have a proportionately greater impact on the funds deposited with the intermediary: this result may be unfavourable or favourable to the investor. The margin initially paid, as well as further payments made to maintain the position, may consequently be lost completely. If the market movements are unfavourable to the investor, he may be called upon to deposit further funds at short notice in order to keep the position in futures open. If the investor fails to make the additional payments requested within the specified period, the position may be sold at a loss and the investor will owe any other liabilities arising.

ORDERS AND STRATEGIES AIMED AT REDUCING THE RISK

Several types of orders aimed at reducing losses within certain predetermined maximum amounts may prove ineffective as particular market conditions could make it impossible to execute such orders. Investment strategies that use combinations of positions, such as "standard combined positions", could also have the same risk of individual "long" or "short" positions.

OPTIONS

Transactions in options involve a high level of risk. Investors intending to trade in options must first understand the functioning of the types of contracts which they intend to trade in (put and call).

PURCHASE OF AN OPTION

Purchasing an option is a highly volatile investment and there is a very high probability that the option will reach maturity without any value. In this case, the investor will have lost the entire sum used to buy the premium plus commission.

Following the purchase of an option, investors may, for "European" options, maintain the position to maturity or perform an opposite transaction, or, for "American" options, exercise it before maturity.

Exercising the option may give rise either to the payment of a difference in cash or to the purchase or delivery of the underlying assets. If the option relates to futures contracts, exercising the option will give rise to the assumption of a position in futures and the related obligations concerning adaptation of the guarantee margins.

An investor considering purchasing an option relating to an asset whose market price is very different from the price at which it would be advisable to exercise the option (deep out of the money) should consider the possibility that exercise of the option for a profit is remote.

SALE OF AN OPTION

The sale of an option generally involves the assumption of a much higher risk than the risk involved in purchasing it. In fact, even if the premium received for the option sold is fixed, the losses that may be borne by the seller of the option may be potentially unlimited. If the market price of the underlying assets moves unfavourably, the seller of the option will be required to adapt the guarantee margins in order to maintain the position assumed. If the option sold is an "American" one, the seller may be called upon at any time to settle the transaction in cash or to buy or deliver the underlying assets. If the option sold relates to futures contracts, the seller will assume a position in futures and the related obligations concerning adaptation of the guarantee margins.

The seller's exposure to the risk may be reduced by holding a position on the underlying assets (securities, indices or other) corresponding to that with regard to which the option was sold.

OTHER RISK FACTORS COMMON TO FUTURES AND OPTIONS

CONTRACTUAL TERMS AND CONDITIONS

Investors must obtain information from their intermediaries on the terms and conditions of the derivative contracts on which they intend to trade. Particular attention should be paid to the conditions on which the investor is required to deliver or receive the assets underlying futures contracts and, with regard to options, the maturity dates and procedure for the exercise thereof. In certain particular circumstances, the contractual conditions could be amended by decision of the market supervisory authority or clearing house[5] in order to incorporate the effects of changes concerning the underlying assets.

5) The authority managing clearing transactions on a regulated market, reducing the risk of default on transactions. A person participating in a regulated market pays a registration fee and in return obtains membership in a clearing house which always guarantees the solvency of the counterparty.

SUSPENSION OR LIMITATION OF EXCHANGE AND RATIO BETWEEN PRICES

Special conditions of market illiquidity and the application of certain rules in force on several markets (such as suspensions deriving from irregular price movements known as circuit breakers) may increase the risk of losses, making it impossible to perform transactions or to liquidate or neutralise positions. In the case of positions deriving from the sale of options, this could increase the risk of sustaining losses.

FOREIGN EXCHANGE RISK

Profits and losses relating to contracts denominated in currencies other than the reference currency for the investor (typically the euro) could be conditioned by exchange-rate variations.

TRANSACTIONS ON DERIVATIVE INSTRUMENTS PERFORMED OUTSIDE TRADING VENUES

Intermediaries may perform transactions on derivative instruments outside of trading venues (regulated markets, multilateral trading systems, organised trading systems). The intermediary to whom the investor applies could also act as the Client's direct counterparty (i.e. act on its own behalf). For transactions performed outside of trading venues, it may prove difficult or impossible to sell a position or to assess the actual value thereof or to assess the actual exposure to risk.

For these reasons, these transactions may involve the assumption of higher risks.

The rules applicable to these types of transactions could therefore be different and provide less protection for the investor.

Before performing these types of transactions, investors must obtain all significant information on them, the rules applicable and the resulting risks.

SWAPS

Swap contracts involve a high degree of risk. There is no secondary market and no standard form for these contracts. There are, at the most, standardised Contract models that are usually adapted in detail to each individual case. For these reasons, it might not be possible to terminate the Contract before the agreed maturity, without incurring high charges. On arranging the contract, the value of a swap is always nil, but it may quickly assume a negative (or positive) value depending on how the benchmark to which the Contract is linked moves. Before signing a Contract, investors must be sure that they have properly understood how and how quickly the variations in the benchmark are reflected in determining the differences they will have to pay or receive.

In certain situations, investors may be called upon by the intermediary to pay guarantee margins even before the date for the settlement of differences.

For these contracts, it is particularly important that the transaction counterparty has a solid asset position since, if the Contract gives rise to a difference in favour of the investor, such a difference can only actually be received if the counterparty is solvent.

If the Contract is arranged with a third party counterparty, the investor must obtain information on the third party's standing and ensure that the intermediary will assume liability if the counterparty becomes insolvent.

If the Contract is arranged with a foreign counterparty, the risks of correct performance of the Contract may increase depending on the rules applicable to each particular case.

GENERAL RISKS ASSOCIATED WITH INVESTMENTS IN FINANCIAL INSURANCE PRODUCTS

Financial insurance products comprise two separate components: insurance and financial. The insurance component derives from the nature of life policies as provided for by the Italian Civil Code and by the monitoring regulations. The financial component, on the other hand, derives from the fact that the insurance company invests the net premiums received from subscribing Clients in underlying financial instruments (e.g. bonds possibly combined with options, mutual investment funds, etc.). Therefore, with regard to the underlying financial instruments, the insurance policy will be subject to the risks recalled in the previous sections, where applicable.

A combination of the two components, combined with the variety of the types of contracts regulating these products, generate different degrees of risk that require the Client to initially understand the functioning and characteristics of the financial insurance products under consideration.

Further aspects that must be taken into consideration include the aspects connected with the possible lack of liquidity of the investment, possible costs of subscribing to the product or penalties existing in the event of early redemption.

It should be noted that the distribution of these products to the public is subject to prior submission of the Key Information Document (KID) containing all the characteristics, information and risks relating to the product. Before subscribing to a financial insurance product, the Client or potential Client should read all the information contained in the aforesaid documentation.

PORTFOLIO MANAGEMENT

The portfolio management service allows investors to make use of the knowledge and experience of professionals in the sector in choosing financial instruments in which to invest and perform the relevant transactions. Investors may guide the risk of the management service by defining by contract the limits within which management choices should be made. These limits, considered overall, define the characteristics of a **line of management** and must be set out in the appropriate written Contract. Investors must obtain full information from the intermediary on the characteristics and degree of risk of the line of management they intend to select and should only conclude the Contract if they are reasonably sure that they have understood the nature of the line of management and the degree of exposure to risk it involves. Before concluding the Contract, after assessing the degree of risk of the line of management selected, the investor and the intermediary must assess whether the investment is suitable for the investor, particularly with regard to asset position, investment objectives and experience and knowledge in the field of investments in financial instruments.

The risk of a line of management depends on the following:

- **the categories of financial instruments in which the Client's capital may be invested and the limits stipulated for each category**: the risk characteristics of a line of management will tend to reflect the risk of the financial assets in which they may be invested, in relation to the portion represented by those instruments of the capital managed. For an assessment of the risk of investing in financial instruments, see the information provided in the section "General risks associated with investments in financial instruments". More specifically, it is noted that, if the line of management subscribed for provides for the possibility of investing in financial instruments issued by banks, the investor should take

into account, for the purposes of assessing the risk of the line of management, the impact of so-called bail-in on the issuer risk (see the information provided in section E.1.1 in this respect);

- **the degree of financial leverage that may be used within the scope of the lines of management.** Financial leverage measures the number of times the equivalent value of the financial instruments held for management on the Client's behalf may be increased compared to the capital held by the Client himself. It should be noted that, for many investors, **financial leverage equal to one should be considered appropriate**. In this case, in fact, it does not affect the risk of the line of management. The increase in the financial leverage used gives rise to an increase in risk in the line of management. Therefore, before considering financial leverage greater than one, besides assessing the suitability thereof with the intermediary with regard to his own personal characteristics, an investor should:

  a. indicate in the management contract the maximum limit of losses at which the intermediary is required to return financial leverage to a value equal to one (i.e. to close the positions financed);

  b. understand that minor variations in the prices of the financial instruments present in the portfolio managed may give rise to variations that become higher as the measurement of financial leverage used increases and that, in the event of negative variations in the prices of the financial instruments, the value of the capital may fall considerably;

  c. understand that the use of financial leverage of greater than one may, in the event of negative management results, give rise to losses even exceeding the capital assigned for management and that, therefore, the investor could find himself in a situation of debt to the intermediary.

"Financial leverage" refers to the ratio of market value of the net exposure in financial instruments and the value of the assets entrusted to the Bank and which are the subject of the Management Service, calculated based on the reporting criteria envisaged pursuant to Art. 13; for measurement of the same, the transactions carried out and not yet settled contribute to determining the market value of the net positions in financial instruments based on the value date, i.e. at the date of their settlement.

Financial leverage is a number equal to or greater than one. The Client declares to be fully aware that the use of financial leverage of greater than one involves an increase in risk and may, in the event of negative management results, give rise to losses even exceeding the capital assigned for management and that, therefore, the Client could find himself in a situation of debt to the Bank.

With regard to the maximum financial leverage that may be used by the Bank, the Management Characteristics envisage, if the Bank is authorised to use financial leverage, the maximum usable leverage and the maximum limit of losses of 30% of the value of the portfolio calculated at the beginning of the year, at which point the Bank is required to bring the financial leverage back down to a value of one.

G. INFORMATION ON COSTS, CHARGES AND INCENTIVES ASSOCIATED WITH THE PROVISION OF SERVICES

If required by the legislation and as agreed by contract, the Bank provides the Client in good time with full information on the costs and charges relating to the financial instruments and the investment or ancillary service provided, including any incentives received by the Bank in relation to the service provided and the overall effect of the costs on the equivalent value of the transaction. This information will be provided for the Client before providing the investment or ancillary service.

If required by the legislation and in the event of an ongoing relationship with the Client, the Bank sends the Client an annual personalised report on the costs of the investment services and financial instruments, indicating the aggregate total costs charged to the Client during the reference period. On the Client's request, this information is also supplied in analytical form.

H. INFORMATION ON THE MANAGEMENT OF CONFLICTS OF INTEREST

The Bank is required to take all appropriate measures to identify, prevent and properly manage conflicts of interest that may arise between the Bank and its clients or among two or more clients during the course of providing services by Mediobanca.

A summary of the "Policy on the management of conflicts of interest in providing banking and investment services and activities, ancillary services and lending and deposit activities" (the "Policy") adopted by the Bank is provided below. **Whenever requested by the Client, further details on the policy on conflicts of interest will be provided by the Bank on a durable medium.**

The Policy describes the methods of identification, prevention and management of conflicts of interest, even potential, which, by impacting Mediobanca's capacity to act independently, could damage the interests of one or more of the Bank's clients.

Correct and timely identification and management of conflicts of interest that may arise in the provision of services is, in addition to being necessary in order to comply with the aforementioned provisions of law, of fundamental importance for the protection of the interests of customers and to safeguard the Bank's reputation.

The Policy takes into consideration all sectors of activity and types of economic relationships with regard to which conflicts of interest could arise. In identifying potential conflicts of Mediobanca, the foreign branches and subsidiaries are considered as well, with regard to the investment and ancillary services and lending and deposit activities provided by the Group.

Conflict of interest

Conflict of interest is a situation in which the Bank, in providing an investment or ancillary service, or a lending or deposit service, may harm a client's interests in favour of its own interests or those of another client.

Conflicts can be divided into "internal conflicts", i.e. situations in which the Bank could damage the interests of a client for the benefit of its own interests, or "external conflicts", i.e. situations in which the Bank could damage the interests of a client for the benefit of those of another client.

Situations of conflict of interest include cases in which, following performance of a service, the Bank:

- could achieve a financial profit or avoid a financial loss, to the detriment of the client;
- has an interest in the result of the service provided to the client which is different from that of the client;
- has a financial or other incentive to favour the interests of different clients that the client for which the service is provided;
- carries out the same business as the client;
- receives or may receive an incentive, from someone other than the client and in relation to the service provided to said client, in the form of monetary or non-monetary benefits or services, other than the commissions or fees normally received for such a service.

In providing the service to the client, Mediobanca, within the limits of the applicable regulations, could pay or receive fees, commissions, retrocessions or other non-monetary benefits or inducements to or from third parties (including companies of the Mediobanca Group).

Mediobanca provides a wide range of investment, ancillary and banking services to a vast number of clients. Therefore, Mediobanca could hold interests, relationships and agreements of significant importance in regard to a transaction carried out with or on behalf of a client (or with regard to the subject financial instrument or investment of the transaction) or that could give rise to a conflict of interest.

Provided below is a non-exhaustive list of certain types of interests, relationships or agreements that Mediobanca may have with regard to the provision of a service, performance of a transaction or a financial instrument that is the subject of a transaction:

- Mediobanca may place with its clients and consider, as part of the services of consulting and management of the portfolios of its Clients, financial instruments:

a) issued by Mediobanca or Mediobanca Group companies;

b) issued by companies i) with which Mediobanca has significant relationships (i.e. shareholdings or dealings between related parties) or ii) to which Mediobanca provides investment banking services (including the lending service), including cases where the proceeds of the offers of instruments are used to repay loans of Mediobanca or Mediobanca Group companies;

- Mediobanca may structure, on behalf of an issuer, the repurchase of financial instruments also held by Mediobanca or Mediobanca Group companies;
- In acquisition transactions, Mediobanca may carry out the role of advisor of one of the potential purchasers and the role of lender to other potential purchasers;
- Mediobanca may produce research regarding companies to which Mediobanca provides investment banking services;
- Mediobanca may provide clients with the trading service involving financial instruments for which Mediobanca carries out the role of market maker/liquidity provider.

Conflict of interest management model

To ensure proper compliance with obligations in terms of conflict of interest management, the Bank:

- has adopted processes and instruments that enable timely identification of conflicts of interest;
- has implemented Standard Measures[6] that permit the elimination or mitigation of risk of damaging the interests of its clients;
- may determine, with respect to the individual conflicts analysed, specific Additional Measures[7] to integrate the Standard Measures;
- ensures rapid handled of any cases of conflict identified;
- provides, if necessary, disclosure to clients with regard to conflicts present in the services offered. In this regard, MiFID II envisages that the disclosure be adopted as an extreme measure to be used only when the organisational and administrative arrangements adopted to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable certainty, that the risk of harming the interests of the client is avoided. In this context, however, the Compliance Function identifies, ex ante or through a case-by-case analysis, the circumstances in which it considers it appropriate to provide information to its Clients, not as an extreme measure in the event of conflicts that are not adequately managed, but in order to ensure correct and transparent management of the relationship with the Clients themselves, even when conflicts are deemed to be adequately managed;
- files and saves the conflict cases handled, highlighting any Measures implemented[8].

Mediobanca updates the Policy on conflicts of interest at least annually and ensure that all of its personnel are aware of the measures described in the policy and apply them correctly.

I. INFORMATION ON THE STRATEGY OF EXECUTING AND SENDING ORDERS

This section provides a summary of the Strategy of executing and sending orders adopted by Mediobanca, provided to clients upon opening the account and to which reference is made with regard to any additional information on the subject topic.

The regulations on Best Execution contained within the community legislation on investment services - MiFID II - require investment companies to undertake, in executing the orders of Clients, to implement all of the necessary measures to achieve the best possible result, taking into consideration a specific series of factors.

These regulations apply indiscriminately to all financial instruments, whether admitted to trading on a regulated market or not, regardless of the actual place of trading.

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6) Organisational measures and standard procedures to best manage conflicts of interest (current and potential) in order to minimise the risk of damage to clients interests.
7) Further Measures to be implemented in the event in which the Standard Measures implemented by the Bank prove to be insufficient in adequately protecting clients' interests.
8) In particular, Mediobanca updates a Register of conflicts of interest that contains notes, in relation to the services/activities provided, on the conflict of interest situations handled by the Compliance Function and the Measures, including any Further Measures, adopted by the Bank.

In order to fulfil its obligation to guarantee best execution to its clients and unless otherwise indicated by the client, the Bank considers total consideration as a determining factor for retail clients, consisting of the price of the financial instrument and the relative execution costs, which include all expenses incurred by the client and directly related to execution of the order.

With regard to its professional clients, the Bank believes that in certain circumstances and for certain clients, orders, financial instruments or markets, additional execution factors other than price, such as speed or likelihood of execution, may lead to a better result for the client. The Bank therefore adopts an execution policy for its professional clients, unless specifically requested otherwise, which also attaches greater importance to execution factors other than price.

In accordance with MiFID II, whenever the client gives specific instructions, the Bank complies with these instructions in executing the order, thus ensuring that the client's will prevails over the provisions of its strategy.

In any case, the execution of an order upon specific instruction of the client on a part or aspect of the order does not affect the Bank's best execution obligations with respect to any other part or aspect of the order not covered by the specific instruction.

The Bank continuously monitors the effectiveness of its Execution and Transmission Policy, the execution measures implemented and the quality of execution guaranteed by the execution venues and broker-dealers identified, promptly remedying any shortcomings identified.

In relation to orders received by Clients on equity instruments and exchange-traded funds (ETFs), the Bank adopts, unless otherwise requested by the client, a dynamic best execution model that provides access to a multitude of execution venues, selected and approved by the Bank in advance and included in the order Execution and Transmission Strategy.

Some of the selected execution venues, which the Bank has made available only to "professional" clients, may allow the execution of orders at generally better conditions, considering the factors “speed of execution" and "probability of execution and settlement" as priorities over "total consideration"; in fact, these venues operate in derogation of the pre-trade transparency obligations ("reference price waiver").

In relation to orders received from Clients with regard to bond instruments, the Bank adopts, unless otherwise requested by the client, a dynamic best execution model, which provides access to a multitude of execution venues, selected and approved by the Bank in advance and included in the order Execution and Transmission Strategy.

For trading based on orders involving bond instruments listed on Regulated Markets, MTFs or OTFs, it has been observed that national regulated markets and multilateral trading facilities directly accessible by the Bank are able to offer competitive trading conditions and high levels of liquidity, ensuring coverage of the prevailing range of instruments currently and historically traded from its client base.

However, with regard to these orders, the Bank may offer, upon specific instruction by the client or if the order exceeds a quantitative threshold set with the client, the possibility to execute orders through an RFQ workflow with specific counterparties/market makers, on MTF or OTC.

For orders of bond instruments listed for trading on a Regulation Market, MTF or OTF to which the Bank does not access directly, the trading desk may:

- Transmit the order for execution to an approved broker with access to the relevant trading venues;
- Carry out the transactions by trading the orders with other counterparties/market makers;
- Negotiate the order on its own account at market conditions that are better for the client than those offered by other intermediaries for such an instrument, if any.

With regard to securitised derivative financial instruments, orders are generally executed in the relative execution venues.

In the case of derivative financial instruments on equity instruments (options and futures), orders are transmitted to authorised brokers or executed at prices determined on the basis of quotations offered by the Bank, in response to requests received from clients (RfQ - Request for Quote).

MEDIOBANCA

Certificate of delivery of the information document

(to be kept by the Intermediary)

I certify that, before signing the contractual documentation on the products and services offered by the Bank, I have received a copy of this Information Document.

Place and date _____

Legible signature of the client(s)/potential client(s)

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Version 10/2018