

BASE PROSPECTUS

Dated: 12 March 2013

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

(incorporated with limited liability in the Republic of Italy)

MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.

(incorporated with limited liability in Luxembourg)

Issuance Programme

**guaranteed in the case of Certificates and Warrants issued by Mediobanca International
(Luxembourg) S.A.**

by

MEDIOBANCA - Banca di Credito Finanziario S.p.A.



*Under the Issuance Programme (the “**Programme**”) described in this Base Prospectus (as defined below), each of Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”) and Mediobanca International (Luxembourg) S.A. (“**Mediobanca International**”) (each an “**Issuer**”) and together the “**Issuers**”) may from time to time issue certificates (“**Certificates**”) and warrants (“**Warrants**” and, together with the Certificates, the “**Securities**”) subject in each case to compliance with all relevant laws, regulations and directives. The payment of all amounts due and the performance of any non-cash delivery obligations in respect of any Securities issued by Mediobanca International will be unconditionally and irrevocably guaranteed by Mediobanca (in such capacity, the “**Guarantor**”) under a deed of guarantee and subject to the limitations thereof executed by the Guarantor and dated 12 March 2013 (the “**Deed of Guarantee**”).*

An investment in Securities issued under the Programme involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 37.

*Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the “**Luxembourg Prospectus Law**”) to approve this document as a base prospectus for each Issuer. Application has also been made for Securities issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange (the “**Official List**”) and admitted to trading on the regulated market of the Luxembourg Stock Exchange. References in this Base Prospectus to a “regulated market” shall have the meaning given to them in the Markets in Financial Instruments Directive 2004/39/EC.*

*The Programme provides that Securities may be listed or admitted to trading (as the case may be) on such other or further stock exchange(s) or market(s) as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer (as defined in “Plan of Distribution”). Unlisted Securities or Securities not admitted to trading on any market may also be issued. This Base Prospectus comprises two base prospectuses (one for each Issuer, each of which referred to herein as the “Base Prospectus”) for the purposes of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”).*

*The CSSF may, at the request of the relevant Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; (ii) a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive (an “**Attestation Certificate**”); and (iii) if so required by such competent authority, a translation of the summary set out on pages from 8 to 36 of this Base Prospectus. Under the Luxembourg Prospectus Law, which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.*

*Notice of the aggregate nominal amount of Securities (if applicable), remuneration (if any) payable in respect of Securities and the issue price of Securities which are applicable to each Tranche (as defined below) of Securities will be set out in the final terms relating to the Securities (the “**Final Terms**”) which will be delivered to the CSSF and, with respect to Securities to be listed on the Official List of the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange and, with respect to Securities to be listed on any other or further Stock Exchange, will be delivered to the relevant Stock Exchange.*

*The terms and conditions of the Securities to be issued under the Programme (see “Terms and Conditions of the Securities” below) (the “**Terms and Conditions**” or the “**Conditions**”) will be completed by the Final Terms.*

The CSSF assumes no responsibility with regards to the economic and financial soundness of any transaction under this Programme or the quality and solvency of the Issuers in line with the provisions of article 7(7) of the Luxembourg Prospectus Law.

*The Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Securities will be offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. The Securities will be in bearer form and as such are subject to certain U.S. tax law requirements.*

Arranger of the Programme

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

Dealers

BANCA ALETTI & C.

BANCA IMI

BARCLAYS

BNP PARIBAS

CREDIT SUISSE

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.

THE ROYAL BANK OF SCOTLAND

UNICREDIT BANK

IMPORTANT NOTICES

This document constitutes a Base Prospectus for each Issuer for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this document and, to the best of the knowledge of each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

*Each of the Issuers and the Guarantor, having made all reasonable enquiries confirms that (i) this Base Prospectus contains all information with respect to the Issuers, the Guarantor, the Guarantor and its subsidiaries taken as a whole (the “**Group**” or the “**Mediobanca Group**”), the Securities and the deed of guarantee executed by the Guarantor and dated 12 March 2013 with respect to Securities issued by Mediobanca International (the “**Deed of Guarantee**”) which is material in the context of the issue and offering of the Securities, (ii) the statements contained in this Base Prospectus relating to the Issuers, the Guarantor and the Group are in every material respect true and accurate and not misleading, the opinions and intentions expressed in this Base Prospectus with regard to the Issuers, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iii) there are no other facts in relation to the Issuers, the Guarantor, the Group, the Securities or the Deed of Guarantee the omission of which would, in the context of the issue and offering of Securities, make any statement in this Base Prospectus misleading in any material respect and (iv) all reasonable enquiries have been made by the Issuers and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.*

This Base Prospectus should be read and construed with any supplement hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Securities, should be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of Securities and, if given or made, such information or representation must not be relied upon as having been authorised by either of the Issuers, the Guarantor or any of the Dealers. Neither the delivery of this Base Prospectus or any Final Terms nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of either Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that there has been no adverse change in the financial position of either Issuer or the Guarantor since the date hereof or the date upon which this document has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of either Issuer, the Guarantor or any of the Dealers to subscribe for, or purchase, any Securities.

The distribution of this Base Prospectus and the offering or sale of Securities in certain jurisdictions may be restricted by law. The Issuers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In

particular, no action has been taken by the Issuers or the Dealers which would permit a public offering of any Securities outside Luxembourg or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly including to the public, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Securities. In particular, the Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements.

This Base Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of Securities in reliance upon Regulation S of the Securities Act outside the United States to non-U.S. persons or in transactions otherwise exempt from registration. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

For a description of additional restrictions on the distribution of this Base Prospectus and the offer or sale of Securities in the United States, the European Economic Area (including the United Kingdom and Italy) and other jurisdictions, see “Plan of Distribution”.

The Dealers and PricewaterhouseCoopers S.p.A and PricewaterhouseCoopers, Société coopérative, as successor auditors to, respectively, Mediobanca and Mediobanca International have not separately verified the information contained in this Base Prospectus. None of the Dealers makes any representation express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either of the Issuers, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any financial statements should purchase any Securities.

Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the Issuers or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Dealers.

STABILISATION

In connection with the issue of any Tranche of Securities under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Securities and 60 days after the date of the allotment of the relevant Tranche of Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) in accordance with all applicable laws and rules.

*Securities may be issued on a continuous basis in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Securities of each Series being intended to be interchangeable with all other Securities, as the case may be, of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on different issue dates. The specific terms of each Tranche (which save in respect of the issue date, issue price, first payment of remuneration and aggregate nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the relevant Final Terms, the form of which is set out in “Form of Final Terms” below.*

In this Base Prospectus, unless otherwise specified or the context otherwise requires: references to “\$”, “U.S.\$”, “USD” and “US Dollars” are to the lawful currency of the United States of America; references to “Euro” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to “£” are to the lawful currency of the United Kingdom; and references to “Yen” are to the lawful currency of Japan.

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SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Certain provisions of this summary appear in brackets. Such information will be completed or, where not relevant, deleted, in relation to a particular Series of Securities and the completed summary in relation to such Series of Securities shall be appended to the relevant Final Terms.

Section A – Introduction and warnings

Element	Description of Element	Disclosure requirement
A.1	Warnings	<p>This summary should be read as an introduction to the Base Prospectus.</p> <p>Any decision to invest in the Securities should be based on consideration of the Base Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in the Securities.</p>
A.2	Consent to the use of the Base Prospectus	<p>[The Issuer[s] consent[s] to the use of the Base Prospectus for subsequent resale or final placement of the Securities by all [Dealers] [and] [financial intermediaries] (general consent).]</p> <p>[The Issuer[s] consent[s] to the use of the Base Prospectus for subsequent resale or final placement of the Securities by the following [Dealers] [and] [financial intermediaries] (individual consent): <i>[insert name[s] and address[es]].</i>]</p> <p>The subsequent resale or final placement of Securities by [Dealers] [and] [financial intermediaries] can be made [as long as this Base Prospectus is valid in accordance with Article 9 of the Prospectus Directive] <i>[insert period]</i>.</p>

		<p>[Such consent is also subject to and given under the condition[s] [.].] [Such consent is not subject to and given under any condition.]</p> <p>In case of an offer being made by a [Dealer] [or] [financial intermediary], such [Dealer] [or] [financial intermediary] will provide information to investors on the terms and conditions of the offer at the time the offer is made.</p>
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Section B – Issuers and Guarantor

Element	Description of Element	Disclosure requirement
B.1	Legal and Commercial Name of the Issuers	<p>[Mediobanca</p> <p>Mediobanca – Banca di Credito Finanziario S.p.A. (“Mediobanca”)]</p> <p>[Mediobanca International</p> <p>Mediobanca International (Luxembourg) S.A. (“Mediobanca International”)]</p>
B.2	Domicile /Legal Form /Legislation /Country of Incorporation	<p>[Mediobanca</p> <p>Mediobanca was established in Italy.</p> <p>Mediobanca is a company limited by shares under Italian law with registered office at Piazzetta E. Cuccia 1, Milan, Italy.</p> <p>Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in Italy.</p> <p>Mediobanca is a bank organised and existing under the laws of Italy, carrying out a wide range of banking, financial and related activities throughout Italy.]</p> <p>[Mediobanca International</p> <p>Mediobanca International was established in Luxembourg.</p> <p>Mediobanca International is a <i>société anonyme</i> subject to Luxembourg law and having its place of registration in Luxembourg.</p> <p>Mediobanca International's registered office is at 4, Boulevard Joseph II, L-1840 Luxembourg, Luxembourg.]</p>
B.4b	Description of trends	<p>[Mediobanca</p> <p>Not applicable. Mediobanca is not aware of any known trends affecting itself and the industries in which it operates.]</p> <p>[Mediobanca International</p> <p>Not applicable. Mediobanca International is not aware of any known trends affecting itself</p>

		and the industries in which it operates.]
B.5	Description of the group of the Issuer(s)	<p>[Mediobanca]</p> <p>Mediobanca is the parent company of the Mediobanca Group.</p> <p>The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.</p> <p>The Group's principal activities are currently segmented into three divisions: corporate and investment banking (CIB), which includes wholesale banking and leasing; principal investing (PI), which brings together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco and stakes taken as part of merchant banking and private equity activity; and retail and private banking (RPB), consisting of consumer credit activities, CheBanca! (retail banking) and private banking (CMB and Banca Esperia).]</p> <p>[Mediobanca International]</p> <p>Mediobanca International is part of the Mediobanca Group.</p> <p>The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.</p> <p>The Group's principal activities are currently segmented into three divisions: corporate and investment banking (CIB), which includes wholesale banking and leasing; principal investing (PI), which brings together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco and stakes taken as part of merchant banking and private equity activity; and retail and private banking (RPB), consisting of consumer credit activities, CheBanca! (retail banking) and private banking (CMB and Banca Esperia).]</p>
B.9	Profit forecast/estimate	<p>[Mediobanca]</p> <p>Not applicable. No forecast or estimates of profits are contained in the Base Prospectus.]</p> <p>[Mediobanca International]</p> <p>Not applicable. No forecast or estimates of profits are contained in the Base Prospectus.]</p>
B.10	Qualifications in the audit report	<p>[Mediobanca]</p> <p>Not applicable. There are no qualifications in the audit report.]</p> <p>[Mediobanca International]</p> <p>Not applicable. There are no qualifications in the audit report.]</p>
B.12	Selected historical key information / material adverse change /	<p>[Mediobanca]</p> <p>The audited consolidated balance sheet and profit and loss account of Mediobanca as at 30 June 2012 are shown below, along with comparative data for the years ended 30 June 2011 and 2010, plus a series of key financial indicators.</p> <p>The audited consolidated balance sheet and profit and loss account of Mediobanca have</p>

	significant changes	been restated in order to provide the most accurate reflection of the Group's operations.]		
		<p>CONSOLIDATED BALANCE SHEET</p> <p>30/6/10 30/6/11 30/6/12</p> <p>Assets</p> <p>Treasury funds 14.976,0 8.608,0 9.330,4</p> <p>AFS securities 6.825,7 7.749,9 10.552,1</p> <p>Fixed financial assets (HTM & LR) 1.455,4 2.308,1 2.328,1</p> <p>Loans and advances to customers 33.701,5 36.225,6 36.309,5</p> <p>Equity investments 3.348,0 3.156,1 3.165,5</p> <p>Tangible and intangible assets 762,6 757,8 718,1</p> <p>Other assets 1.188,3 1.376,7 1.355,6</p> <p>Total assets 62.257,5 60.182,2 63.759,3</p> <p>Liabilities and net equity</p> <p>Funding 53.852,3 51.712,9 55.788,0</p> <p>Other liabilities 1.387,2 1.258,9 1.177,2</p> <p>Provisions 183,6 182,6 185,1</p> <p>Net equity 6.433,6 6.659,2 6.528,1</p> <p>Profit for the period 400,8 368,6 80,9</p> <p>Total liabilities and net equity 62.257,5 60.182,2 63.759,3</p>		
		<p>CONSOLIDATED PROFIT AND LOSS ACCOUNT</p> <p>12 mths to 30/6/10 12 mths to 30/6/11 12 mths to 30/6/12</p> <p>€m €m €m</p> <p>Profit-and-loss data</p> <p>TOTAL INCOME 2.017,8 1.982,8 1.989,6</p> <p>OPERATING COSTS (772,9) (823,9) (789,-)</p> <p>PROFIT BEFORE TAX 583,3 554,2 205,9</p> <p>NET PROFIT 400,8 368,6 80,9</p>		
		<p>Key consolidated financial indicators</p> <p>REGULATORY CAPITAL AND CAPITAL INDICATORS</p> <p>(€m)</p> <p>(€m)</p> <p>(€m)</p> <p>Tier 1 capital 5,924.2 6,156.1 6,338.9</p> <p>Regulatory capital 6,927.9 7,899.1 7,810.0</p> <p>Core tier one capital ratio 11.09% 11.19% 11.49%</p> <p>Tier one capital ratio 11.09% 11.19% 11.49%</p> <p>Total capital ratio 12.97% 14.36% 14.16%</p> <p>CREDIT RISK INDICATORS</p> <p>(€m)</p> <p>(€m)</p> <p>(€m)</p> <p>NPLs/loans 2.04% 1.21% 0.95%</p> <p>Gross irregular items/loans 4.29% 3.64% 2.92%</p> <p>Net NPLs/loans 0.56% 0.48% 0.50%</p> <p>Net irregular items/loans 2.38% 2.12% 1.86%</p> <p>Net NPLs/regulatory capital 2.72% 2.72% 3.10%</p>		

		[The unaudited consolidated interim financial statements of Mediobanca as at 31 December 2012, which have been subject to limited review, are shown below, along with comparative data for the periods ended 31 December 2011 and 31 December 2010, plus a series of key financial indicators.]			
		CONSOLIDATED BALANCE SHEET			
		Assets	31/12/10	31/12/11	31/12/12
		Treasury funds	11.139,5	9,391.1	9,105.2
		AFS securities	7,552.4	6,859.6	11,735.6
		of which:fixed income equities	5,902.2	5,534.8	10,639.9
			1,634.5	1,312.6	1,082.2
		Fixed financial assets (HTM & LR)	1,984.4	2,412.6	2,366.3
		Loans and advances to customers	35,102.0	37,833.5	34,142.0
		Equity investments	3,445.8	2,976.9	3,284.0
		Tangible and intangible assets	756.2	728.4	715.0
		Other assets	1,125.0	1,270.6	1,142.4
		of which:tax assets	830.3	1.003.0	869.3
		Total assets	61.105.3	61,472.7	62,490.5
		Liabilities and net equity			
		Funding	52,905.7	54,028.8	53,970.5
		of which:debt securities in issue	34,584.9	32,422.8	28,070.8
		Retail deposits	9,950.8	10,671.3	12,258.6
		Other liabilities	1,061.1	1,036.1	1,177.9
		of which:tax liabilities	476.2	430.7	538.5
		Provisions	183,3	182.0	187.6
		Net equity	6,692.3	6,162.4	7,030.7
		of which:share capital	430.6	430.6	430.6
		reserves	6,152.7	5,619.3	6,491.7
		minority interest	109.0	112.5	108.4
		Profit for the period	262.9	63.4	123.8
		Total liabilities and net equity	61.105.3	61,472.7	62,490.5
		CONSOLIDATED PROFIT AND LOSS ACCOUNT			
		€m	6 mths to 31/12/10	6 mths to 31/12/11	6 mths to 31/12/12
		Profit-and-loss data			
		TOTAL INCOME	1,018.9	973.3	911.0
		OPERATING COSTS	(407.2)	(399.2)	(375.6)
		PROFIT BEFORE TAX	387.6	136.6	208.5
		NET PROFIT	262.9	63.4	123.8
		REGULATORY CAPITAL AND CAPITAL INDICATORS			
			6 mths to 31/12/10	6 mths to 31/12/11	6 mths to 31/12/12
			(€m)	(€m)	(€m)
		Tier 1 capital	6,109.4	6,127.3	6,472.5
		Regulatory capital	7,851.5	7,499.8	8,066.7
		Tier 1 capital/risk-weighted assets	11.10%	11.01%	11.84%
		Regulatory capital/risk-weighted assets	14.26%	13.48%	14.76%
		No. of shares in issue (millions)	861.1	861.1	861.1
		[Mediobanca International			

		The following tables show the capitalisation (in Euro) and the cash flow statements of Mediobanca International as at 30 June 2012, 2011 and 2010.]																																																										
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¹ Medium and Long-term debt consists of amounts owed to credit institutions and notes and bonds payable for which the original maturity, at the date of issuance, was 18-months or longer.

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B.13	Recent events	<p>[Mediobanca]</p> <p>Not applicable. Neither Mediobanca nor any company in the Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect, the Issuer's ability to meet its obligations towards third parties.]</p> <p>[Mediobanca International]</p> <p>Not applicable. Mediobanca International has not carried out transactions that have materially affected or that might be reasonably expected to materially affect, the Issuer's</p>																																												

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B.14	Issuer dependent upon other entities within the group	<p>[Mediobanca</p> <p>Mediobanca is the parent company of the Mediobanca Group. For information on the Mediobanca Group please see item B.5 above.]</p> <p>[Mediobanca International</p> <p>Mediobanca International is part of the Mediobanca Group and controlled by Mediobanca. For information on the Mediobanca Group please see item B.5 above.]</p>
B.15	Principal activities	<p>[Mediobanca</p> <p>As stated in Article 3 of its Articles of Association, Mediobanca’s purpose is to raise funds and provide credit in any of the forms permitted especially medium- and long-term credit to corporates.</p> <p>Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca’s purpose.]</p> <p>[Mediobanca International</p> <p>Mediobanca International may carry out, either within or outside the Grand Duchy of Luxembourg, any banking or financial operations authorised by the law relating to the financial sector.</p> <p>Mediobanca International's principal activity consists of raising funds on international markets, by issues of bonds chiefly under a short and medium term notes programme guaranteed by Mediobanca. Mediobanca International is also engaged in corporate lending operations.]</p>
B.16	Control of Issuer	<p>[Mediobanca</p> <p>Not applicable. No individual or entity controls Mediobanca within the meaning of Article 93 of the Italian Legislative Decree 58/98.]</p> <p>[Mediobanca International</p> <p>Mediobanca International is 99% owned by Mediobanca. Consequently, Mediobanca owns 99% of the voting rights which are generally exercised at the Annual General Meeting of Mediobanca International.]</p>
B.18	Guarantee	<p>Under the Deed of Guarantee, and in accordance with its terms and subject to the limitations thereof, Mediobanca (the “Guarantor”) unconditionally and irrevocably guarantees payment of all amounts due and the performance of any non-cash delivery obligations in respect of Securities issued by Mediobanca International.</p> <p>The payment obligations of the Guarantor under the Deed of Guarantee constitute – in accordance with the terms and subject to the limitations thereof – direct, unconditional,</p>

		<p>unsubordinated and unsecured obligations of the Guarantor which will rank at all times at least <i>pari passu</i> without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law. See also Condition 2(b) (<i>Status of Guarantee</i>) of the Terms and Conditions. In particular, pursuant to the Deed of Guarantee, to the extent under the applicable law in force at the relevant time, a cap to the maximum amount to be guaranteed is required, the Guarantor shall only be liable up to an amount which is the aggregate of 110 per cent. of the aggregate principal amount of any Tranche of the Securities (in each case as specified in the applicable Final Terms) and 110 per cent. of the interest on such Securities accrued but not paid as at any date on which the Guarantor's liability falls to be determined. In addition, pursuant to the Deed of Guarantee, the Guarantor has also undertaken to issue an additional guarantee in an amount equal to any liability exceeding the maximum amount mentioned above in relation to any Tranche.</p>
B.19	Information on the Guarantor	<p>[If Mediobanca acts as Guarantor with respect to Securities issued by Mediobanca International insert in this section the information on Mediobanca set out in sections B.1, B.2, B.4b, B.5, B.9, B.10, B.12, B.13, B.14, B.15 and B.16 above as sections B.19.B.1, B.19.B.2, B.19.B.4b, B.19. B.5, B.19.B.9, B.19.B.10, B.19.B.12, B.19.B.13, B.19.B.14, B.19.B.15 and B.19.B.16.]</p>

Section C – Securities

Element	Description of Element	Disclosure requirement
C.1	Type, class and security identification number of securities being offered	<p>The Securities are [Certificates] [Warrants].</p> <p>[The Securities are [Index Securities] [Share Securities] [Currency Securities] [Debt Securities] [Commodity Securities] [Fund Securities].]</p> <p>[The Securities are [European Style Warrants] [American Style Warrants].]</p> <p>The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated obligations, if any, of the relevant Issuer from time to time outstanding.</p> <p>The Securities have [ISIN [] [and Common Code []] [].</p>
C.2	Currency	<p>Subject to compliance with all relevant laws, regulations and directives, the Securities are issued in [].</p>
C.5	Restrictions on free transferability	<p>There are restrictions on sales of the Securities into, amongst other jurisdictions, the United States, the European Economic Area (including the United Kingdom and Italy) and Japan.</p>
C.8	Description of rights and ranking	<p>The Securities have terms and conditions relating to, among other matters:</p> <p>Status</p>

The Securities are issued by the relevant Issuer on an unsubordinated basis.

The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated obligations, if any, of the relevant Issuer from time to time outstanding. See Condition 2(a) (*Status of Securities*) of the Terms and Conditions.

Payments in respect of Securities in global form

All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of that Global Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be prima facie evidence that such payment has been made in respect of the Securities.

Payments in respect of Securities in definitive form

Payments of principal and interest in respect of the Securities in definitive form shall be made against presentation and surrender of the relevant Securities at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with a bank in the principal financial centre of that currency; provided that in the case of Euro, the transfer may be to a Euro account.

Payments in respect of Securities in book-entry form

Payments of principal and interest in respect of Securities in book-entry form shall be made through an electronic book-entry system managed by Monte Titoli S.p.A. or any other centralised custodian appointed by the Issuer.

Illegality

If the Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the Issuer's obligations under the Securities have become illegal in whole or in part for any reason, the Issuer may cancel the Securities by giving notice to Securityholders in accordance with Condition 8.

Further issues and consolidation

The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) and so that the same shall be consolidated and form a single series with such Securities.

Substitution

		<p>Subject to the fulfilment of certain conditions, the Issuer and, in case of Securities issued by Mediobanca International, the Guarantor may at any time (subject to certain conditions as provided in the Terms and Conditions) without the consent of the holders of Securityholders, substitute Mediobanca in place of Mediobanca International or Mediobanca International in place of Mediobanca.</p>
C.11	Trading of securities	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Securities issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.</p> <p>Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer in relation to the relevant Series. Securities which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
C.15	How the value of the investment is affected by the value of the underlying instrument(s)	<p>[Not applicable - the Securities have a denomination of at least EUR 100,000.]</p> <p>[General]</p> <p><i>[Insert if the Securities are Certificates:</i></p> <p><i>[Insert if the Securities are Certificates and Normal Performance is applicable:</i></p> <p>[The Securities enable investors to participate in the performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date].]</p> <p><i>[Insert if the Securities are Certificates and Performance Differential is applicable:</i></p> <p>[The Securities enable investors to participate in the difference between the performance of Reference Item 1 and Reference Item 2 from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date].]</p> <p>Each Security entitles its holder to receive from the Issuer on the Settlement Date the [Cash Settlement Amount, less any Expenses not already paid] [Entitlement, following payment of any sums payable and Expenses]. [The [amount of the Cash Settlement Amount] will depend on the [relative] [level] [value] of the [Reference Item] [Reference Item 1 and Reference Item 2] [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p> <p><i>[Insert if the Securities are Call Warrants:</i></p> <p>[The Securities enable investors to participate (with leverage) in the positive performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date]. Conversely, investors also participate (with leverage) in the negative performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date] and additionally bear the risk that the Security will expire without value if the [level] [value] of the Reference Item [on the Valuation</p>

		<p>Date] [over the Averaging Dates] is equal to or less than the Strike Price.</p> <p>Each Security entitles its holder to receive from the Issuer on the Settlement Date the [Cash Settlement Amount (if the Final Reference Level exceeds the Strike Price), less any Expenses not already paid] [Entitlement (subject to payment of the Exercise Price), following payment of any sums payable and Expenses]. If the Final Reference Level is equal to or less than the Strike Price, the Security will expire and the holder will not receive any [Cash Settlement Amount] [Entitlement]. [The [amount of the Cash Settlement Amount] will depend on the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p> <p><i>[Insert if the Securities are Put Warrants:</i></p> <p>[The Securities enables investors to participate (with leverage) in the negative performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date]. Conversely, investors also participate (with leverage) in the positive performance of the Reference Item from the [Issue Date] [●] until the [Valuation Date] [final Averaging Date] and additionally bear the risk that that the Security will expire without value if the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates] is equal to or greater than the Strike Price.</p> <p>Each Security entitles its holder to receive from the Issuer on the Settlement Date the [Cash Settlement Amount (if the Strike Price exceeds the Final Reference Level), less any Expenses not already paid] [Entitlement (subject to payment of the Exercise Price), following payment of any sums payable and Expenses]. If the Final Reference Level is equal to or greater than the Strike Price, the Security will expire and the holder will not receive any [Cash Settlement Amount] [Entitlement]. [The [amount of the Cash Settlement Amount] will depend on the [level] [value] of the Reference Item [on the Valuation Date] [over the Averaging Dates].] [The value of the Entitlement will depend on its market value at the time of delivery.]</p>
<p>C.16</p>	<p>Expiration or maturity date – exercise date or final reference date</p>	<p>[Exercise Date</p> <p>[The Exercise Date of the Securities is [●].] [The Securities are European Style Warrants.]</p> <p>[Exercise Period</p> <p>The Exercise Period for the Securities is [●] to [●]. [The Securities are American Style Warrants.]</p> <p><i>[Insert if Averaging does not apply to the Securities:</i></p> <p>Valuation Date</p> <p>The Valuation Date of the Securities is [●], subject to certain adjustment provisions which will apply if [●] is not a scheduled trading day on which [(i) the Index Sponsor fails to publish the level of the Index,] [(ii) [(i) any relevant stock exchange fails to open for trading during its regular trading session or [(iii) [(ii) certain market disruption events have occurred.]</p>

		<p><i>[Insert if Averaging applies to the Securities:</i></p> <p>Averaging Date(s)</p> <p>The Averaging Dates of the Securities are [●], subject to certain adjustment provisions which will apply if [●] is not a scheduled trading day on which [(i) the Index Sponsor fails to publish the level of the Index,] [(ii) [(i)] any relevant stock exchange fails to open for trading during its regular trading session or [(iii) [(ii)] certain market disruption events have occurred.</p> <p>Settlement Date</p> <p><i>[Insert if the Securities are Cash Settled:</i></p> <p>The Settlement Date of the Securities is [the fifth business day following the [Valuation Date] [last] [Averaging Date].</p> <p><i>[Insert if the Securities are Physically Settled Securities:</i></p> <p>The Settlement Date of the Securities is [●].</p> <p><i>[Insert if Barrier Event applies:</i></p> <p>Barrier Event</p> <p><i>[Insert if the Securities are Warrants:</i></p> <p>If a Barrier Event has occurred, each [Warrant] [Unit] entitles its holder to receive from the Issuer on [●] (the “Barrier Exercise Date[s]”) the Barrier Cash Settlement Amount[, less any Expenses not already paid]. [Each [Warrant] [Unit] shall be automatically exercised on the Barrier Exercise Date falling on [●]].</p> <p><i>[Insert if the Securities are Certificates:</i></p> <p>If a Barrier Event has occurred, each Certificate entitles its holder to receive from the Issuer on [●] (the “Barrier Exercise Date[s]”) the [Barrier Cash Settlement Amount] [Barrier Entitlement] [, less any Expenses not already paid]. [Each such Certificate shall be automatically exercised on the Barrier Exercise Date falling on [●]].]</p> <p>“Barrier Event” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the Barrier Observation Period].]</p>
C.17	A description of the settlement procedure of the derivative securities	<p><i>[Insert if the Securities are Cash Settled Securities:</i></p> <p>The Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each Security by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg, as the case may be, for value on the Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg, as the case may be.</p> <p>The Issuer's obligations will be discharged by payment to, or to the order of, Euroclear</p>

		<p>or Clearstream, Luxembourg (as the case may be) of the amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular amount of the Securities must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each such payment.]</p> <p><i>[Insert if the Securities are Physically Settled Securities:</i></p> <p>Subject to payment of any Expenses with regard to the relevant Securities, the Issuer shall, on the Settlement Date, deliver, or procure the delivery of, the Entitlement for each Security pursuant to the details specified in a notice (the “Physical Delivery Confirmation Notice”) provided by the relevant Securityholder.</p> <p>In the event that no valid Physical Delivery Confirmation Notice has been duly delivered at or prior to 10.00 a.m. (Brussels or Luxembourg time, as the case may be) on the Exercise Date in respect of a Security, the Issuer in respect of such Security shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the Issuer's obligations in respect of such Certificate shall be discharged.</p> <p>The “Assessed Value Payment Amount” means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Certificate, less any Expenses.</p> <p><i>[Insert if the Securities have an option to vary settlement:</i></p> <p>Upon a valid exercise of Securities in accordance with the Terms and Conditions, the Issuer may, at its sole and unfettered discretion, in respect of each such Security, elect not to pay the relevant Securityholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Securityholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders, as the case may be. Notification of such election will be given to Securityholders no later than 10.00 a.m. (Luxembourg time) on the second Business Day following [the Exercise Date (<i>for Certificates</i>)] [the Actual Exercise Date (<i>for Warrants</i>)] in accordance with Condition 8.</p>
C.18	Return on the derivative securities	<p><i>[Insert if the Securities are Cash Settled Securities:</i></p> <p>The return on the Securities takes place by the payment by the Issuer on the Settlement Date of the Cash Settlement Amount, less any Expenses not already paid, to each Securityholder.</p> <p><i>[Insert if the Securities are Physically Settled Securities:</i></p> <p>The return on the Securities takes place by the delivery by the Issuer on the Settlement Date of the Entitlement, subject to the payment of any Expenses, to each Securityholder.</p> <p>Exercise of Securities</p>

[Insert if the Securities are Certificates:

Each Security shall be automatically exercised on the Exercise Date.]

[Insert if the Securities are Italian Listed Certificates:

In respect of a Security listed on the electronic "Securitized Derivatives Market" (the "SeDeX"), organised and managed by Borsa Italiana S.p.A. (the "Italian Stock Exchange"), prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]

[Insert if the Securities are Warrants:

[Insert if the Securities are American Style Warrants:

The Securities are exercisable on any Exercise Business Day during the Exercise Period by the delivery of an Exercise Notice.

If Automatic Exercise is not specified as being applicable in the applicable Final Terms, any Security with respect to which no Exercise Notice has been delivered in at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the last Exercise Business Day of the Exercise Period (the "Expiration Date"), shall become void.

If Automatic Exercise is specified as being applicable in the applicable Final Terms, any Security (that is not a definitive Warrant) with respect to which no Exercise Notice has been delivered at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Expiration Date.

[Insert if the Securities are American Style Warrants and Italian Listed:

In respect of a Security listed on the Italian Stock Exchange, prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]

[Insert if the Securities are European Style Warrants:

The Securities are exercisable on the Exercise Date (or if such a day is not an Exercise Business Day, the immediately succeeding Exercise Business Day (the "Actual Exercise Date") by the delivery of an Exercise Notice.

If Automatic Exercise is not specified as being applicable in the applicable Final Terms, any Security with respect to which no Exercise Notice has been delivered in at

or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Actual Exercise Date, shall become void.

If Automatic Exercise is specified as being applicable in the applicable Final Terms, any Security (that is not a definitive Warrant) with respect to which no Exercise Notice has been delivered at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Actual Exercise Date.

[Insert if the Securities are European Style Warrants and Italian Listed:

In respect of a Security listed on the Italian Stock Exchange, prior to the relevant time, the Securityholder may renounce any automatic exercise of such Security by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed renouncement notice to the relevant clearing system, with a copy to the Fiscal Agent and the relevant Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.]]

[Insert if the Securities are Cash Settled Securities:

Cash Settlement

Each Certificate entitles its holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.

Cash Settlement Amount

The Cash Settlement Amount shall be the amount which the Securityholder is entitled to receive on the Settlement Date in the Settlement Currency in respect of each such Security, which is [] [calculated in accordance with the following:

[Insert if the Securities are Certificates:

[Insert if "Normal Performance" is specified as being applicable in the Final Terms:

- (i) the Nominal Amount; multiplied by
- (ii) $(1 + [(Participation\ Factor\ multiplied\ by\]Performance\ of\ Underlying[)])$,]

[Insert if "Performance Differential" is specified as being applicable in the Final Terms:

- (i) the Nominal Amount; multiplied by
- (ii) $(1 + [(Participation\ Factor\ multiplied\ by\] (Performance\ of\ Underlying\ 1\ minus\ Performance\ of\ Underlying\ 2)[)])$,]

[provided that the Cash Settlement Amount will not be [greater than the Maximum Amount] [and will not be] less than the Minimum Amount]. Such amount shall, if applicable, be converted into the Settlement Currency on [●] [the Settlement Date].

[Performance of Underlying is:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

[Performance of Underlying 1, with respect to Reference Item 1 is:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

[Performance of Underlying 2, with respect to Reference Item 2 is:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1 \right]$$

“**Final Reference Level**” is the Settlement Price on the Valuation Date.

“**Initial Reference Level**” [is equal to [●]] [with respect to Reference Item 1 is equal to [●] and with respect to Reference Item 2 is equal to [●]].

“**Settlement Price**” is the amount or value with respect to [the Reference Item] [Reference Item 1 or Reference Item 2, as the case may be] determined by the Calculation Agent on the [Valuation Date] [over the Averaging Dates] in accordance with the Terms and Conditions.]

[“**Reference Item**” means [●].]

“**Reference Item 1**” means [●].

“**Reference Item 2**” means [●].

“**Settlement Currency**” mean [●].

[“**Participation Factor**” means [●].]

[Insert if the Securities are Call Warrants:

[the Final Reference Level – Strike Level]

[Insert if the Securities are Put Warrants:

[the Strike Level - Final Reference Level]

[provided that the Cash Settlement Amount will not be [greater than the Maximum Amount] [and will not be] less than the Minimum Amount]. Such amount shall, if applicable, be converted into the Settlement Currency on [●] [the Settlement Date].

“**Final Reference Level**” is the [Settlement Price on the Valuation Date] [average of the Settlement Prices on each of the Averaging Dates].

“**Strike Level**” is equal to [●].

“**Settlement Price**” is the amount or value with respect to the Reference Item determined by the Calculation Agent on the [Valuation Date] [over the Averaging Dates] in accordance with the Terms and Conditions.]

“**Reference Item**” means [●].

“**Settlement Currency**” mean [●].]

[[Insert if the Securities are Physically Settled Securities:

Physical Settlement

Each Certificate entitles its holder to receive from the Issuer on the Settlement Date the Entitlement, subject to the payment of any Expenses.

Entitlement

The Entitlement shall mean a quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Settlement Date in respect of each such Security following payment of any sums payable and Expenses, which is [in respect of] [each] [Relevant Asset] [Component] [[] [Entitlement Units in []]] [Entitlement Units x Entitlement Multiplier] [Entitlement Units x Entitlement Multiplier x Component Weight].

“**Relevant Assets**” means [●] (*include, where applicable, an asset for each Component*).

“**Entitlement Units**” means [[] unit[s] of the Relevant Asset[s] relating to the [Component which is []] [Reference Item] (*where the intention is to deliver a basket, insert details of the units of each Relevant Asset[s] relating to each Component*)
[“**Entitlement Multiplier**” means [] [the quotient of [the Nominal Amount] [100] [] (as numerator) and the Initial Reference Level (as denominator).]

[[Insert if Barrier Event applies:

Barrier Event

[[Insert if the Securities are Warrants:

If a Barrier Event has occurred, each [Warrant] [Unit], entitles its holder to receive from the Issuer on [each] [the] Barrier Exercise Date the [Barrier Cash Settlement Amount] [Barrier Entitlement] [, less any Expenses not already paid]. [Each [Warrant] [Unit] shall be automatically exercised on the Barrier Exercise Date falling on [●]].]

“**Barrier Event**” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the Barrier Observation Period].

“**Barrier Level**” means [●].

“**Barrier Cash Settlement Amount**” means the amount which the Securityholder is entitled to receive on [each] [the] Barrier Exercise Date [in the Settlement Currency] in relation to each [Warrant] or [Unit], which shall be [●] [the Barrier Reference Level minus the Strike Level] [the Strike Level minus the Barrier Reference Level] [provided that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any)].

“**Barrier Entitlement**” means [the quantity of the Relevant Asset] [the Relevant Assets] which a Securityholder is entitled to receive on [each] [the] Barrier Exercise Date in respect of each [Warrant] or [Unit] which shall be the Entitlement Units multiplied by the Entitlement Multiplier [multiplied by the Component Weight (*in respect of any Reference Item constituted by a Basket*)].

“**Barrier Reference Level**” means the the Settlement Price on [the relevant Barrier Observation Date] [the relevant day during the Barrier Observation Period on which the Barrier Event occurs].

[Insert if the Securities are Certificates:

If a Barrier Event has occurred, each Certificate entitles its holder to receive from the Issuer on [each] [the] the Barrier Exercise Date the [Barrier Cash Settlement Amount] [Barrier Entitlement][, less any Expenses not already paid]. Each such Certificate shall be automatically exercised on the Barrier Exercise Date falling on [●].]

“**Barrier Event**” means the Settlement Price [is equal to] [and/or] [exceeds] [falls below] the Barrier Level on [a Barrier Observation Date] [at any time during the Barrier Observation Period].

“**Barrier Cash Settlement Amount**” means the amount which the Securityholder is entitled to receive on [each] [the] Barrier Exercise Date [in the Settlement Currency] in relation to each such Security which shall be [(i) the Nominal Amount multiplied by (ii) (1+ [(Participation Factor multiplied by] Performance of Underlying)], [provided that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any)].

For these purposes, “**Performance of Underlying**” means, with respect to the Reference Item:

$$\left(\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right) - 1$$

where “**Final Reference Level**” is the Settlement Price on [the relevant Barrier Observation Date] [the relevant day during the Barrier Observation Period on which the Barrier Event occurs].

“**Barrier Entitlement**” means [the quantity of the Relevant Asset] [the Relevant Assets] which a Securityholder is entitled to receive on [each] [the] Barrier Exercise Date in respect of each Certificate which shall be the Entitlement Units multiplied by

the Entitlement Multiplier [multiplied by the Component Weight (*in respect of any Reference Item constituted by a Basket*)].

Expenses

A holder of Securities must pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, sale commissions, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities (“**Expenses**”) relating to such Securities.

[Insert if the Securities are Certificates only:

Remuneration and Remuneration Periods

[The Securities do not bear remuneration.]

[Delete the remaining paragraphs if the Securities do not bear remuneration:

The Securities [bear remuneration at a fixed rate from the Issue Date] [bear remuneration at a floating rate from the Issue Date] [bear remuneration at a [fixed rate][floating rate] from the Issue Date to the Interest Rate Switch Date and shall thereafter bear remuneration at a [fixed rate][floating rate]] [at the applicable Remuneration Rate, such interest being payable in arrear on each specified Remuneration Payment Date] [to the Settlement Date].

[Insert in the case of Securities which bear a Remuneration Rate:

Remuneration Rate

[Insert in the case of fixed rate Securities:

The Remuneration Rate for the Securities [from the Issue Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch Date][Settlement Date] is [●] per cent. per annum] [from the Remuneration Rate Switch Date to the Settlement Date is [●] per cent. per annum]. The yield in respect of the Securities is [●]. Yield is calculated in accordance with the ICMA Method or any other method indicated in the relevant Final Terms. [The ICMA Method determines the effective interest rate for the securities taking into account accrued interest on a daily basis.]

[Insert in the case of floating rate Securities:

[Insert in the case of “Screen Rate Determination” or “CMS Determination”: The Remuneration Rate for each Remuneration Period [from the Issue Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch Date][Settlement Date] shall be determined by reference to [●- week[s]] [●- month] [3-month] [6-month] [12-month] [●- year] [GBP-][EUR-][USD-][CHF-] [●-] [EURIBOR] [LIBOR] [LIBID] [LIMEAN] [BOT] [*relevant yield of Government securities*] [CMS] appearing on [●]] (the “**Reference Rate**”) and will be determined as [the sum of a Margin of [●] and the Reference Rate so determined] [(i) the sum of a Margin of [●] and the Reference Rate so determined (ii) multiplied by a Rate Multiplier of [●]] [the

sum of (i) a Margin of [●] and (ii) the Reference Rate so determined multiplied by a Rate Multiplier of [●]. If no such rate appears on the applicable page at the relevant time on the Remuneration Determination Date, the rate shall be determined by the Calculation Agent using certain fallback methods. In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using [Linear Interpolation] [the relevant Reference Rate on the Remuneration Determination Date]. [For the avoidance of doubt the Remuneration Rate may be a sum of or combination of more than one Reference Rate (plus any applicable Margin) if so specified in the relevant Final Terms.]

[Insert in the case of “ISDA Determination”: The Remuneration Rate for each Remuneration Period [from the Issue Date] [Remuneration Rate Switch Date] to the [Remuneration Rate Switch Date][Settlement Date] shall be the [the sum of a Margin of [●] and the ISDA Rate] [(i) the sum of a Margin of [●] and the ISDA Rate (ii) multiplied by a Rate Multiplier of [●]] [the sum of (i) a Margin of [●] and (ii) the ISDA Rate multiplied by a Rate Multiplier of [●]] where “**ISDA Rate**” in relation to any Remuneration Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option (as defined in the ISDA Definitions) is [GBP-][EUR-][USD-][CHF-] [●-] [EURIBOR-] [LIBOR-] [LIBID-] [LIMEAN-] [relevant yield of Government securities] [relevant swap rate] [●-] [Reuters] [Bloomberg] [BBA] [●];
- (b) the Designated Maturity (as defined in the ISDA Definitions) is to [●-week[s]] [●- month] [3-month] [6-month] [12-month]; and
- (c) the relevant Reset Date (as defined in the ISDA Definitions) is [the first day of that Remuneration Period] [●].

In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using [Linear Interpolation] [the relevant Reference Rate on the Remuneration Determination Date]. [For the avoidance of doubt the Remuneration Rate may be a sum of or combination of more than one Reference Rate (plus any applicable Margin) if so specified in the relevant Final Terms.]

“**Linear Interpolation**” means the straight-line interpolation by reference to two rates based on the Reference Rate or the ISDA Rate, as the case may be, one of which will be determined as if the [Specified Duration] were the period of time for which rates are available next shorter than the length of the affected Remuneration Period and the other of which will be determined as if the [Specified Duration] or the Designated Maturity, as the case may be, were the period of time for which rates are available next longer than the length of such Remuneration Period.]

[Insert if Rate Multiplier is applicable:

Rate Multiplier

The Remuneration Rate from the Issue Date to the [Remuneration Rate Switch Date] [from the [Issue Date] [Remuneration Rate Switch Date] to the Settlement Date] will also be subject to a Rate Multiplier of [].]

[Insert if Reference Rate Multiplier is applicable:

Reference Rate Multiplier

The Remuneration Rate from the Issue Date to the [Remuneration Rate Switch Date] [from the [Issue Date] [Remuneration Rate Switch Date] to the Settlement Date] will [also] be subject to a Reference Rate Multiplier of [].]

[Insert if Maximum Remuneration Rate and/or Minimum Remuneration Rate is applicable:

[Maximum Remuneration Rate] [and] [Minimum Remuneration Rate]

The Remuneration Rate [from the Issue Date to the [Interest Rate Switch Date][Settlement Date] will also be subject to a [[Maximum][Minimum] Remuneration Rate of [●]] [and] a [[Maximum][Minimum] Remuneration Rate of [●]] [and] [from the Remuneration Rate Switch Date to the Settlement Date will [also] be subject to a [[Maximum][Minimum] Remuneration Rate of [●]] [and] a [[Maximum][Minimum] Remuneration Rate of [●]].] *Remuneration Rate Day Count Fraction*

The applicable Remuneration Rate Day Count Fraction for the calculation of the amount of Remuneration due within a Remuneration Period will be [1/1] [30/360 (Floating)] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/360] [Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)].]

[Insert in the case of Securities where Remuneration Amount – Component Cash Flows is applicable:

Remuneration Amount

The Remuneration Amount shall be with respect to each Security and a Remuneration Payment Date, an amount calculated by the Calculation Agent acting in good faith and in a commercially reasonable manner equal to the sum of the weighted net cash flows (such weighting being equal to the weighting of the relevant Component ETFs in the relevant ETF Basket paid during the immediately preceding Rebalancing Period by the Component ETFs constituting the relevant Proprietary Index during the immediately preceding Rebalancing Period, net of any applicable taxes, costs, expenses, or redemption fees in respect of the immediately preceding Rebalancing Period.]

Remuneration Periods

The Remuneration Periods are the periods commencing on (and including) the Issue Date to (but excluding) the first Remuneration Accrual Date and each period commencing on (and including) a Remuneration Accrual Date to (but excluding) the

		<p>next following Remuneration Accrual Date.</p> <p><i>Issue Date and Remuneration Payment Dates</i></p> <p>The Issue Date is [●]. The Remuneration Payment Dates will be [●].</p> <p><i>[Remuneration Determination Date]</i></p> <p>[The Remuneration Determination Date with respect to an Remuneration Period will be [the first day of each Remuneration Period] [the second day on which TARGET2 is open prior to the first day of each Remuneration Period] [the day falling two banking days prior to the first day of each Remuneration Period] [●].]</p> <p><i>Remuneration Accrual Dates</i></p> <p>The Remuneration Accrual Dates will be [●].</p> <p><i>[Insert if “Remuneration Rate Switch” is applicable:</i></p> <p><i>Remuneration Rate Switch Date</i></p> <p>The Remuneration Rate Switch Date for the Securities will be [●].]</p> <p><i>[Insert if Remuneration Barrier Event applies:</i></p> <p><i>Remuneration Barrier Event</i></p> <p>With effect from the date on which the Remuneration Barrier Event occurred, the Securities will cease to bear remuneration. On the immediately following Remuneration Payment Date, the Remuneration Amount payable will be reduced accordingly. Thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amounts payable with respect to the Securities.]</p>
<p>C.19</p>	<p>Exercise price or final reference price of the underlying</p>	<p>The Final Reference Level is [the Settlement Price on the Valuation Date] [the average of the Settlement Prices on each of the Averaging Dates].</p>
<p>C.20</p>	<p>Description of the type of the underlying and the relevant source of information</p>	<p>Type: [Index] [Basket of Indices] [Share] [Basket of Shares] [Currency] [Debt Instrument] [Basket of Debt Instruments] [Commodity] [Basket of Commodities] [Fund] [Basket of Funds]</p> <p>Name of Reference Item(s): [●]</p> <p>Reference Item 1: [●]</p> <p>Reference Item 2: [●]</p> <p>[Nominal Amounts: [●]]</p> <p>[Component Weights: [●]]</p>

		<p>[Issuer][Sponsor]: [●]</p> <p>[Price Source: [●]]</p> <p>[ISIN: [●]]</p> <p>Information on the historical and ongoing performance of the Reference Item [and its volatility] can be obtained [on the public website [●] and] on the [Bloomberg] [Reuters] page [●] [and at the offices of the Issuer at [Piazzetta E. Cuccia, 1, 20121 Milan, Italy] [4, Boulevard Joseph II, L-1840 Luxembourg, Luxembourg].</p>

Section D – Risks

Element	Description of Element	Disclosure requirement
D.2	Key risks specific to the Issuer	<p>There are certain factors that may affect each Issuer's ability to fulfil its obligations under Securities issued under the Programme. These include the following risk factors related to the Mediobanca Group, its operations and its industry:</p> <ul style="list-style-type: none"> (i) The Issuer's financial results may be affected by events which are difficult to anticipate. (ii) The Issuer's financial results may be affected by the Eurozone sovereign debt crisis. (iii) The Issuer is exposed to Eurozone sovereign debt. (iv) The Issuer's financial results are affected by changes in interest rates. (v) The Issuer's financial results may be affected by market declines and volatility. (vi) The Issuer is subject to credit and market risk. Current market conditions are unprecedented. (vii) Sustained market weakness and volatility may adversely affect the Issuer's investment banking and financial advisory revenues and subject the Issuer to risks of losses from clients and other counterparties. (viii) Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses. (ix) Market volatility and difficult access to debt capital markets can adversely affect the Issuer's liquidity. (x) Intense competition, especially in the Italian market, where the Issuer has the largest concentration of its business, could materially adversely effect the Issuer's revenues and profitability.

		<p>(xi) The Issuer's risk management policies, procedures and methods may nevertheless leave the Issuer exposed to unidentified or unanticipated risks, which could lead to material losses.</p> <p>(xii) The Issuer is subject to operational risk.</p> <p>(xiii) The Issuer is subject to systemic risks in connection with the economic/financial crisis.</p> <p>(xiv) The presence of OTC derivatives in the Group's portfolio could adversely affect the Issuer's business.</p> <p>(xv) Potential rating downgrade.</p> <p>(xvi) Changes in the Italian and European regulatory framework could adversely affect the Issuer's business.</p> <p>(xvii) Increased Capital Requirements.</p> <p>(xviii) Provisions of the Crisis Management Directive once finalised and implemented.</p> <p>(xiv) Issuer's potential implementation of capital strengthening initiatives in connection with the European Bank Authority Capital Requirements.</p>
<p>D.6</p>	<p>Key risks specific to the securities</p>	<p>In addition, there are certain factors which are material for the purpose of assessing the risks related to the Securities.</p> <p>General</p> <p>(i) The Securities may not be a suitable investment for all investors. Investors should be aware that they may lose the value of their entire investment or part of it, as the case may be.</p> <p>(ii) An investment in the Securities, which are linked to the Reference Items, may entail significant risks not associated with investments in conventional securities such as debt or equity securities. Set out below is a description of the most common risks.</p> <p>Risks related to the structure of a specific issue of Securities</p> <p>(i) The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Purchasers should be prepared to sustain a partial or total loss of the purchase price of the Securities.</p> <p>(ii) Certain general risk factors related to the Securities referencing a Reference Item, including that the market price of the Securities may be volatile; that investors may receive no remuneration; that investors may lose all or a substantial portion of their principal in case of non-capital guaranteed Securities; that the Reference Items may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other</p>

		<p>securities or indices; that the timing of changes in a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations; that with respect to Physical Delivery Securities, there is no assurance that the value of the Entitlement received will not be less than the trading price of the Securities; and Securities are of limited maturity and, unlike direct investments in a share, index, currency, debt instrument, fund, commodity or other asset, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the underlying.</p> <p>(iii) The Cash Settlement Amount (in the case of Cash Settled Securities) or the value of the Entitlement less (in the case of Warrants) the Exercise Price (the “Physical Settlement Value”) (in the case of Physical Delivery Securities) at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Securities.</p> <p>(iv) Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in the Reference Item should recognise the complexities of utilising Securities in this manner.</p> <p>(v) Risks relating to Securities which are linked to emerging market Reference Item(s).</p> <p>(vi) Risks relating to Index Securities.</p> <p>(vii) Risks relating to the Proprietary Indices.</p> <p>(viii) Risks relating to Share Securities.</p> <p>(ix) Risks relating to Currency Securities.</p> <p>(x) Risks relating to Debt Securities.</p> <p>(xi) Risks relating to Commodity Securities,</p> <p>(xii) Risks relating to Fund Securities,</p> <p>(xiii) Certain considerations associated with Securities providing for the application of a component weight.</p> <p>(xiv) Certain considerations associated with Securities providing for the application of a cap to the Reference Item(s)</p> <p>(xv) Option Risk for Securities - the Securities are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options; transactions in options involve a high level of risk.</p> <p>(xvi) Certain considerations relating only to Warrants, including that in the case of any exercise of Warrants, there will be a time lag between the time a Warrantholder gives instructions to exercise, or the time the Warrant is</p>
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		<p>automatically exercised, and the time the applicable Cash Settlement Amount (in the case of cash settled warrants) relating to such exercise is determined, the risks associated with Minimum Exercise Amounts and that there may be limitations on a Warrantholder's ability to exercise the Warrants.</p> <p>(xvii) Certain interest rate risks.</p> <p>(xviii) Risks relating to Barrier Events.</p> <p>(xix) Risks relating to Remuneration Barrier Events.</p> <p>Risks related to Securities generally</p> <p>(i) The Issuer may have an <i>option to vary settlement</i>.</p> <p>(ii) The Terms and Conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.</p> <p>(iii) The Terms and Conditions of the Securities also provide that the Fiscal Agent and the Issuer may, without the consent of Securityholders, agree to certain modifications to the conditions of the Securities.</p> <p>(iv) If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.</p> <p>(v) Risks associated with a Settlement Disruption Event occurring with respect to physically settled Securities.</p> <p>(vi) A holder of Securities must pay all Expenses relating to such Securities.</p> <p>(vii) The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.</p> <p>(viii) It is not possible to predict whether the taxation regime applicable to Securities on the date of purchase or subscription will be amended during the term of the Securities.</p> <p>(ix) If the Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the Issuer's obligations under any Securities have become, illegal in whole or in part for any reason, the Issuer may cancel such Securities.</p>
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		<p>Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Settlement Currency.</p> <p>(iii) Credit ratings may not reflect all risks.</p> <p>(iv) The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers.</p> <p>(v) Implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of the Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.</p> <p>(vi) The Issuer and/or other entities may have the right to withdraw the offer in relation to the Securities, which in such circumstances will be deemed to be null and void.</p> <p>(vi) It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private agreement.</p> <p>(vii) Mediobanca shall use all reasonable endeavours to maintain the listing of the Securities, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing, then Mediobanca may apply to de-list the relevant Securities.</p>
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Section E – Offer

Element	Description of Element	Disclosure requirement
E.2b	Reasons for the offer and use of proceeds	The net proceeds of the issue of each Tranche of Securities will be used for the general corporate purposes of the relevant Issuer.
E.3	Terms and conditions of the offer	The offer to invest in the Securities is made from [●] to [●]. [The maximum and minimum amount of application is [●] and [●], respectively.] Payments by investors in respect of the purchase of the Securities shall be made by [●]. The results of the offer will be published in [●] on [●]. The Global Securities will be delivered to the relevant clearing system no later than on the Issue Date.
E.4	Material interests in the offer	[Not applicable. There are no material interests with respect to the issue and/or offer of Securities (including any conflicting interests).] [The following constitute material interests with respect to the issue and/or offer of Securities: [●].]
E.7	Estimated expenses	[Not applicable - No expenses will be specifically charged to purchasers of Securities by the Issuer.][A [●] fee of [●] shall be payable by purchasers of Securities to [●].] [●]

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RISK FACTORS

The Issuers and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Securities and the Guarantee issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuers and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme are also described below.

The Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Securities issued under the Programme, but the inability of the Issuers and the Guarantor to pay interest, principal or other amounts on or in connection with any Securities or the Guarantee may occur for other reasons which may not be considered significant risks by the Issuers and the Guarantor based on information currently available to them or which they may not currently be able to anticipate.

Investors should be aware that they may lose the value of their entire investment or part of it, as the case may be.

The purchase of Securities involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Securities. Before making an investment decision, prospective purchasers of Securities should ensure that they understand the nature of the Securities and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in this Base Prospectus and as supplemented from time to time.

No person has been authorised to give any information or make any representation not contained in or not consistent with the Base Prospectus and/or the Final Terms, or any other information supplied in connection with the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer.

By investing in the Securities each investor represents that:

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Securities and as to whether the investment in the Securities is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealers as investment advice or as a recommendation to invest in the Securities, it being understood that information and explanations related to the terms and conditions of the Securities shall not be considered to be investment advice or a recommendation to invest in the Securities. No communication (written or oral) received from the Issuer or the Dealers shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Securities.*
- (b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Securities. It is also capable of assuming, and assumes, the risks of the investment in the Securities.*

(c) *Status of Parties.* Neither the Issuer nor the Dealers is acting as a fiduciary for or adviser to it in respect of the investment in the Securities.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

Prospective investors should also read the risk factors relating to Mediobanca set out in the English translation of the Mediobanca Registration Document (as defined below) which is incorporated by reference to this Base Prospectus as indicated in “Documents Incorporated by Reference” below.

Words and expressions defined in “Form of Final Terms”, “Terms and Conditions” or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus. In this section, “Issuer” refers to Mediobanca and/or to Mediobanca International as appropriate.

1) Risks relating to the Issuers, the Guarantor and the Mediobanca Group

Factors that may affect the Issuers' and the Guarantor's ability to fulfil their obligations under Securities issued under the Programme.

Prospective investors should also read the risk factors relating to Mediobanca set out in the English translation of the Mediobanca Registration Document (as defined below) which is incorporated by reference to this Base Prospectus as indicated in “Documents Incorporated by Reference” below.

(A) The Issuer's financial results may be affected by events which are difficult to anticipate

The Issuer's earning and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, in each case on a regional, national and international level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

(B) Risks arising from the Eurozone sovereign debt crisis

The continued deterioration of the merit of credit of various countries, including, among others, Greece, Ireland and Portugal, together with the potential for contagion to spread to other countries in Europe, mainly Spain and Italy, has exacerbated the severity of the global financial crisis. Such developments have posed a significant risk to the stability and status quo of the European Monetary Union.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries, as has been the case of the three bailed out countries. This, together with the risk that some countries might leave the euro area, would have a material and negative impact on the Group and/or on the Group's clients, with negative implications for the Group's business, results and the financial position.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the euro area. Moreover, the tightening fiscal policy by some countries might weigh on households' disposable income and on corporate profits with negative implications for the Group's business, results and the financial position. This trend will likely continue in the coming quarters.

Any further deterioration of the Italian economy would have a material adverse effect on the Group's business, in light of the Group's significant exposure to the Italian economy. In addition, if any of the countries in which the Group operates entered recession again, the Group's results of operations, business and financial condition would be materially and adversely affected.

The European Central Bank's unconventional policy (including a security market programme and provision of liquidity via "Longer Term Refinancing Operations" (LTRO) with full allotment) has contributed to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the European Central Bank could halt or reconsider the current set up of unconventional measures would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterised by high uncertainty and volatility. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Group's access to, and cost of, funding. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

(C) Risks in connection with the exposure of the Group to Eurozone sovereign debt

In carrying out its activities, the Group holds substantial volumes of public-sector bonds, including bonds issued by European countries. The Group's total exposure in this respect as at 30 June 2012 is set out in the tables A.1.2.a and A.1.2.b of Part E on pages 155 and 156 of the audited consolidated annual financial statements of Mediobanca as at and for the year ended 30 June 2012 incorporated by reference into this Base Prospectus. This could give rise to operational disruptions to the Group's business.

Furthermore, Mediobanca is affected by disruptions and volatility in the global financial markets. In particular, Mediobanca's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as Mediobanca and make it more likely that the credit rating of Securities issued under the Programme are downgraded.

Thus, any negative developments in the Group's sovereign exposure could adversely affect its results of operations, business and financial condition.

(D) The Issuer's financial results are affected by changes in interest rates

Fluctuations in interest rates in Italy and in the other markets in which the Mediobanca Group operates influence the Mediobanca Group's performance. The results of each Issuer's banking operations are

affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Issuer's financial condition or results of operations.

(E) The Issuer's financial results may be affected by market declines and volatility

The results of the Issuer are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also impact the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer's borrowers and counterparties, including sovereign states, can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

The Issuer is therefore exposed by its very nature to potential changes in the value of financial instruments, including securities issued by sovereign states, due to fluctuations in interest rates, exchange rates and currencies, stock market and commodities prices and credit spreads, and/or other risks.

(F) The Issuer is subject to credit and market risk. Current market conditions are unprecedented

The credit and capital markets have been experiencing extreme volatility and disruption in recent months. To the extent that any of the instruments and strategies the Issuer uses to hedge or otherwise manage its exposure to credit or capital markets risk are not effective, the Issuer may not be able to mitigate effectively the Issuer's risk exposures in particular market environments or against particular types of risk. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its credit risk and market risk concentration. In addition, due to market fluctuations, weak economic conditions and/or a decline in stock and bond prices, trading volumes or liquidity, the Issuer's financial results may also be affected by a downturn in the revenues deriving from its margin interests, principal transactions, investment banking and securities trading fees and brokerage activities.

(G) Sustained market weakness and volatility may adversely affect the Issuer's investment banking and financial advisory revenues and subject the Issuer to risks of losses from clients and other counterparties

The Issuer's investment banking revenues, in the form of financial advisory and debt and equity underwriting fees, are directly related to the number and size of the transactions in which the Issuer participates and may be impacted by continued or further credit market dislocations or sustained market downturns. Sustained market downturns or continued or further credit market dislocations and liquidity issues would also likely lead to a decline in the volume of capital market transactions that the Issuer executes for its clients and, therefore, to a decline in the revenues that it receives from commissions and spreads earned from the trades the Issuer executes for its clients. Further, to the extent that potential acquirers are unable to obtain adequate credit and financing on favourable terms, they may be unable or unwilling to consider or complete acquisition transactions, and as a result the Issuer's merger and acquisition advisory practice would suffer.

In addition, declines in the market value of securities can result in the failure of buyers and sellers of securities to fulfil their settlement obligations, and in the failure of the Issuer's clients to fulfil their credit obligations. During market downturns, the Issuer's counterparties in securities transactions may be less likely to complete transactions. Also, the Issuer often permit its clients to purchase securities on margin or, in other words, to borrow a portion of the purchase price from the Issuer and collateralize the loan with a set percentage of the securities. During steep declines in securities prices, the value of the collateral securing margin purchases may drop below the amount of the purchasers indebtedness. If the clients are unable to provide additional collateral for these loans, the Issuer may lose money on these margin transactions. In addition, particularly during market downturns, the Issuer may face additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

(H) Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses

In some of the Issuer's businesses, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Issuer for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that the Issuer calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and failure to do so effectively could lead to losses that the Issuer did not anticipate or that were higher than those anticipated. This in turn could adversely affect the Issuer's results of operations and financial condition.

(I) Market volatility and difficult access to debt capital markets can adversely affect the Issuer's liquidity

In the event that the extreme volatility and disruption experienced by international and domestic markets in recent months continue in the future, the Issuer's liquidity can be adversely affected. The Issuer's funding activity relies, for more than 20 per cent, on retail deposits with the Group company CheBanca!, on medium and long-term debt capital market issues offered to institutional investors and to the public. The placement to retail investors is made through public offerings (carried out by means of single banking networks – including that of Banco Posta – with exclusivity or through syndicated joined banking groups) and sold directly on the *Mercato Telematico delle Obbligazioni* managed by Borsa Italiana S.p.A. (MOT). Demand from institutional investors is met through public offerings on the Eurobond market and private placements of instruments tailored on the basis of the specific needs of the subscriber.

The volatility of the debt capital markets in Italy and abroad may impair the Issuer's ability to raise funding through fixed-income instruments and may affect its liquidity in the long term. In addition, the wider credit spreads that the markets are experiencing can affect the Issuer's aggregate cost of funding and have an impact on its financial results.

(J) Intense competition, especially in the Italian market, where the Issuer has the largest concentration of its business, could materially adversely affect the Issuer's revenues and profitability

Competition is intense in all of the Mediobanca Group's primary business areas in Italy and the other countries in which the Issuer conducts its business. The Mediobanca Group derives most of its total banking income from its banking activities in Italy, a mature market where competitive pressures have been increasing quickly. If the Mediobanca Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Mediobanca Group, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for which to compete.

(K) The Issuer's risk management policies, procedures and methods may nevertheless leave the Issuer exposed to unidentified or unanticipated risks, which could lead to material losses

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.

(L) The Issuer is subject to operational risk

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunication systems. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

(M) Systemic risks in connection with the economic/financial crisis

It should be noted that the earnings capacity and stability of the financial system in which the Issuer operates may be impacted by the general economic situation and the trends on financial markets, and, in particular, by the solidity and growth prospects of the economies of the country or countries in which the Issuer operates, including its/their credit standing.

Such factors, particularly during periods of economic and financial crisis, could lead the Issuer to incur losses, increases in the cost of financing, reductions in the value of assets held, with a potentially negative impact on the Issuer's liquidity and the solidity of its capital.

(N) Risks connected to the presence of OTC derivatives in the Group's portfolio

The investors should note that the portfolio of the Group contains so-called "over thecounter" (OTC) derivatives. The fair value of these OTC derivatives depends upon the both the valuation and the perceived credit risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider. Market counterparties have been adversely affected by their exposure to residential mortgage linked products, and their perceived creditworthiness has deteriorated significantly since 2007. Although the Group seeks to limit and manage direct exposure to market counterparties, indirect exposure may exist through other financial arrangements

and counterparties. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Group may record further credit valuation adjustments on the underlying instruments insured by such parties.

Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties could have a material adverse impact on the results of operations, financial condition and prospects of the Group.

(O) Risks connected to a potential rating downgrade

Mediobanca is rated by Standard & Poor's Ratings Service, a Division of the McGraw Hill Companies Inc. ("S&P"), which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, (as amended) (the "CRA Regulation") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation. A downgrade of Mediobanca's rating (for whatever reason) might result in higher funding and refinancing costs for Mediobanca in the capital markets. In addition, a downgrade of Mediobanca's rating may limit Mediobanca's opportunities to extend mortgage loans and may have a particularly adverse effect on Mediobanca's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on Mediobanca's financial condition and/or the results of its operations.

(P) Changes in the Italian and European regulatory framework could adversely affect the Issuer's business

The Issuer is subject to extensive regulation and supervision by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (the Italian securities market regulator or "CONSOB") in relation to Mediobanca, the European Central Bank and the European System of Central Banks in relation to both Issuers and the CSSF in Luxembourg in relation to Mediobanca International. The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing the international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and could significantly alter the Issuer's capital requirements.

The supervisory authorities mentioned above govern various aspects of the Issuer, which may include, among other things, liquidity levels and capital adequacy, the prevention and combating of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. In order to operate in compliance with these regulations, Mediobanca has in place specific procedures and internal policies. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Group's results of operations, business and financial condition. The above risks are compounded by the fact that, as at the date of this Base Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

Between the end of 2010 and the beginning of 2011 the Bank of Italy issued a series of measures which amended the Bank of Italy Circular No. 263 of 27 December 2006 (*Nuove Disposizioni di Vigilanza*

Prudenziale delle Banche) as amended and supplemented (the "**Bank of Italy Regulations**") in order to adopt the provisions of EU Directive 2009/27/EC, 2009/83/EC and 2009/111/EC (together, "**CRD II**"), which amended EU Directives 2006/48/EC ("**CRD**") and 2006/49/EC and has changed, *inter alia*, the criteria for assessing capital eligible to be included in Tier I Capital and may require the Issuer to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.

EU Directive 2010/76/EU ("**CRD III**") was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:

- an increase in the capital requirements for financial institutions in respect of trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- a limit on investments in re-securitisations and imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
- a restriction on the remuneration payable to individuals fulfilling roles with a potential impact on a bank's risk profile.

In December 2010, January 2011 and July 2011, the Basel Committee on Banking Supervision issued documents containing a capital and liquidity reform package (the "**Basel III proposal**"). The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier I capital adequacy ratios and introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability;
- non-recognition or phasing-out of recognition of certain existing capital instruments as Common Equity Tier I Capital, Additional Tier I Capital or Tier II Capital starting from 1 January 2013;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss-absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;
- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;

- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and
- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

The Basel III framework adopts a gradual approach, with the requirements to be implemented over the period from 1 January 2013 to 31 December 2019 (some of the new requirements which are still in the course of being defined will have to be adopted by individual member states). In the European Union, Basel III will be reflected by an amended Capital Requirements Directive (known as the "**CRD IV**") and the implementation of an EU regulation (the "**Capital Requirements Regulation**") directly in each member state (known as the "**CRR**") from 1 January 2013. Drafts of the CRD IV and the CRR have been released by the European Commission and were expected to be published in final form in the middle of 2012 although, as of the date of this Base Prospectus, such publication has not taken place yet. The rules are expected to enter into force by 1 January 2013 though subject to a series of transitional arrangements with phasing in of the rules occurring over a period of time. The impact of these regulations could, therefore, have an adverse effect on the Group's results of operations, business and financial condition.

Significant uncertainty remains around the implementation of some of these initiatives. If certain of these measures were implemented as currently proposed or announced, in particular the changes proposed or announced by the Basel Committee, they would be expected to have a significant impact on the capital and asset and liability management of the Mediobanca Group.

Such changes in the regulatory framework and how such regulations are applied may have a material effect on the Mediobanca Group's business and operations. As the new framework of banking laws and regulations affecting Mediobanca Group is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Mediobanca Group.

Prospective investors in the Securities should consult their own advisors as to the consequences for them of the application of the above regulations as implemented in each Member State.

(Q) Increased Capital Requirements

Under the CRD IV and Basel III framework, the minimum capital requirement for common equity tier 1 ("**CET1**") (which does not include hybrid capital) will be phased in gradually from the current 2 per cent. of risk-weighted assets to up to 9.5 per cent. in 2019. The 9.5 per cent. requirement will include a "capital conservation buffer requirement" of 2.5 per cent. and a "countercyclical buffer requirement" of 0-2.5 per cent. in addition to a minimum base requirement of 4.5 per cent. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction. For each systemically important bank ("**SIB**") there will be additional buffer requirements on top of the 9.5 per cent.

(R) The Group may be subject to the provisions of the Crisis Management Directive, once finalised and implemented, in the future

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Crisis Management Directive**” or “**CMD**”). The stated aim of the draft CMD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers’ exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a bank’s deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of an institution presents a concern as regards the general public interest, a clear means to reorganise or wind down the bank in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses in insolvency (resolution).

The draft CMD currently contains four resolution tools and powers: (i) sale of business – which enables resolution authorities to proceed with the sale of the institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) bridge institution - which enables resolution authorities to transfer of all or part of the business of an institution to a “bridge bank” (a publically controlled entity); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and (iv) bail in - which gives resolution authorities the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

The draft CMD contemplates that it will be implemented in Member States by 31 December 2014 except for the bail in tool which is to be implemented by 1 January 2018.

The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative procedure. As such, it is too early to anticipate the full impact of the draft directive but there can be no assurance that, once it is agreed upon and implemented, Securityholders will not be adversely affected by actions taken under it. In addition, there can be no assurance that, once the draft CMD is agreed upon and implemented, its application will not have a significant impact on the Group’s results of operations, business, assets, cash flows and financial condition, as well as on funding activities carried out by the Group and the products and services offered by the Group.

(S) Risks related to the Issuer’s potential implementation of capital strengthening initiatives in connection with the European Bank Authority (the “EBA”) Capital Requirements

The current Supervisory Regulations and the Basel III Rules include a set of rules for improving quality and quantity of capital as well as new rules for controlling the leverage and the pro cyclical intermediation. The implementing reforms are aimed to empower the capacity of the banking system to absorb shocks resulting from financial and economic tensions, regardless of their cause, reducing the risk of contagion of the financial sector by the real economy. In general, the evaluation of an appropriate bank capitalization could have direct impacts, among other things, on the rating and the cost of funding, and the necessity of any extraordinary transactions with consequent effects on economic and financial situation of each relevant financial institution and on its shareholders.

2) Risks relating to the Securities

Factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme.

(A) The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) proceed with investment only after fully appreciating the risks inherent in the nature of the Securities;
- (ii) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (iii) evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets;
- (v) consider all of the risks of an investment in the Securities, including Securities with payments thereunder payable in one or more currencies, or where the currency for payments thereunder is different from the potential investor's currency; and
- (vi) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (vii) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, an investment in Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities or Commodity Securities may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "Risks related to the structure of a particular issue of Securities" set out below.

Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios.

A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

(B) Risks related to the structure of a particular Issue of Securities

A wide range of Securities may be issued under the Programme. A number of these Securities may have features which contain particular risks for potential investors. Set out below is a description of the most common risks.

(i) *General risks*

The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Purchasers should be prepared to sustain a partial or total loss of the purchase price of their Securities. This risk reflects the nature of a Security as an asset which, other factors held constant, tends to decline in value over time and which may become worthless on expiration. See "Certain Factors Affecting the Value and Trading Price of Securities" below. Prospective purchasers of Securities should be experienced with respect to options and option transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Securities and the particular share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds) or commodity (or basket of commodities) to which the value of the relevant Securities may relate, as specified in the applicable Final Terms.

(ii) *Securities referencing a Reference Item*

The Issuer may issue Securities with the amount of principal repayable on maturity being determined by reference to a particular the particular share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) (each, a "**Reference Item**"). Potential investors should be aware that:

- (a) the market price of such Securities may be volatile;
- (b) they may receive no interest;
- (c) since the Securities are not capital guaranteed, they may lose all or a substantial portion of their investment;
- (d) the Reference Items may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices;
- (e) the timing of changes in a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations;
- (f) if the Securities are Physical Delivery Securities, there is no assurance that the value of the underlying assets relating to the Reference Item received may be less than the trading price of the Securities; and
- (g) the Securities are of limited maturity and, unlike direct investments in a share, index, fund, currency, debt instrument, fund or commodity, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the Reference Item.

Securities linked to Reference Item(s) will represent an investment linked to the economic performance of the relevant Reference Item(s) and potential investors should note that the return (if any) on their investment in such Securities will depend upon the performance of such Reference Item(s). Securities linked to the difference in performance between two Reference Items (where Performance Differential is specified as being applicable in the relevant Final Terms) will represent an investment linked to the difference between the economic performance of the relevant Reference Items and potential investors should note that the return (if any) on their investment in such Securities will depend upon the relative performance of such Reference Items. Potential investors should also note that whilst the market value of such Securities is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change in the market value of such Securities may not be comparable to changes in the market value of the Reference Item(s). It is impossible to predict how the market value of the relevant Reference Item(s) will vary over time.

Fluctuations in the value of the relevant index or basket of indices will affect the value of Index Securities. Fluctuations in the price of the relevant share or value of the basket of shares will affect the value of Share Securities. Fluctuations in the price or yield of the relevant debt instrument or value of the basket of debt instruments will affect the value of Debt Securities. Also, due to the character of the particular market on which a debt instrument is traded, the absence of last sale information and the limited availability of quotations for such debt instrument may make it difficult for many investors to obtain timely, accurate data for the price or yield of such debt instrument. Fluctuations in the rates of exchange between the relevant currencies will affect the value of Currency Securities. Fluctuations in the value of the relevant fund or the value of the basket of funds will affect the value of Fund Securities. Fluctuations in the value of the relevant commodity or basket of commodities will affect the value of Commodity Securities. Purchasers of Securities risk losing their entire investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

The risk of the loss of some or all of the purchase price of a Security upon expiration means that, in order to recover and realise a return upon his or her investment, a purchaser of a Security must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds) or commodity (or basket of commodities). Assuming all other factors are held constant, the lower the value of a Security and the shorter its remaining term to expiration, the greater the risk that purchasers of such Security will lose all or part of their investment. With respect to European Style Warrants and to Certificates, the only means through which a holder can realise value from such Security prior to the Exercise Date in relation to such Security is to sell it at its then market price in an available secondary market.

The historical performances of a Reference Item should not be viewed as an indication of the future performance of such Reference Item during the term of any Securities. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed by an investment in any Securities and the suitability of such Securities in light of its particular circumstances.

The Issuer may issue several issues of Securities relating to various Reference Items. However, no assurance can be given that the Issuer will issue any Securities other than the Securities to which particular Final Terms relate. At any given time, the number of Securities outstanding may be substantial. Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with the Securities are similar to those generally applicable to other options of private corporate issuers.

Options or Securities on equities or debt securities are priced primarily on the basis of the value of underlying assets. The trading value of Currency Securities and Commodity Securities is likely to reflect primarily present and expected values of the reference currency (or basket of currencies) or commodity (or basket of commodities) specified in the applicable Final Terms.

(ii) Certain Factors Affecting the Value and Trading Price of Securities

The Cash Settlement Amount (in the case of Cash Settled Securities) or the value of the Entitlement less (in the case of Warrants) the Exercise Price (the “**Physical Settlement Value**”) (in the case of Physical Delivery Securities) at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with the price level of the share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, as well as by a number of other interrelated factors, including those specified herein.

Before exercising (in the case of Warrants) or selling Securities, Securityholders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the share (or basket of shares), index (or basket of indices), debt instrument (or basket of debt instruments), fund (or basket of funds), currency (or basket of currencies), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, (iii) the time remaining to expiration, (iv), in the case of Cash Settled Securities, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields if applicable, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the share (or basket of shares), index (or basket of indices), debt instrument (or basket of debt instruments), fund (or basket of funds), currency (or basket of currencies), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Final Terms, and (viii) any related transaction costs.

(iii) Certain Considerations Regarding Hedging

Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in a share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities) which is specified in the applicable Final Terms as being the Reference Item, should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the relevant Reference Item. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the relevant Reference Item. For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of any relevant Reference Item.

The Issuer and/or any of its respective Affiliates or agents may from time to time hedge the Issuer's obligations under Securities (and under other instruments and OTC contracts issued by or entered into from time to time by the Issuer and/or any of its respective Affiliates or agents relating to such securities) by taking positions, directly or indirectly, in the relevant Reference Item. Although the Issuer has no reason to believe that such hedging activities will have a material impact on the price of any relevant Reference Item, there can be no assurance that such hedging activities will not adversely affect the value of the Securities.

(iv) Risks relating to Securities which are linked to emerging market Reference Item(s)

Where the terms and conditions of the Securities reference one or more emerging market Reference Item(s), investors in such Securities should be aware that the political and economic situation in countries with emerging economies or stock markets may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries, including a significant risk of currency value fluctuation. Such instability may result from, among other things, authoritarian governments, or military involvement in political and economic decision-making, including changes or attempted changes in governments through extra constitutional means; popular unrest associated with demands for improved political, economic or social conditions; internal insurgencies; hostile relations with neighbouring countries; and ethnic, religious and racial disaffections or conflict. Certain of such countries may have in the past failed to recognise private property rights and have at times nationalised or expropriated the assets of private companies. As a result, the risks from investing in those countries, including the risks of nationalisation or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect the values of a Reference Item investment in those countries. The small size and inexperience of the securities markets in certain countries and the limited volume of trading in securities may make the emerging market Reference Item(s) illiquid and more volatile than investments in more established markets. There may be little financial or accounting information available with respect to local issuers, and as a result it may be difficult to assess the value or prospects of the Reference Item(s).

(v) Risks relating to Index Securities

General

The Issuer may issue Index Securities which are securities whose performance is linked to the performance of an index (or basket of indices). An investment in Index Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Factors affecting the performance of Indices may adversely affect the value of the Securities. Indices are comprised of a synthetic portfolio of shares, bonds, currency exchange rates, commodities, property or other assets, and as such, the performance of an Index is dependent upon the performance of components of such index, which may include interest rates, currency developments, political factors, market factors such as the general trends in capital markets or broad based indices and (in the case of shares) company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy. If an Index does not perform as expected, this will materially and adversely affect the value of Index Securities.

Returns on the Securities do not reflect a direct investment in underlying shares or other assets comprising the Index

The return payable on Securities that reference indices may not reflect the return a potential investor would realise if it actually owned the relevant assets comprising the components of the Index or owned a different form of interest in the relevant Index. For example, if the components of the Indices are shares, Holders of Securities will not receive any dividends paid or distributions made on those shares and will not participate in the return on those dividends or distributions unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Similarly, Holders of Securities will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant Index. Accordingly, Holders of Securities that reference Indices as Reference Items may receive a lower payment upon redemption/settlement of such Securities than such Holder of Securities would have received if it had invested in the components of the Index directly or other comparable instruments linked to the Index.

A change in the composition or discontinuance of an Index could adversely affect the market value of the Securities

The sponsor of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The changing of components of any Index may affect the level of such Index as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the relevant Issuer to the Holders of the Index Securities. The sponsor of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index. The sponsor of an Index will have no involvement in the offer and sale of the Index Securities and will have no obligation to any Holder of such Securities. Accordingly, the sponsor of an Index may take any actions in respect of such Index without regard to the interests of the Holder of the Securities, and any of these actions could adversely affect the market value of the Index Securities.

Additional risks in relation to Proprietary Indices

Where the Index is a Proprietary Index, investors should also consider the following risks.

(a) *Factors affecting the Proprietary Index*

Factors affecting the performance of the Proprietary Index may adversely affect the value of the Securities. The Proprietary Index is comprised of a basket of Component ETFs and as such, the performance of the Underlying Index is dependent upon the performance of the Component ETFs, which may depend on interest rates, currency developments, political factors, market factors such as the general trends in capital markets. If the Proprietary Index does not perform as expected, this will materially and adversely affect the market value of the Securities and the Cash Settlement Amount payable by the Issuer.

The frequency and magnitude of changes in the market prices of the Component ETFs (known as volatility) may affect the market value of the Securities. Volatility is affected by a number of factors such as macro economic factors, speculative trading and supply and demand in the options, futures and other derivatives markets. The volatility of the Component ETFs (and accordingly, the Proprietary Index) will move up and down over time (and sometimes more sharply than other securities and indices).

(b) *Returns on the Securities do not reflect a direct investment in the Component ETFs*

The return payable on the Securities may not reflect the return a potential investor would realise if it actually owned the Component ETFs or owned a different form of interest in the Proprietary Index. Accordingly, Securityholders may receive a lower Cash Settlement Amount than such Securityholders would have received if they had invested in the Component ETFs directly or other comparable instruments linked to the Proprietary Index.

- (c) *A change in the weightings and/or composition of the Proprietary Index could adversely affect the market value of the Securities*

The Index Calculation Agent may on a quarterly basis change the weighting of the Component ETFs which comprise the Proprietary Index.

The changing of weighting of the Component ETFs may affect the level of the Proprietary Index. An increase in the weighting of a particular Component ETF may magnify the effect to the level of the Proprietary Index as a whole of a Component ETF that is performing badly. A decrease in the weighting of a particular Component ETF may moderate the benefit to the level of the Proprietary Index of a Component ETF that is performing well. Such circumstances may adversely affect the market value of the Securities and the Cash Settlement Amount payable by the Issuer.

In addition, in the event that a Potential Substitution Event occurs, the Index Calculation Agent may, acting in a commercially reasonable manner, change the Basket composition by (a) adding a Component ETF to the Component ETFs which are then part of the Basket; or (b) removing a Component ETF from the Basket; or (c) substituting the relevant Component ETF with a Substitute Component ETF. In such circumstances, the Calculation Agent shall make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

A newly added Substitute Component ETF may perform significantly worse or better than the Component ETF it replaces. Adding a Component ETF to the Basket or removing a Component ETF from the Basket may affect the level of the Proprietary Index. Such circumstances may adversely affect the market value of the Securities and the Cash Settlement Amount payable by the Issuer.

- (d) *The Underlying Index is a proprietary index*

The relevant Proprietary Index is owned and maintained by Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor. Mediobanca – Banca di Credito Finanziario S.p.A. as the Index Calculation Agent is also responsible for the composition and calculation of the Proprietary Index. Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor and Index Calculation Agent, is under no obligation to take into account the interests of the Securityholders. Mediobanca – Banca di Credito Finanziario S.p.A. as Index Sponsor and Index Calculation Agent will have the authority to make determinations with respect to the Proprietary Index that could materially and adversely affect the market value of the Securities and the Cash Settlement Amount payable by the Issuer on the Settlement Date.

- (e) *Provision of information*

Each investor should be aware that Mediobanca – Banca di Credito Finanziario S.p.A. as Issuer, Calculation Agent, Index Sponsor and Index Calculation Agent has no obligation to provide the investor with any information which is in the public domain or any information additional to that which will be published on the ETF Index Sources.

Exposure to modification and disruption events

The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original Reference Item with another and/or to cause early redemption/settlement of the Securities, any of which may be adverse to Holders of Securities in connection with Index Modification, Index Cancellation, and Index Disruption. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Securities, or to replace such Index with another or to cause early redemption/ settlement of the Securities. The consequences of such amendments could adversely affect the market value of the Index Securities.

There are additional risks in relation to Commodity Indices

See “Additional risks in relation to the “rolling” of commodity futures contracts (including commodity futures contracts which are Components of a Commodity Index)” below.

(vi) Risks relating to Share Securities

General

The Issuer may issue Share Securities which are securities whose performance is linked to the performance of a share (or basket of shares). An investment in Share Securities entails significant risks in addition to those associated with investments in a conventional debt security.

In the case of Securities relating to a share (or basket of shares), no issuer of such shares will have participated in the preparation of the relevant Final Terms or in establishing the terms of the Securities and neither the Issuer nor any Dealer will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer of shares contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Final Terms) that would affect the trading price of the share will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of shares could affect the trading price of the share and therefore the trading price of the Securities.

Except as provided in the Terms and Conditions of the Securities in relation to Physical Delivery Securities, Securityholders will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant shares to which such Securities relate.

The performance of Shares is dependent upon macroeconomic factors, such as interest and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy. These factors are not within the relevant Issuer’s control and may result in a decline in the value of the Securities.

Lack of rights in respect of Shares

Share Securities do not represent a claim against or an investment in any issuer of the relevant share(s) and investors will not have any right of recourse under the Share Securities to any such company or the shares. Share Securities are not in any way sponsored, endorsed or promoted by any issuer of the relevant share(s) and such companies have no obligation to take into account the consequences of their actions for any holders. Accordingly, the issuer of a share may take any actions in respect of such share without regard to the interests of the investors in the Share Securities, and any of these actions could adversely affect the market value of the Share Securities.

Exposure to modification and disruption events

Upon determining that a Potential Adjustment Event, Merger Event, Tender Offer, De-listing, Nationalization, Insolvency or Additional Disruption Event has occurred in relation to an underlying Share, Share Company or Basket Company or the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Securities and/or (ii) (in the case of a Merger Event, Tender Offer, De-listing, Nationalization or Insolvency Event) cause early redemption/settlement of the Securities, any of which determinations may have an adverse effect on the value of the Securities.

Potential Adjustment Events include (a) a sub-division, consolidation or re-classification of the Shares, (b) a distribution in kind, (c) an extraordinary dividend, (d) a call of the Shares that are not fully paid, (e) a repurchase by the issuer, or an affiliate thereof, of the Shares, (f) a separation of rights from the Shares or (g) any event having a dilutive or concentrative effect on the value of the Shares.

Physical delivery of Shares

Where the Securities linked to Shares include the right of the relevant Issuer, subject to the fulfilment of a particular condition, to redeem the Share Securities at their maturity by delivering Shares to the investor, the investors will receive such Shares rather than a monetary amount upon maturity. Holders will, therefore, be exposed to the issuer of such Shares and the risks associated with such Shares. The investor should not assume that he or she will be able to sell such Shares for a specific price after the redemption/settlement of the Securities, and in particular not for the purchase price of the Share Securities. Under certain circumstances the Shares may only have a very low value or may, in fact, be worthless. Holders may also be subject to certain documentary or stamp taxes in relation to the delivery and/or disposal of such Shares.

(vii) Risks relating to Currency Securities

General

The Issuer may issue Currency Securities, which are securities whose performance is linked to the performance of a foreign exchange rate. An investment in Currency Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the value of Currency Securities. The performance of foreign exchange rates is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to international and domestic political factors, economic factors (including inflation rates in the countries concerned, interest rate differences between the respective countries), economic forecasts, currency convertibility

and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Measures taken by governments and central banks include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a Settlement Currency that would affect exchange rates and the availability of a Settlement Currency which would affect return on the Currency Security or ability of the relevant Issuer to make delivery in the Settlement Currency.

Furthermore, investors who intend to convert gains or losses from the exercise or sale of Securities into their home currency may be affected by fluctuations in exchange rates between their home currency and the Settlement Currency of the Securities. Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency (or basket of currencies), regardless of other market forces (see "Exchange rate risks and exchange controls" below). Purchasers of Securities risk losing their entire investment if exchange rates of the relevant currency (or basket of currencies) do not move in the anticipated direction.

If additional warrants, certificates or options relating to particular currencies or particular currency indices are subsequently issued, the supply of warrants, certificates and options relating to such currencies or currency indices, as applicable, in the market will increase, which could cause the price at which the Currency Securities and such other warrants, certificates and options trade in the secondary market to decline significantly.

Currency Securities linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies. See also "Risks relating to Securities which are linked to emerging market Reference Item(s)".

(viii) Risks relating to Debt Securities

General

An investment in Debt Securities will entail significant risks not associated with a conventional fixed rate or floating rate debt security. An investment in a Debt Security may not provide the same level of return as a direct investment in the underlying Debt Instrument.

Exposure to modification and disruption events

In certain circumstances, the Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original Debt Instrument with another and/or to cause early redemption/settlement of the Securities, any of which may be adverse to Holders of Securities. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Securities, or to replace the original Debt Instrument with another or to cause early redemption/settlement of the Securities. The consequences of such amendments could adversely affect the market value of the Index Securities.

(ix) Risks relating to Commodity Securities

General

The Issuer may issue Commodity Securities, which are securities whose performance is linked to the performance of a commodity (or basket of commodities). An investment in Commodity Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Ownership of the Securities will not entitle an investor to any rights with respect to any futures contracts or commodities included in or tracked by the Reference Item(s)

An investor will not own or have any beneficial or other legal interest in, and will not be entitled to any rights with respect to, any of the commodities or commodity futures included in such Reference Item(s). Neither the relevant Issuer nor the Guarantor will invest in any of the commodities or commodity futures contracts included in such Reference Item(s) on behalf or for the benefit of the Holders.

Factors affecting the performance of Commodities may adversely affect the value of the relevant Commodity Securities; Commodity prices may be more volatile than other asset classes

The prices of commodities may be volatile and may fluctuate substantially if, for example, natural disasters or catastrophes, such as hurricanes, fires, or earthquakes, affect the supply or production of such commodities. Commodity prices also fluctuate due to general macro-economic forces and general market movements. The price of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any amount payable in respect of a Security is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of such payment in respect of a Security. The reduction in the amount payable on the redemption/settlement of the Security may result, in some cases, in a Holder receiving a smaller sum on redemption/settlement of the Security than the amount originally invested in such Commodity Security.

Commodities may reference physical commodities or commodity contracts, and certain commodity contracts may be traded on unregulated or “under-regulated” exchanges

Commodities comprise both (i) “physical” commodities, which need to be stored and transported, and which are generally traded at a “spot” price, and (ii) commodity contracts, which are agreements either to (a) buy or sell a set amount of an underlying physical commodity at a predetermined price and delivery period (which may be referred to as a delivery month), or to (b) make and receive a cash payment based on changes in the price of the underlying physical commodity.

Commodity contracts may be traded on regulated specialised futures exchanges (such as futures contracts). Commodity contracts may also be traded directly between market participants “over-the-counter” on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. Accordingly, trading in such “over-the-counter” contracts may not be subject to the same provisions as, and the protections afforded to, contracts traded on regulated specialised futures exchanges, and there may therefore be additional risks related to the liquidity and price histories of the relevant contracts and any Securities which reference any such commodity contracts may have reduced liquidity or greater price volatility or be subject to more extensive market disruptions.

Commodity Securities which are linked to commodity futures contracts may provide a different return from Commodity Securities linked to the relevant physical commodity and will have certain other risks

The price of a futures contract on a commodity will generally be at a premium or at a discount to the spot price of the underlying commodity. This discrepancy is due to such factors as (i) the need to adjust

the spot price due to related expenses (e.g., warehousing, transport and insurance costs) and (ii) different methods being used to evaluate general factors affecting the spot and the futures markets. In addition, and depending on the commodity, there can be significant differences in the liquidity of the spot and the futures markets. Accordingly, Commodity Securities which are linked to commodity futures contracts may provide a different return from Commodity Securities linked to the relevant physical commodity.

Investments in futures contracts involve certain other risks, including potential illiquidity. A holder of a futures position may find that such position becomes illiquid because certain commodity exchanges limit fluctuations in such futures contract prices pursuant to “daily limits”. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless holders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Any such losses in such circumstances could have a negative adverse effect on the return of any Securities the Reference Item of which is the affected futures contract. There can be no assurance that any such disruption or any other force majeure (such as an act of God, fire, flood, severe weather conditions, act of governmental authority or a labour dispute or shortage) will not have an adverse affect on the value of or trading in the Reference Item(s), or the manner in which it is calculated, and therefore, the value of the Securities.

In the case of a direct investment in commodity futures contracts, the invested capital may be applied in whole or in part by way of collateral in respect of the future claims of the respective counterparties under the commodity futures contracts. Such capital will generally bear interest, and the interest yield will increase the return of the investor making such direct investment. However, Holders of Securities linked to the price of commodity futures contracts do not participate in such interest yields from the hypothetical fully collateralised investment in commodity futures contracts.

Additional risks in relation to the “rolling” of commodity futures contracts (including commodity futures contracts which are Components of a Commodity Index)

Commodity contracts have a predetermined expiration date, which is the date on which trading of the commodity contract ceases. Holding a commodity contract until expiration will result in delivery of the underlying physical commodity or the requirement to make or receive a cash settlement. Alternatively, “rolling” the commodity contracts means that the commodity contracts that are nearing expiration (the “**near-dated commodity contracts**”) are sold before they expire and commodity contracts that have an expiration date further in the future (the “**longer-dated commodity contracts**”) are purchased.

Investments in commodities apply “rolling” of the component commodity contracts in order to maintain an ongoing exposure to such commodities.

“Rolling” can affect the value of an investment in commodities in a number of ways, including:

- (a) The investment in commodity contracts may be increased or decreased through “rolling”: Where the price of a near-dated commodity contract is greater than the price of the longer-dated commodity contract (the commodity is said to be in “backwardation”), then “rolling” from the former to the latter will result in exposure to a greater number of the longer-dated commodity contract being taken. Therefore, any loss or gain on the new positions for a given movement in the prices of the commodity contract will be greater than if one had synthetically held the same

number of commodity contracts as before the “roll”. Conversely, where the price of the near-dated commodity contract is lower than the price of the longer-dated commodity contract (the commodity is said to be in “contango”), then “rolling” will result in exposure to a smaller number of the longer-dated commodity contract being taken. Therefore, any gain or loss on the new positions for a given movement in the prices of the commodity contract will be less than if one had synthetically held the same number of commodity contracts as before the “roll”.

- (b) Where a commodity contract is in contango (or, alternatively, backwardation) such may be expected to (though it may not) have a negative (or, alternatively, positive) effect over time: Where a commodity contract is in “contango”, then the price of the longer-dated commodity contract will generally be expected to (but may not) decrease over time as it nears expiry. In such event, rolling is generally expected to have a negative effect on an investment in the commodity contract. Where a commodity contract is in “backwardation”, then the price of the longer-dated commodity contract will generally be expected to (but may not) increase over time as it nears expiry. In such event, the investment in the relevant commodity contract can generally be expected to be positively affected.

Commodity indices are indices which track the performance of a basket of commodity contracts on certain commodities, depending on the particular index. The weighting of the respective commodities included in a commodity index will depend on the particular index, and is generally described in the relevant index rules of the index. Commodity indices apply “rolling” of the component commodity contracts in order to maintain an ongoing exposure to such commodities. Specifically, as a commodity contract is required to be rolled pursuant to the relevant index rules, the commodity index is calculated as if exposure to the commodity contract was liquidated and exposure was taken to another (generally longer-dated) commodity contract for an equivalent exposure. Accordingly, the same effects as described above with regard to “rolling” on the value of a Commodity Reference Item also apply with regard to the index level of a Commodity index.

Legal and regulatory changes relating to the Commodities may lead to an early redemption

Commodities are subject to legal and regulatory regimes that may change in ways that could affect the ability of the relevant Issuer and/or any entities acting on behalf of the relevant Issuer engaged in any underlying or hedging transactions in respect of the relevant Issuer’s obligations in relation to the Securities to hedge the relevant Issuer’s obligations under the Securities, and/or could lead to the early redemption/settlement of the Securities.

Commodities are subject to legal and regulatory regimes in the United States and, in some cases, in other countries that may change in ways that could negatively affect the value of the Securities. For example, the U.S. Congress is considering legislation intended to decrease speculation and increase transparency in the commodities markets. If enacted, such legislation may, among other things, require the U.S. Commodity Futures Trading Commission (“CFTC”) or exchanges to adopt rules establishing position limits on positions in commodity futures contracts. Such legislation could have an unpredictable impact on the value of any Commodity Securities. In addition, if the commodities are traded on a non- U.S. exchange, those foreign markets may be more susceptible to disruption than U.S. exchanges due to the lack of a government-regulated clearinghouse system and may be subject to exchange controls, expropriation, burdensome or confiscatory taxation, or moratoriums and political or diplomatic events.

Exposure to modification and disruption events

An investment in Commodity Securities also entails the risk of the occurrence of a Market Disruption Event with respect to the Commodities. In such cases, notice will be given to investors in accordance with the Conditions.

(x) Securities Relating to Funds (or Baskets of Funds)

General

The Issuer may issue Fund Securities which are securities whose performance is linked to the performance of an underlying fund (or basket of funds). An investment in Fund Securities entails significant risks in addition to those associated with investments in a conventional debt security.

Investors in Fund Securities should understand that:

- (a) there are market risks associated with an actual investment in the underlying fund(s), and while the Fund Securities do not create an actual interest in the underlying fund(s), the return on the Fund Securities generally involves the same associated risks as an actual investment in the underlying fund(s). The Issuer has not purported and does not purport to be a source of information concerning the market risks associated with such underlying fund or fund interests;
- (b) third parties, not related to the Issuer or the Guarantor, may subscribe for and redeem underlying fund interests. These investments may affect the performance and volatility of such fund's net asset value and so subsequently affect, from time to time, the return on the Fund Securities;
- (c) the Issuer has no control over the underlying fund(s) or the performance of such fund(s) and any performance of the underlying fund(s) necessary for the Fund Securities to yield a specified return is not assured. Potential investors in the Fund Securities should understand that the performance of the underlying fund(s) may, depending on the terms of the Fund Securities, strongly affect the value of payments on the Fund Securities;
- (d) the value of units in the underlying fund(s) and the income from it may fluctuate significantly. The Issuer makes no representation or warranty about, or guarantee of, the performance of an underlying fund;
- (e) the Issuer has not provided and will not provide during the term of the Fund Securities prospective purchasers of the Fund Securities with any information or advice with respect to the performance of an underlying fund. The Issuer may have acquired, or during the term of the Fund Securities may acquire, non-public information with respect to an underlying fund, which will not be provided to the Securityholders;
- (f) the funds may follow a wide range of investment strategies, invest in assets in a number of different countries and invest in assets denominated in a number of different currencies. The returns to the Securityholders may, therefore, be materially affected by, among other things, market trends, exchange rate fluctuations and political and economic developments in the relevant countries. This may lead to substantial volatility in the net asset value of the funds;

- (g) the funds may have investment strategies and guidelines that are very broad. They may also be free to engage in additional or alternative strategies without reference to any other person including the Issuer, the Guarantor and the investor;
- (h) the funds may often rely on a few individuals to determine their investment strategies and to make investment decision. The loss of such individuals could jeopardise the performance of the funds;
- (i) the funds may be engaged in a high level of trading with commensurately high brokerage and transaction costs, as well as costs associated with leverage, such as interest payments and margin maintenance. Such costs will adversely affect the net asset value of the funds and so may adversely affect the return on the Fund Securities;
- (j) the funds will be exposed to credit risks against brokers and other counterparties with which they deal in implementing their investment strategies;
- (k) where underlying funds invest in unlisted shares and certain other assets, risks associated with reduced liquidity and lack of objective valuations will arise. Additionally, the underlying funds may invest in emerging markets. This involves risks attributable to nationalisations, expropriation or taxation, currency devaluation, foreign exchange control, political, social or diplomatic instability or governmental restrictions. The capital markets in such countries have substantially less volume, and are generally less liquid and more volatile, than those in more developed markets. Disclosure and regulatory requirements could be less stringent than in other markets, with a low level of monitoring and limited and uneven enforcements of existing regulations;
- (l) an underlying fund may have no or a limited history, with no proven track record in achieving their stated investment objectives;
- (m) some or all of the underlying funds may be wholly unregulated investment vehicles and may trade in futures, options, forward exchange contracts and other derivative instruments, which may represent significant investment risks. In addition, underlying funds may acquire leveraged trading positions, including through the use of borrowing, and may engage in short selling. As a result of leverage, relatively small adverse price movements may result in substantial losses; and
- (n) an underlying fund itself may be subject to fees and charges on its investments which shall be borne by such fund and incorporated in the value of interests in it.

Exposure to modification and disruption events

Upon determining that Corporate Event, Substitution Event or certain other events have occurred in relation to Fund Securities, the Calculation Agent has broad discretion to make certain determinations to account for such event including to (i) make adjustments to the terms of the Fund Securities (including replacing the affected fund by other funds) and/or (ii) cause early redemption/settlement of the Fund Securities, any of which determinations may have an adverse effect on the value of the Fund Securities.

A fund may be subject to events which may adversely impact the value of Fund Securities

If certain events specified in the Final Terms occur, the Calculation Agent may replace the fund by other funds and thereafter the amount payable in respect of the Securities will depend on and be calculated by reference to the performance of an alternate asset. This may have a considerable impact on the value of the Fund Securities and the amount payable in respect of the Fund Securities. Alternatively, any determination dates and payment dates may be changed by the Calculation Agent, or the amount paid per Security may be based on the only cash amounts that an investor in the fund actually received, which might be as low as zero.

Risk from composition and changes to a fund

The management company of a fund can, without regard to the interests of the investors in the Fund Securities, add, delete or substitute any funds by reference to which the value of a fund is calculated or make other methodological changes that could change the investment profile of a fund. The management company may also determine to discontinue a fund. If a fund is discontinued, it may be replaced by other assets and/or the Fund Securities may be redeemed or exercised early.

In the event that a fund is materially modified or permanently cancelled or the management company fails to calculate or announce the net asset value of a fund, the Calculation Agent will either make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions of the Fund Securities as the Calculation Agent determines appropriate to account for the effect on the Fund Securities of such events, or may redeem or exercise the Fund Securities early. Any of these decisions or determinations may adversely impact the value of the Fund Securities.

Funds may be subject to transfer restrictions and illiquidity

Funds and the assets thereof may be subject to transfer restrictions arising by way of applicable securities laws or otherwise. Such restrictions may mean that purchasers of the Fund Securities are not entitled to acquire interests in the funds directly. Holders of units or shares (however described) in a fund may have the right to transfer or withdraw their investment in the funds only at certain times and upon completion of certain documentary formalities and such rights may be subject to suspension or alteration. These circumstances may affect the net asset value of the funds in question. Potential investors should familiarise themselves with the features of the funds in this regard.

Events which affect the value of a fund will affect the value of Fund Securities

The occurrence of any of the following events could materially and adversely affect the value of shares or units in a Fund, and have a consequent material and adverse effect on the value of Fund Securities: .

- *Valuation:* The valuation of funds is generally controlled by the management company of the fund. Valuations are performed in accordance the terms and conditions governing the fund. Such valuations may be based upon the unaudited financial records of the fund and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the fund and accounts. The fund may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable net asset values may be difficult to obtain. In consequence, the management company may vary certain quotations for such investments held by the fund in order to reflect its judgement as to the fair value thereof.

Therefore, valuations may be subject to subsequent adjustment upward or downward. Uncertainties as to the valuation of fund assets and/or accounts may have an adverse effect on the net asset value of the fund where such judgements regarding valuations prove to be incorrect.

- *Trading charges:* The performance of a fund will be affected by the charges incurred thereby relating to the investments of such fund. The fund may engage in short-term trading which may result in increased turnover and associated higher than normal brokerage commissions and other expenses.
- *Legal and regulatory changes:* Future changes to applicable law or regulation may be adverse to a fund.
- *Investment risk:* All investments risk the loss of capital and/or the diminution of investment returns. A fund may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realizable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses.
- *Illiquidity:* A fund may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated.
- *Performance risk:* No assurance can be given relating to the present or future performance of a fund. The performance of a fund is dependent on the performance of the management company thereof. Certain management companies may utilise analytical models upon which investment decisions are based. No assurance can be given that these persons will succeed in meeting the investment objectives of the fund, that any analytical model used thereby will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investments in which the funds have invested or will invest will prove accurate.
- *Effect of exchange rates and exchange controls:* The net asset value of a fund could be adversely affected not only by hedging costs and changes in exchange rates, but also by local exchange control regulations and other limitations, including currency exchange limitations and political and economic developments in the relevant countries.
- *Market risks:* The markets in which a fund invests may prove to be highly volatile from time to time as a result of, for example, sudden changes in government policies on taxation and currency repatriation or changes in legislation relating to the value of foreign ownership in companies, and this may affect the net asset value at which a fund may liquidate positions to meet repurchase requests or other funding requirements.
- *Hedging risks:* A fund may in certain cases employ various hedging techniques to reduce the risk of investment positions. A substantial risk remains, nonetheless, that such techniques will not always be available and when available, will not always be effective in limiting losses. A fund may take substantial unhedged positions.
- *Interest rate risks:* The values of securities held by a fund (or by any underlying fund) tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding net asset values of a fund's positions to move in directions which were not initially

anticipated. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose a fund to losses.

- *Absence of regulation:* A fund may not be regulated under the laws of any country or jurisdiction. As a result, certain protections of such laws (which, among other things, may require investment companies to have disinterested directors, require securities to be held in custody and segregated, regulate the relationship between the investment company and its adviser and mandate investor approval before fundamental investment policies may be changed) do not apply to a fund. This absence of regulation may adversely affect the performance of a fund.
- *Suspension of trading:* A securities exchange typically has the right to suspend or limit trading in any instrument traded on that exchange. A suspension could render it impossible for a fund to liquidate positions and thereby expose a fund to losses.
- *Dependence on key individuals:* The success of a fund is dependent on the expertise of its managers. The loss of one or more individuals could have a material adverse effect on the ability of a fund manager to direct a fund's portfolio, resulting in losses for a fund and a decline in the value of a fund. Indeed, certain fund managers may have only one principal, without whom the relevant fund manager could not continue to operate.
- *Experience of fund managers:* Certain funds may be managed by investment managers who have managed hedge funds for a relatively short period of time. The previous experience of such investment managers is typically in trading proprietary accounts of financial institutions or managing unhedged accounts of institutional asset managers or other investment firms. As such investment managers do not have direct experience in managing funds or hedge funds, including experience with financial, legal or regulatory considerations unique to fund management, and there is generally less information available on which to base an opinion of such managers' investment and management expertise, investments with such investment managers may be subject to greater risk and uncertainty than investments with more experienced fund managers.
- *Risk of fraud:* There is a risk that a fund manager could divert or abscond with the assets, fail to follow agreed-upon investment strategies, provide false reports of operations or engage in other misconduct.
- *Performance compensation payable to fund managers:* The performance-based compensation paid to a fund manager is typically calculated on a basis that includes unrealised appreciation and may consequently be greater than if such compensation were based solely on realised gains. Each fund generally calculates its own performance compensation based on its individual performance, irrespective of increases in the overall value of the fund. Furthermore, when the fund is rebalanced and an unprofitable underlying asset is removed, the loss carried forward by such fund's trading is eliminated for purposes of calculating subsequent performance compensation due to the fund manager of any replacement underlying asset. Thus, there may be substantial incentive compensation due to the relevant fund manager even during a period when the portfolio of assets is incurring significant losses.
- *Concentration risk:* As many hedge funds have the authority to concentrate their investments in securities of a single issuer or industry, the overall adverse impact on one or more components of

the fund, and correspondingly on the value of the fund, of adverse movements in the value of such securities could be considerably greater than if the fund were not permitted to concentrate their investments. Moreover, a number of hedge funds included as components in a fund might accumulate substantial positions in the same or related instruments at the same time. As information regarding the actual investments made by such funds is not generally available, the management company will be unable to identify any such accumulations, which could expose the relevant fund to the risk of sudden and severe declines.

- *Risks of leverage:* A fund may borrow without limitation and typically utilise various lines of credit and other forms of leverage. In addition, certain of a fund's investment strategies (primarily those utilising derivative instruments) may involve indirect forms of leverage. While leverage presents opportunities for increasing a fund's total return, it increases the potential risk of loss as well. Any event which adversely affects the value of an investment by a fund is magnified to the extent that such investment is leveraged. Leverage can have a similar effect on issuers in which a fund invests. The use of leverage by a fund could result in substantial losses which would be greater than if leverage had not been used. A fund's assets may be further leveraged or hedged by the use of derivatives. In addition, investments of a fund may include investments in partnerships and other pooled investment vehicles, which themselves employ leverage to a significant extent. Such investments are subject to the same leverage risks as described above and a fund could lose its entire investment. As a general matter, the banks and dealers that provide financing to a fund can apply essentially discretionary margin, haircut, financing and security and collateral valuation policies. Changes by banks and dealers in these policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous net asset values.
- *Non-deductible taxes:* As funds may be resident in so-called off-shore jurisdictions, which have not entered into any double taxation conventions with other countries, any income of such fund may be subject to taxation in the countries of origin. As such withholding taxes are non-deductible due to the fact that such funds are not subject to income taxation in their countries of residence, the fund's net income may be reduced which may have a negative impact on the performance of such fund.
- *Investment criteria:* It may be difficult to specify precisely or comprehensively the strategies of a fund. As a result, it may not sometimes be clear whether or not a fund fulfils the investment criteria set out in its offering document.
- *Risks of equity investments:* The investment orientation of a fund may be based to a significant extent on equity investments. Investment in equity securities to aggressively seek capital appreciation is speculative and is generally perceived to encompass greater risks than those involved in connection with an investment in debt securities of comparable issuers.
- *Risks of fixed income investments:* A fund may invest in fixed income securities and, therefore, may be exposed to the risk of default by the issuers of such securities. Such default may result in delays in payment, or non-payment of interest or principal when due. Furthermore, the net asset value of fixed income securities may also fluctuate with changes in prevailing interest rates and/or in the creditworthiness of the issuer, and these fluctuations may result in a loss of capital by a fund.
- *Risks of collective investment schemes:* Some funds may invest in other collective investment schemes. Investment in schemes of this type may afford the investor less transparency in respect of the ultimate assets of the scheme.

- *Large transactions:* Large subscriptions and redemptions may result in the liquidation or dilution of fund assets that may affect the net asset value of such fund.
- *Emerging markets:* A fund may invest in securities of governments of, or companies domiciled in, less-developed or emerging markets. See “Risks relating to Securities which are linked to emerging market Reference Item(s)”. Custody arrangements in such countries may also present enhanced risk.
- *Risks of repos:* A fund may use repurchase agreements. Under a repurchase agreement, a security is sold to a buyer and at the same time the seller of the security agrees to buy back the security at a later date at a higher net asset value. In the event of a bankruptcy or other default of the transferor of securities in a repurchase agreement, a fund could experience delays in liquidating the underlying securities and losses, including possible declines in the value of the collateral during the period while it seeks to enforce its rights thereto; possible subnormal levels of income and lack of access to income during this period and the expenses of enforcing its rights. In the case of a default by the transferee of securities in a repurchase agreement, the management company bears the risk that the transferee may not deliver the securities when required.
- *Risks of currency speculation:* A fund may engage in exchange rate speculation. Foreign exchange rates have been highly volatile in recent years. The combination of volatility and leverage gives rise to the possibility of large profit but also carries a high risk of loss. In addition, there is counterparty credit risk since foreign exchange trading is done on a principal to principal basis.
- *Risks of commodity futures:* Commodity futures prices can be highly volatile. As a result of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.
- *Risks of derivative instruments:* A fund may use derivative instruments, such as collateralised debt obligations, stripped mortgage-backed securities, options and swaps. There are uncertainties as to how the derivatives market will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against such instruments. The prices of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the positions held by a fund, thereby causing substantial losses. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers. These banks and dealers have no obligation to make markets in these instruments and may apply essentially discretionary margin and credit requirements (and thus, in effect, force a fund to close out its relevant positions). In addition, such instruments carry the additional risk of failure to perform by the counterparty to the transaction. Government policies, especially those of the U.S. Federal Reserve Board and non-U.S. central banks, have profound effects on interest and exchange rates which, in turn, affect prices of derivative instruments. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.
- *Risks of short selling:* A fund may sell securities short. Short selling exposes a fund to theoretically unlimited risk due to the lack of an upper limit on the price to which a security may rise. Short

selling involves the sale of borrowed stock. If a stock loan is called, the short seller may be forced to repurchase the stock at a loss. In addition, some traders may attempt to profit by forcing short sellers to incur a loss. Traders may make large purchases of a stock that has been sold short. The large purchases are intended to drive up the stock price, and cause the short sellers to incur losses. By doing this, the traders hope the short sellers will limit their losses by repurchasing the stock and force the stock price even higher.

- *Risks of arbitrage:* The use of arbitrage strategies by a fund in no respect should be taken to imply that such strategies are without risk. Substantial losses may be incurred on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position may effectively result in the position being transformed into an outright speculation. Every arbitrage strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the net asset value spread between different classes of stock for the same underlying firm. Further, there are few examples of “pure” arbitrage funds. Most funds also employ limited directional strategies which expose them to market risk.
- *Credit risk:* Many of the markets in which a fund effects its transactions are “over-the-counter” or “inter-dealer” markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent that a fund invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, such fund may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterised by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject a fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such “counterparty risk” is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of a fund to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses.
- *Risks relating to controlling stakes:* A fund may take controlling stakes in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability.

As the shares of certain funds may only be redeemable on certain dates, there is a risk of delays or defaults in payment

The shares of a fund may only be redeemable on certain redemption dates, subject to the prescribed notice period in respect of such fund. This gives rise to a time delay between the execution of an order for redemption and payment of the proceeds on such redemption. If the fund becomes insolvent following the date on which a redemption order would have to be notionally placed or the Calculation Agent determines that the relevant fund would fail to pay to any shareholder in cash the full redemption proceeds owing to them if they redeemed their shares on the relevant date, an adjustment may be made

by the Calculation Agent when calculating the return on the Securities to the net asset value per share of the relevant fund, thereby reducing the return on the Securities.

In the case of Fund Securities linked to exchange traded funds (“ETFs”), if the Calculation Agent determines that an event giving rise to a Disrupted Day has occurred at any relevant time, any such determination may have an effect on the timing of valuation and consequently the value of the Securities and/or may delay settlement in respect of the Securities. Potential investors should review the relevant Terms and Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Fund Securities.

The market price of Fund Securities may be volatile and may depend on the time remaining to the redemption date or settlement date (as applicable) and the volatility of the price of fund share(s) or unit(s). The price of fund share(s) or unit(s) may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any units in the fund or funds may be traded.

(xi) Securities providing for the application of a component weight

The Securities may provide for the application to the relevant Reference Items of a component weight, in order to increase or decrease the percentage of each Reference Item used to determine the amounts payable or deliverable to investors. The component weight may be lower than 100 per cent.

In such case, the amounts payable or deliverable to investors will be reduced and, therefore, will contribute to the yield of the Securities only to such reduced extent. The performance of the relevant Reference Item(s) will, therefore, impact the yield of the Securities only to a limited extent.

(xii) Securities providing for the application of a cap to the Reference Item(s)

The Securities may provide for the application of a maximum return payable or deliverable to investors known as a “cap”.

In such case, the amounts payable or deliverable to investors will be subject to the pre-determined maximum. If the relevant Reference Item(s) out-performs the pre-determined maximum, this will not be taken into consideration when calculating the amount payable or deliverable in respect of the Securities.

(xiii) Option Risk for Securities

The Securities are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options. Transactions in options involve a high level of risk. An investor who intends to trade in options must first of all understand the functioning of the types of contracts which he intends to trade in (for example, call options and put options). An investment in options constitutes a highly volatile investment and there is a high likelihood that the option may have no value whatsoever at expiration. In such case, the investor would lose the entire amount used to purchase the option (known as the “premium”).

An investor who is considering the purchase of a call option over a Reference Item, the market price of which is much lower than the price at which the exercise of the option would be opportune (known as “deep out of the money”), must consider that the possibility that the exercise of the option will become profitable is remote. Likewise, an investor who is considering the purchase of a put option over a

Reference Item, the market price of which is much higher than the price at which the exercise of the option would be opportune, must consider that the possibility that the exercise of the option will become profitable is remote.

The Securities include some options on Reference Item(s). The amount potentially paid or deliverable on exercise or any early termination will depend on the value of such options. Prior to the expiration of a Security, a variation in the value of the relevant options may involve a reduction in the value of such Security.

(xiv) Risks relating to Warrants only

Additional factors which are material for the purpose of assessing the market risks associated with Warrants issued under the Programme.

Time Lag after Exercise

In the case of any exercise of Warrants, there will be a time lag between the time a Warrantholder gives instructions to exercise, or the time the Warrant is automatically exercised, and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount will be specified in the Terms and Conditions of the Securities. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation (in the case of American Style Warrants), the occurrence of a market disruption event or failure to open of an exchange or related exchange (if applicable) or following the imposition of any exchange controls or other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) in the case of Currency Warrants. The applicable Cash Settlement Amount may change significantly during any such period, and such movement or movements could decrease the Cash Settlement Amount of the Warrants being exercised and may result in such Cash Settlement Amount being zero.

Minimum Exercise Amount

If so indicated in the applicable Final Terms, a Warrantholder must tender or hold a specified number of Warrants at any one time in order to exercise. Thus, Warrantholders with fewer than the specified minimum number of Warrants will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Value (in the case of Physical Delivery Warrants) of such Warrants.

Limitations on Exercise

In the case of American Style Warrants, if so indicated in the applicable Final Terms, the relevant Issuer will have the option to limit the number of American Style Warrants exercisable on any date (other than the final exercise date) to the maximum number specified in the applicable Final Terms and, in conjunction with such limitation, to limit the number of American Style Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of American Style Warrants being exercised on any date (other than the final exercise date) exceeds such maximum number and the relevant Issuer elects to limit the number of American

Style Warrants exercisable on such date, a Warrantholder may not be able to exercise on such date all American Style Warrants that such holder desires to exercise. In any such case, the number of American Style Warrants to be exercised on such date will be reduced until the total number of American Style Warrants exercised on such date no longer exceeds such maximum, such American Style Warrants being selected at the discretion of the relevant Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the American Style Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which American Style Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

(xv) Inverse Floating Rate Securities

Inverse floating rate Securities (also known as reverse floating rate Securities) have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Securities typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Securities are more volatile because an increase in the reference rate not only decreases the interest rate of the Securities, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Securities.

(xvi) Fixed/Floating Rate Securities

Fixed/floating rate Securities may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Securities since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Securities may be less favourable than then prevailing spreads on comparable floating rate Securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Securities. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Securities.

(xvii) Application of multipliers to Floating Rate Securities

To the extent that Rate Multiplier or Reference Rate Multiplier applies in respect of the determination of the Remuneration Rate for Securities which bear remuneration at a floating rate, investors should be aware that any fluctuation of the underlying floating rate will be amplified by such multiplier. Where the Rate Multiplier is less than 1, this may adversely affect the return on the Securities which bear remuneration at a floating rate.

(xviii) Maximum/Minimum Interest Rate

Potential investors should also consider that where the underlying interest rate does not rise above the level of the Minimum Remuneration Rate, comparable investments in securities which pay interest based on a fixed rate which is higher than the Minimum Remuneration Rate are likely to be more attractive to potential investors than an investment in the Securities. Under those conditions, investors in the Securities might find it difficult to sell their Securities on the secondary market (if any) or might only be able to realise the Securities at a price which may be substantially lower than the nominal amount.

To the extent a Maximum Remuneration Rate applies, investors should be aware that the Remuneration Rate is capped at such Maximum Remuneration Rate level. Consequently, investors may not participate in any increase of market interest rates, which may also negatively affect the market value of the Securities.

(xiv) Securities providing for a Barrier Event

Potential investors should also consider that where the Securities provide for the application of a Barrier Event, and if it is so specified in the Final Terms, the Securities shall be automatically exercised upon the occurrence of such Barrier Event. In such case, each Security entitles its holder to receive from the Issuer on each Barrier Exercise Date indicated in the Final Terms the Barrier Cash Settlement Amount or Barrier Entitlement, as the case may be, less any Expenses not already paid.

(xv) Securities providing for a Remuneration Barrier Event

In addition, potential investors should consider that where the Securities provides for the application of a Remuneration Barrier Event, upon the occurrence of such event the Securities will cease to bear remuneration. In such cases, investors will receive the Remuneration Amount on the immediately following Remuneration Payment Date and, thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amount will be payable.

(xvi) Securities providing for a Participation Factor

If the applicable Final Terms in respect of any Securities indicates that the Participation Factor applies, the formula used to determine any amount payable and/or non-cash consideration deliverable contains a multiplier or leverage factor and, consequently, the percentage change in the value of the Security will be greater than any positive and/or negative performance of the Reference Item(s). Any Securities which include such multiplier or leverage factor represent a very speculative and risky form of investment since any change in the performance of the Reference Item(s) carries the risk of a correspondingly higher change in the value of the Securities.

(C) Risks Related to Securities Generally

(i) Option to Vary Settlement

If the applicable Final Terms in respect of any Securities indicates that the Issuer has an option to vary settlement in respect of such Securities, the Issuer may, at its sole and unfettered discretion, elect (1) not to pay the relevant Securityholders the Cash Settlement Amount, but to deliver or procure delivery of the Entitlement or (2) not to deliver or procure delivery of the Entitlement, but to make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders.

(ii) Modification

The Terms and Conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Securities also provide that the Issuer and the Guarantor may, without the prior consent of the holders of the Securities correct (i) any manifest error in the Terms and

Conditions of the Securities and/or in the Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Securities and/or in the Final Terms or (iii) any inconsistency in the Terms and Conditions of the Securities and/or in the Final Terms between the Terms and Conditions of the Securities and/or the Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Securities (provided such correction is not materially prejudicial to the holders of the relevant Series of Securities). Any such correction shall be binding on the holders of the relevant Securities and the Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Securities as soon as practicable thereafter pursuant to Condition 8 (Notices) of the Securities.

(iii) Market Disruption Event and Disrupted Day

If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

(iv) Settlement Disruption Event

In the case of Physical Delivery Securities, if a Settlement Disruption Event occurs or exists on the Settlement Date, settlement will be postponed until the next Settlement Business Day on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Settlement Disruption Amount (as defined in the Conditions) in lieu of delivering the Entitlement. Such a determination may have an adverse effect on the value of the relevant Securities.

(v) Expenses and Taxation

A holder of Securities must pay all Expenses relating to such Securities. As used in the Conditions, Expenses means all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities as more fully set out in Condition 9 of the Terms and Conditions of the Securities.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

(vi) Other taxation considerations

It is not possible to predict whether the taxation regime applicable to Securities on the date of purchase or subscription will be amended during the term of the Securities. If such amendments are made, the taxation regime applicable to the Securities may differ substantially from the taxation regime in existence on the date of purchase or subscription of the Securities.

(vii) Illegality and Cancellation

If the Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the Issuer's obligations under any Securities have become, illegal in whole or in part for any reason, the Issuer may cancel such Securities. The Issuer may also cancel the Securities upon the occurrence of certain adjustment events as set out in Condition 13 of the Terms and Conditions of the Securities (as may be amended by the applicable Final Terms). If the Issuer cancels the Securities, it will (in the case of an illegality, if permitted by applicable law), pay the holder of each such Security an amount equal to the fair market value of such Security or, in relation to Warrants and where Units are specified in the applicable Final Terms, each Unit, as set out in the Terms and Conditions of the Securities, notwithstanding such illegality less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent. The fair market value of the Securities may be less than the purchase price of the Securities and may in certain circumstances be zero.

(viii) Change of law

The Terms and Conditions of the Securities are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

(ix) Procedures of clearing systems

Unless otherwise provided in the Final Terms, Securities issued under the Programme may be represented by one or more Global Securities and such Global Securities will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive definitive Securities. Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system provided in the Final Terms will maintain records of the beneficial interests in the Global Securities. While the Securities are represented by one or more Global Securities, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. While the Securities are represented by one or more Global Securities the Issuer will discharge its payment obligations under the Securities by making payments to the common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities. Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system to appoint appropriate proxies.

(x) Potential Conflicts of Interest

The Issuer and/or any of its Affiliates may also engage in trading activities (including hedging activities) related to the asset or other basis of reference underlying any Securities and other instruments or derivative products based on or related to the asset or other basis of reference underlying any Security for their proprietary accounts or for other accounts under their management. The Issuer

and/or any of its Affiliates may also issue other derivative instruments in respect of the asset or other basis of reference underlying Securities. The Issuer and/or any of its Affiliates may also act as underwriter in connection with future offerings of shares or other securities related to an issue of Securities or may act as financial adviser to certain companies or companies whose shares are included in a basket of shares or in a commercial banking capacity for such companies. Such activities could present certain conflicts of interest, could influence the prices of such shares or other securities and could adversely affect the value of such Securities.

Under the Terms and Conditions of the Securities, the Calculation Agent may make certain determinations in respect of the Securities which could affect the amount payable by the Issuer on the Securities. In exercising its right to make such determinations the Calculation Agent is entitled to act in its sole and absolute discretion. Where the Issuer acts as Calculation Agent, potential conflicts of interest may exist between the Calculation Agent and the Securityholders, including with respect to those determinations that the Calculation Agent may make pursuant to the Securities that may influence the Cash Settlement Amount payable, or the Entitlement deliverable (as the case may be), on the Settlement Date.

Investors should note that Securities issued under the Programme may be underwritten by Dealers who receive in consideration underwriting commissions and selling concessions. The relevant Issuer may also offer and sell Securities directly to investors without the involvement of any Dealer. In addition, Mediobanca may act as market maker or specialist or perform other similar roles in connection with the Securities: potential conflicts of interest may exist between Mediobanca acting in such capacity on the one hand, and investors in the Securities on the other.

Any further conflict of interest, including conflicts between the Issuer and any Dealers or Distributors will be indicated in the relevant Final Terms.

(xi) Impossibility to know the amount of the Securities in circulation on the date of issue

The Securities may be issued and withheld by the Issuer for the progressive sale on the market in accordance with investors' demand. In this context an investor who acquires the Securities does not know in the moment of purchase how much of the issued Securities effectively are publicly traded with the consequence that the amount in circulation could be meagre and may not guarantee successively adequate liquidity in the Securities.

(xii) Issue of subsequent tranche

In the event the Issuer decides to issue further Securities having the same terms and conditions as already existing Securities (or in all respects except for the Issue Price, the Issue Date and/or the first payment of remuneration (if any)) and so that the further Securities shall be consolidated and form a single series with the original Securities, the greater amount of Securities in circulation could lead to greater liquidity in the secondary market with a consequent negative impact on the price of the relevant Securities.

(xiii) Physical Delivery Requirements and Settlement Risk

In order to receive the Entitlement in respect of a Physical Delivery Security, the holder of such Security must (1) deliver or send by authenticated swift message (confirmed in writing) to Euroclear or Clearstream, Luxembourg or any other relevant clearing system (as the case may be), with a copy to

the Issuer and the Fiscal Agent (a) a duly completed Exercise Notice on or prior to the relevant time on the Expiration Date (in the case of a Physical Delivery Warrant) or (b) a duly completed Physical Delivery Confirmation Notice on or prior to the relevant time on the Exercise Date (in the case of a Physical Delivery Certificate) and (2) pay the relevant Exercise Price (in the case of a Warrant) and Expenses (in the case of a Warrant or a Certificate), together with any other amounts payable. Failure to do so will result (i) in the case of a Warrant where Automatic Exercise is not specified in the applicable Final Terms, the relevant Warrant's becoming void or (ii) in the case of a Warrant where Automatic Exercise is specified in the applicable Final Terms, or in the case of a Certificate, the Securityholder receiving the Assessed Value Payment Amount instead of the Entitlement. The Assessed Value Payment Amount will be determined by the Calculation Agent by reference to the fair market value of the assets comprised in the Entitlement. See Condition 16 for Warrants and Condition 20 for Certificates of the Terms and Conditions of the Securities.

Following the exercise of Physical Delivery Warrants or in connection with the exercise of Physical Delivery Certificates, unless otherwise indicated in the applicable Final Terms, the Calculation Agent may determine that a Settlement Disruption Event or, if applicable, a Failure to Deliver due to Illiquidity is subsisting. Any such determination may affect the value of the Securities and/or may delay settlement and/or lead to cash settlement rather than physical settlement in respect of the Securities.

In relation to Physical Delivery Securities, under the Guarantee, the Guarantor has the right at all times to elect not to deliver or procure delivery of the Entitlement to the holders of Physical Delivery Securities, but in lieu thereof to pay an amount in cash equal to the Guaranteed Cash Settlement Amount specified in the applicable Final Terms. Such cash payment will constitute a complete discharge of the Guarantor's obligations in relation to such Physical Delivery Securities.

If so indicated in the applicable Final Terms, the relevant Issuer has an option to vary settlement in respect of the Securities. If exercised by the Issuer, this option will lead to Physical Delivery Securities being cash settled or Cash Settled Securities being physically settled. Exercise of such option may affect the value of the Securities.

(xiv) Hedge Unwind Costs

To the extent applicable Final Terms specify that "Hedge Unwind Adjustment" shall apply, the amount that Securityholders may receive in certain circumstances will be adjusted upwards or downwards to reflect the pro rata Hedge Unwind Costs. The Hedge Unwind Costs are the costs of unwinding any associated hedging transactions relating to the Securities.

(xv) EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Economic Area is required to provide to the tax authorities of another Member State of the European Economic Area details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at the rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States of the European Economic Area, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such person in favour of, a beneficial owner that is an individual resident in a Member State of the European Economic Area. In addition, the Member States of the European Economic Area have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State of the European Economic Area to, or collected by such person in favour of, an individual resident in one of those territories.

(xvi) U.S. Foreign Account Tax Compliance Withholding

The Issuer, the Guarantor and other financial institutions through which payments on the Securites are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securites characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are not yet outstanding as of the date (the "**Grandfathering Date**") that is six months after the date on which final U.S. Treasury regulations define the term "foreign passthru payment" or are materially modified from that date and (ii) any Securites characterized as equity or which do not have a fixed term for U.S. federal tax purposes pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA.

This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "Participating FFI"), (ii) the Issuer has a positive "passthru payment percentage" (as determined under FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Securites is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Securites is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securites, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securites, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Securites should consult their own tax advisers on how these rules may apply to payments they receive under the Securites.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securites may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

3) Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk that may be relevant in connection with an investment in Securities:

(A) The secondary market generally

Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Securities.

The Issuer has no obligation to purchase the Securities from the Securityholders. However, should the Issuer decide to purchase the Securities, the secondary market pricing that the Issuer may provide on the Securities may reflect the unwinding cost of the hedging portfolio (if any).

(B) Exchange rate risks and exchange controls

The Issuer will pay principal and interest, if any, on the Securities in the Settlement Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor's Currency or due to the official redenomination of the Settlement Currency and/or Investor's Currency) and the risk that authorities with jurisdiction over the Settlement Currency and/or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Securities (ii) the Investor's Currency equivalent value of the principal payable on the Securities and (iii) the Investor's Currency equivalent market value of the Securities. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest, principal or other amount than expected, or no interest or principal or other amount.

(C) Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

(D) Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to

determine whether and to what extent (i) Securities are legal investments for it (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Each prospective investor should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

(E) Impact of implicit fees on the Issue/Offer Price

Investors should note that implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.

The Issuer will specify in the relevant Final Terms the type and amount of any implicit fees which are applicable from time to time.

Investors should also take into consideration that if Securities are sold on the secondary market immediately following the offer period relating to such Securities, the implicit fees included in the Issue/Offer Price on initial subscription for such Securities will be deducted from the price at which such Securities may be sold in the secondary market.

(F) Certain considerations associated with public offers of Securities

If Securities are distributed by means of a public offer, under certain circumstances indicated in the relevant Final Terms, the Issuer and/or other entities specified in the Final Terms may have the right to withdraw the offer, which in such circumstances will be deemed to be null and void according to the terms indicated in the relevant Final Terms.

In such case, investors who have already paid or delivered subscription monies for the relevant Securities will be entitled to reimbursement of such amounts, but (in the case of Certificates) will not receive any remuneration that may have accrued in the period between their payment or delivery of subscription monies and the reimbursement of the Securities.

(G) Possible Illiquidity of the Securities in the Secondary Market

It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to, list or admit to trading Securities on a stock exchange or market. If the Securities are not listed or admitted to trading on any exchange or market, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. If the Issuer does list or admit to trading an issue of Securities, there can be no assurance that at a later date, the Securities will not be delisted or that trading on such exchange or market will not be suspended. In the event of a delisting or suspension of listing or trading on a stock exchange or market, the Issuer will use its reasonable efforts to list or admit to trading the Securities on another exchange or market. Also, to the extent Warrants of a particular issue are exercised, the number of Warrants of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants of such issue. A decrease in the liquidity of an issue of Warrants may cause, in turn, an increase in the volatility associated with the price of such issue of Warrants.

The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or

resold or surrendered for cancellation. The Issuer or any of its Affiliates may, but is not obliged to, be a market-maker for an issue of Securities. Even if the Issuer or such other entity is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. To the extent that an issue of Securities becomes illiquid, an investor may have to exercise such Securities (in the case of American Style Warrants) or wait until the Exercise Date (in the case of European Style Warrants and Certificates) to realise value.

Investors should note that if an entity is appointed as market-maker or liquidity provider with respect to the Securities in the secondary market, this may, in certain circumstances, affect the price of the Securities in the secondary market.

In addition, all or part of the Securities issued under this Programme may be subscribed upon issuance by the Issuer itself or by its Affiliate(s) for resales thereafter on the basis of investors' demand. Accordingly, investors subscribing for Securities upon their issuance should be aware that there may not be a viable secondary market for the relevant Securities immediately. Even if a market does develop subsequently, it may not be very liquid.

(H) Listing of Securities

In respect of Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the Issuer shall use all reasonable endeavours to maintain such listing, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing, then the Issuer may apply to de-list the relevant Securities, although in this case it will use all reasonable endeavours to obtain and maintain (as soon as reasonably practicable after the relevant de-listing) an alternative admission to listing, trading and/or quotation by a stock exchange, market or quotation system within or outside the European Union, as it may decide.

If such an alternative admission is not available or is, in the opinion of the Issuer, impracticable or unduly burdensome, an alternative admission will not be obtained.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and form part of, this Base Prospectus:

- the audited consolidated annual financial statements as at and for the years ended 30 June 2012, 2011 and 2010 of Mediobanca;
- the audited non-consolidated annual financial statements as at and for the years ended 30 June 2012, 2011 and 2010 of Mediobanca International;
- the consolidated financial statements, which are subject to limited review, as at and for the six months ended 31 December 2012, 2011 and 2010 of Mediobanca;
- the unaudited consolidated financial statements as at and for the six months ended 31 December 2012, 2011 and 2010 of Mediobanca International;
- the English translation of the Mediobanca Registration Document (published in the Italian language on 22 October 2012 and approved by CONSOB on 18 October 2012, report No. 12082878);
- the English translation of the press release of Mediobanca dated 27 October 2012;
- the Terms and Conditions of the Securities (pages 207 – 260) set out in the Base Prospectus dated 13 January 2011 relating to the Euro 40,000,000,000 Issuance Programme of Mediobanca and Mediobanca International; and
- the Terms and Conditions of the Securities (pages 215 – 268) set out in the Base Prospectus dated 30 November 2011 relating to the Euro 40,000,000,000 Issuance Programme of Mediobanca and Mediobanca International,

in the case of the above-mentioned financial statements, together with the accompanying notes and (where applicable) auditor's reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement. In addition, the parts of the documents listed above that are not specifically incorporated by reference are either not relevant for the investor or covered in another part of the Base Prospectus.

The Issuers will provide, without charge to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Request for such documents should be directed to the Issuers at their offices set out at the end of this Base Prospectus. In addition, such documents will be available, without charge, at the principal office of the Paying Agent in Luxembourg and on the Luxembourg Stock Exchange's website (www.bourse.lu), on the Mediobanca's website ([http://www.mediobanca.it/en/investor-](http://www.mediobanca.it/en/investor)

relations/bilanci/financial-reports.html) and on the Mediobanca International's website (<http://www.mediobanca.it/en/about-us/locations/luxembourg.html>).

The following table shows where some of the information required under Annex XI of Commission Regulation (EC) No. 809/2004 can be found in the above mentioned documents incorporated by reference. The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004.

Any documents which are incorporated by reference into the Mediobanca Registration Document and which are not listed above are not incorporated by reference into this Base Prospectus and are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Cross-reference list in respect of the Mediobanca Registration Document

III	Risk factors	Pages 7 to 14
VII	Future trends	Page 25
VIII	Forecasts or estimates of profits	Page 26

Cross-reference list in respect of the Mediobanca and Mediobanca International financial statements

**Mediobanca - Consolidated annual financial statements
Commission Regulation (EC) No. 809/2004, Annex XI, Paragraph 11.1**

	2012	2011	2010
Balance sheet	Pages 66 – 67	Pages 62 – 63	Pages 62 - 63
Statement of income	Pages 68 – 69	Pages 64 – 65	Pages 64 - 65
Statement of changes in equity	Pages 70 – 71	Pages 66 – 67	Page 66 - 67
Cashflow statement	Pages 72 – 73	Pages 68 – 69	Page 68 - 69
Accounting policies and explanatory notes	Pages 74 - 235	Pages 71– 235	Pages 71 - 229
Information on risks and related hedging policies	Pages 150-217	Pages 151-217	Pages 149-212
Auditors'reports	Page 63	Page 59	Page 59

**Mediobanca - Consolidated six-monthly financial statements
Commission Regulation (EC) No. 809/2004, Annex XI, Paragraph 11.5**

	2012	2011	2010
Consolidated Balance sheet	Pages 50 – 51	Pages 46 – 47	Pages 46 – 47
Consolidated profit and loss account	Pages 52 - 53	Pages 48 - 49	Pages 48 – 49
Statement of changes to consolidated net equity	Pages 54 – 55	Pages 50 – 51	Pages 50 – 51
Cashflow statement	Pages 56 - 58	Pages 52 - 54	Pages 52 - 54

Accounting policies and explanatory notes	Pages 62 – 125	Pages 58 – 119	Pages 57 - 121
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Mediobanca International - Non-Consolidated annual financial statements

Commission Regulation (EC) No. 809/2004, Annex XI,	2012	2011	2010
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Paragraph 11.1

Balance sheet	Page 22	Page 14	Page 9
Statement of comprehensive income	Page 23	Page 15	Page 10
Cashflow statement	Page 26	Page 18	Page 12
Statement of changes in equity	Page 24	Page 16	Page 11
Accounting policies and explanatory notes	Page 28	Page 20	Page 16

SUPPLEMENTS AND FURTHER PROSPECTUSES

The Issuers will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuers at least every year after the date of this Base Prospectus and each subsequent Base Prospectus.

The Issuers have given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Securities, they shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Securities and shall supply to each Dealer a number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuers and the Guarantor may agree with any Dealer to issue Securities in a form not contemplated in the sections of this Base Prospectus entitled “Form of Final Terms”. To the extent that the information relating to that Tranche of Securities constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a “**Drawdown Prospectus**”) will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the relevant Issuer and (if applicable) the Guarantor and the relevant Securities or (2) pursuant to Article 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the relevant Issuer and (if applicable) the Guarantor, a securities note containing the necessary information relating to the relevant Securities and, if necessary, a summary note. In the case of a Tranche of Securities which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORMS OF THE SECURITIES

Form

Each Series of Securities will on issue be constituted by either (a) in the case of Securities with a maturity of more than one year, a temporary global security in bearer form (the “**Temporary Global Security**”) or (b) in the case of Securities with a maturity of one year or less, a permanent global security in bearer form (the “**Permanent Global Security**” and together with the Temporary Global Security, the “**Global Securities**” and each a “**Global Security**”) as indicated in the applicable Final Terms which, in either case, will be deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or deposited directly with Monte Titoli S.p.A. and/or any other centralised custodian appointed by the Issuers (a “**Centralised Custodian**”).

The relevant Final Terms will specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Securities or, if the Securities do not have a term of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

On or after the 40th day following the Issue Date of the Securities (the “**Exchange Date**”) the Temporary Global Security will be exchangeable (a) for a Permanent Global Security or (b) for Securities in definitive form (“**Definitive Securities**”, and the expressions “**Definitive Warrants**” and “**Definitive Certificates**” shall be construed accordingly), as indicated in the applicable Final Terms and in each case only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Security are not United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certification received) to the Fiscal Agent.

A Permanent Global Security will be exchangeable (free of charge), in whole but not in part, for Definitive Securities only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that:

- (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or
- (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Securities represented by the Permanent Global Security in definitive form.

The Issuer will promptly give notice to Securityholders in accordance with Condition 8 of the Terms and Conditions of the Securities if an Exchange Event occurs. No Definitive Security delivered in exchange for a Temporary Global Security or a Permanent Global Security, as the case may be, will be mailed or otherwise delivered to any location in the United States or its possessions.

Terms and Conditions applicable to the Securities

The applicable Final Terms for the Securities will be attached to or incorporated by reference into the Global Security and completes the Terms and Conditions of the Securities and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions of the Securities, be deemed to be incorporated by reference into and thereby supplement, replace or modify the Terms and Conditions of the Securities for the purposes of the Securities.

Legend concerning United States persons

The following legend will appear on all Securities with a maturity of more than 365 days:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Book-entry form

If the relevant Final Terms specifies the form of the Securities as being "Book-entry form", then the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte Titoli S.p.A. or any other Centralised Custodian appointed by the Issuers. Accordingly, all Securities shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the Centralised Custodian.

To transfer an interest in the Securities, the transferor and the transferee are required to give instructions to their respective intermediaries. If the transferee is a client of the transferor's intermediary, the intermediary will simply transfer the Securities from the Transferor's account to the account of the transferee. If, however, the transferee is a client of another intermediary, the transferor's intermediary will instruct the centralised clearing system to transfer the Securities to the account of the transferee's intermediary, which will then register the Securities on the transferee's account.

Each intermediary maintains a custody account for each of its clients. This account sets out the financial instruments of each client and the records of all transfers, interest payments, charges or other encumbrances on such instruments. The account holder or any other eligible party may submit a request to the intermediary for the issue of a certified account statement.

In such circumstances, it will not be possible for a Securityholder to obtain physical delivery of Securities certificates representing the Securities.

GENERAL DESCRIPTION OF THE ISSUANCE PROGRAMME

The following is a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive. The following overview does not purport to be complete and is qualified by the remainder of this Document and, in relation to the terms and conditions of any particular Series (as defined below in "Terms and Conditions") of Securities, the applicable Final Terms. Subject as provided in the Terms and Conditions, any of the following (including, without limitation, the type of Securities which may be issued pursuant to the Programme) may be varied or supplemented as agreed between the Issuer, the relevant Dealer(s) and the Fiscal Agent (if applicable). Words and expressions defined in "Form of the Securities" and "Terms and Conditions" shall have the same meaning in this overview:

Issuers: Mediobanca – Banca di Credito Finanziario S.p.A. and
Mediobanca International (Luxembourg) S.A.

Mediobanca - Banca di Credito Finanziario S.p.A.: Mediobanca was established in 1946 as a medium-term credit granting institution in Italy. In 1956 Mediobanca's shares were admitted to the Italian Stock Exchange and since then its business has expanded both nationally and internationally.

Mediobanca is registered at the Companies' Registry of the Chamber of Commerce of Milan, Italy under registration number 00714490158. Mediobanca's registered office is at Piazzetta E. Cuccia 1, Milan, Italy, telephone number (+39) 0288291.

Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in Italy.

Mediobanca is a bank organised and existing under the laws of Italy, carrying out a wide range of banking, financial and related activities throughout Italy.

At the date hereof, Mediobanca's issued share capital totals Euro 430,564,606.00, represented by 861,129,212 registered shares of nominal value Euro 0.50.

The Board of Directors of Mediobanca is responsible for the ordinary and extraordinary management of Mediobanca.

Mediobanca International (Luxembourg) S.A.: Mediobanca International has the form of a *société anonyme* subject to Luxembourg law and has its place of registration in Luxembourg. On 15 December 2005 the Luxembourg Minister of the Treasury and the Budget, on the recommendation of the CSSF, granted Mediobanca International a full banking licence pursuant to which its operations include raising funds in the international markets and lending, consistent with Mediobanca International's articles of association approved by the

shareholders in the general meeting held on 21 December 2005.

Mediobanca International is registered at the Luxembourg trade and companies registry under registration number B 112885. Mediobanca International's registered office is at 4 Boulevard Joseph II, L-1840 Luxembourg, Luxembourg.

At the date hereof, Mediobanca International's issued and authorised share capital totals Euro 10,000,000 represented by 1,000,000 registered shares of Euro 10 par value.

The Board of Directors of Mediobanca International is responsible for setting authorisation levels, defining organisational structure, defining the system of internal control and reviewing it on a regular basis, and approving the bank's accounts and interim statements. Day-to-day management is entrusted to two managing directors.

Guarantor: Mediobanca - Banca di Credito Finanziario S.p.A. (with respect to Securities issued by Mediobanca International (Luxembourg) S.A.

Description: Issuance Programme.

Arranger: Mediobanca Banca di Credito Finanziario S.p.A.

Dealers: Banca Aletti & C. S.p.A.; Banca IMI S.p.A.; Barclays Bank PLC; BNP PARIBAS; Credit Suisse Securities (Europe) Limited; MEDIOBANCA - Banca di Credito Finanziario S.p.A.; Mediobanca International (Luxembourg) S.A.; Société Générale; The Royal Bank of Scotland plc; and UniCredit Bank AG.

Each of the Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the whole Programme.

Fiscal Agent: BNP Paribas Securities Services, Luxembourg Branch. will act as Fiscal Agent in respect of the Securities except for Securities in dematerialised form deposited directly with Monte Titoli S.p.A. (“**Monte Titoli**”).

Italian Paying Agent: Mediobanca – Banca di Credito Finanziario S.p.A. will act as Italian Paying Agent with respect to Securities in dematerialised form which are deposited directly with Monte Titoli (which role will include the role of Fiscal Agent with

respect to such Securities).

Currencies: Subject to compliance with all relevant laws, regulations and directives, Securities may be issued in any currency or currencies as the relevant Issuer, the Guarantor (where applicable), and the relevant Dealer so agree.

Method of Issue: The Securities may be issued on a syndicated or non-syndicated basis. The Securities will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Securities may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Securities may be issued as part of an existing Series.

Final Terms or Drawdown Prospectus: Securities issued under the Programme may be issued either (i) pursuant to this Base Prospectus and the relevant Final Terms or (ii) pursuant to a Drawdown Prospectus. The Terms and Conditions applicable to any particular Tranche of Securities are the Terms and Conditions of the Securities as completed by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.

References in this General Description of the Issuance Programme to the “Final Terms” shall, where applicable, be read as references to the Drawdown Prospectus relating to the Securities, as the case may be.

Form of Securities: Unless otherwise provided in the Final Terms, each issue of Securities will on issue date be represented either by a Temporary Global Security or a Permanent Global Security as indicated in the applicable Final Terms. The Temporary Global Security will be exchangeable either, in accordance with its terms, for a Permanent Global Security or for Definitive Securities. The Permanent Global Security will be exchangeable in limited circumstances for Definitive Securities. Each Temporary Global Security and each Permanent Global Security will be held by a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system and/or deposited directly with Monte Titoli S.p.A. and/or any other Centralised Custodian appointed by the Issuers.

If the Securities are issued and held in book-entry form, the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte

Titoli S.p.A. or any other Centralised Custodian appointed by the Issuers. Accordingly, all Securities of the same tranche shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the Centralised Custodian.

In such circumstances, it will not be possible for a Securityholder to obtain physical delivery of Securities certificates representing the Securities.

Type of Securities:

The Issuer may issue Index Securities, Share Securities, Currency Securities, Debt Securities, Commodity Securities and Fund Securities.

Certificates may bear remuneration, if so specified in the applicable Final Terms.

Warrants may be European Style Warrants or American Style Warrants.

Securities that bear remuneration:

In respect of Securities which bear remuneration at a fixed rate, such remuneration will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

The yield in respect of the Securities which bear remuneration at a fixed rate is calculated in accordance with the ICMA Method. The ICMA Method determines the effective interest rate for the securities taking into account accrued interest on a daily basis.

In respect of Securities which bear remuneration at a floating rate, such remuneration will be set separately for each Series by reference to the benchmark as may be specified in the relevant Final Terms as adjusted for any applicable margin.

Remuneration Periods will be specified in the relevant Final Terms. The length of the Remuneration Periods for the Securities and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series.

Settlement of the Securities:

Settlement will be by way of cash payment (“**Cash Settled**”) or physical delivery (“**Physical Delivery**”).

The Guarantee provides that, in the case of Physical Delivery Securities, the Guarantor will have the right to elect not to make physical delivery of the Entitlement, but rather to pay the Guaranteed Cash Settlement Amount as specified in the

applicable Final Terms.

Index Securities: The Cash Settlement Amount in respect of Index Securities will be calculated by reference to a single index (including rate of inflation) or basket of indices.

Share Securities: The Cash Settlement Amount in respect of Cash Settled Share Securities will be calculated by reference to a single share or basket of shares.

The Entitlement in respect of Physical Delivery Share Securities will be a specified amount of shares of one or more companies, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Currency Securities: The Cash Settlement Amount in respect of Cash Settled Currency Securities will be calculated by reference to a single currency or basket of currencies.

The Entitlement in respect of Physical Delivery Currency Securities will be a specified amount of the relevant currency or currencies as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Debt Securities: The Cash Settlement Amount in respect of Cash Settled Debt Securities will be calculated by reference to a single debt instrument or basket of debt instruments.

The Entitlement in respect of Physical Delivery Debt Securities will be a specified amount of debt instruments of one or more issuers, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Commodity Securities: The Cash Settlement Amount in respect of Cash Settled Commodity Securities will be calculated by reference to a single commodity or basket of commodities.

The Entitlement in respect of Physical Delivery Commodity Securities will be a specified amount of commodities, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Fund Securities: The Cash Settlement Amount in respect of Cash Settled Fund Securities will be calculated by reference to units or shares (however described) in a single fund or basket of funds.

The Entitlement in respect of Physical Delivery Fund Securities will be a specified amount of fund shares or units (however described), subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Exercise of Certificates:

Each Certificate shall be automatically exercised on the Exercise Date. In the case of Italian Listed Certificates, automatic exercise can be waived by serving a Renouncement Notice, which shall be substantially in the form set out in the Issue and Paying Agency Agreement, copies of which may be obtained from the specified office of the Fiscal Agent and the Paying Agent.

Exercise of Warrants:

European Style Warrants are only exercisable on the Exercise Date or, if such day is not an Exercise Business Day, the immediately succeeding Exercise Business Day (the “**Actual Exercise Date**” and the “**Expiration Date**”).

American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period.

If Automatic Exercise is not specified in the applicable Final Terms, any Warrant which has not been duly exercised by the relevant Securityholder, at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any Warrant which has not been duly exercised by the relevant Securityholder, at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is, in the determination of the Calculation Agent, "In-The-Money" shall be automatically exercised on the Expiration Date. In the case of Italian Listed Warrants, automatic exercise can be waived by serving a Renouncement Notice, which shall be substantially in the form set out in the Issue and Paying Agency Agreement, copies of which may be obtained from the office of the Fiscal Agent and the Paying Agent.

Physical Delivery Securities and Assessed Value Payment Amount:

In the case of Physical Delivery Securities, in order to receive the relevant Entitlement the relevant Securityholder must deliver to the Fiscal Agent an Exercise Notice (in the case of Warrants) or a Physical Delivery Confirmation Notice (in the case of Certificates) prior to 10.00 a.m. Brussels or Luxembourg time, as the case may be, on the Expiration Date (in the case of Warrants) or the Exercise Date (in the case of

Certificates) and pay any Expenses and any other amounts payable and, in the case of Warrants, the relevant Exercise Price. If a Securityholder does not deliver an Exercise Notice or a Physical Delivery Confirmation Notice, as applicable, prior to 10.00 a.m. Brussels or Luxembourg time, as the case may be, on the Expiration Date or the Exercise Date, as applicable, no delivery of the Entitlement will be made and in lieu thereof the Issuer shall determine and pay the Assessed Value Payment Amount.

Status of the Securities:

Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank par passu among themselves and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations other than subordinated obligations, if any of the Issuer from time to time outstanding.

Guarantee:

Under the Deed of Guarantee, and in accordance with the terms and subject to the limitations thereof, Mediobanca unconditionally and irrevocably guarantees payment of all amounts due and the performance of any non-cash delivery obligations in respect of Securities issued by Mediobanca International. Pursuant to the Guarantee, the Guarantor has the right to elect not to deliver or procure the delivery of any entitlement to holders of Securities, but in lieu thereof to pay a cash amount. See also Condition 2(b) (*Status of the Guarantee*) of the Terms and Conditions of the Securities.

Status of the Guarantee:

The payment obligations of the Guarantor under the Deed of Guarantee constitute – in accordance with the terms and subject to the limitations thereof – direct, unconditional, unsubordinated and unsecured obligations of the Guarantor which will rank at all times at least *pari passu* without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law. See also Condition 2(b) (*Status of the Guarantee*) of the Terms and Conditions of the Securities. In particular, pursuant to the Deed of Guarantee, to the extent the Guarantor is incorporated in the Republic of Italy and to the extent under the applicable law in force at the relevant time a cap to the maximum amount to be guaranteed is required, the Guarantor shall only be liable up to an amount which is the aggregate of 110 per cent. of the aggregate principal amount of any Tranche of the Securities (in each case as specified in the applicable Final Terms) and 110 per cent. of the interest on such Securities accrued but not paid as at any date on which the

Guarantor's liability falls to be determined. In addition, pursuant to the Deed of Guarantee, the Guarantor has also undertaken to issue an additional guarantee in an amount equal to any liability exceeding the maximum amount mentioned above in relation to any Tranche.

Taxation in respect of Securities: All payments in respect of Securities shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted and no additional amount shall be payable to any relevant Securityholder in respect of any such tax, duty, withholding or other payment.

Rating: The rating of the Securities, if any, to be issued under the Programme will be specified in the applicable Final Terms.

Whether or not each credit rating applied for in relation to a Series of Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009 (as amended by Regulation (EU) No. 513/2011) (the “**CRA Regulation**”) will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7th June, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Governing Law: If it is specified in the Final Terms that English law is applicable to the Securities, the Securities and all related contractual documentation and any contractual or non-contractual obligations arising from or connected with the Securities (or such related contractual documentation) will be governed by, and construed in accordance with, English law. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Securities will be governed by, and shall be construed in accordance with, Italian law.

Listing and Admission to Trading: Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Securities issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange.

Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor (where applicable) and the relevant Dealer in relation to the relevant Series. Securities which are neither listed nor admitted to trading on any market may also be issued.

The CSSF may, at the request of either Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; (ii) an Attestation Certificate in accordance with Article 18(i) of the Prospectus Directive; and (iii) if so required by such competent authority, a translation of this Summary.

Notice of the aggregate nominal amount of or Securities (if applicable), the remuneration (if any) payable in respect of Securities, the issue price of Securities and any other terms and conditions not contained herein which are applicable to each Tranche of Securities will be set out in the relevant Final Terms which, with respect to Securities to be listed on the Official List of the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange.

The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Selling Restrictions:

See “Plan of Distribution”.

GENERAL DESCRIPTION OF THE UNDERLYING

The Securities may relate to the following Reference Items:

- a single index (including relating to the rate of inflation and including the proprietary indices described in the section “Description of Proprietary Indices” below) or a basket of indices;
- a single share or a basket of shares;
- a single currency or a basket of currencies;
- a single debt instrument or a basket of debt instruments;
- a single commodity or a basket of commodities;
- units or shares (however described) in a single fund or a basket of funds.

The applicable Final Terms will specify the relevant Reference Item(s) and state where information on the relevant Underlying, in particular on its past and future performance and on its volatility, can be found and whether or not the Issuer intends to provide further information on the relevant Reference Item(s).

DESCRIPTION OF PROPRIETARY INDICES

A) THE ETF MANAGER DYNAMIC BOND INDEX

General

The ETF Manager Dynamic Bond Index (the “**Dynamic Index**”) was established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**ETF Dynamic Index Sponsor**”) on 12 August 2011 (the “**Dynamic Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the ETF Manager Dynamic Bond Index (the “**Index Calculation Agent**”) is responsible for the operation of the Dynamic Index and accordingly will announce the level of the Dynamic Index (the “**Dynamic Index Level**”) and the composition of the Dynamic Index every Exchange Business Day at the close of business, except on any Dynamic Rebalance Day when the announcement will be made at or before 14:00 CET.

Composition

The Dynamic Index replicates a dynamic investment in a basket of Component Dynamic ETFs (the “**ETF Dynamic Basket**”). The investment theme of the Dynamic Index is investment in iShares ETFs tracking the performance of government bonds and corporate bonds, including high yield assets. The current Component Dynamic ETFs and their current Dynamic Weights (as defined below) within the ETF Dynamic Basket are specified below.

The weights (the “**Dynamic Weights**”) of each Component Dynamic ETF within the ETF Dynamic Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “Weights Determination Methodology”.

If a Dynamic Index Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the ETF Dynamic Basket composition by (a) adding a Component Dynamic ETF to the Component Dynamic ETFs which are then part of the ETF Dynamic Basket; or (b) removing a Component Dynamic ETF from the ETF Dynamic Basket; or (c) substituting the relevant Component Dynamic ETF with a Substitute Dynamic Component ETF. A Substitute Dynamic Component ETF is an ETF selected by the Dynamic Index Calculation Agent in its sole discretion which meets the Dynamic Index Eligibility Criteria.

The “**Dynamic Index Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each Dynamic Index Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the Dynamic Index;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant Rebalance Date; and

- (iv) the relevant ETF's AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant Dynamic Index Rebalance Date.

The Dynamic Index Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each Dynamic Index Rebalance Date.

Weights Determination Methodology

The Dynamic Weight for each Component Dynamic ETF in respect of each Dynamic Index Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every Dynamic Index Rebalance Date, the set of Dynamic Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the ETF Dynamic Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component Dynamic ETF.

On each Dynamic Index Rebalance Date t^* , the Dynamic Weights of the Component Dynamic ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_{t^*}^i \times \mu_{t^*}^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_{t^*}^i \times W_{t^*}^j \times \sigma_{t^*}^i \times \sigma_{t^*}^j \times \rho_{t^*}^{i,j} - \sum_{i=1}^N |W_{t^*}^i - \widehat{W}_{t^*}^i| \times \tau_{t^*}^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_{t^*}^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_{t^*}^i = 100\%;$$

where:

$W_{t^*}^i$ is the optimised weight to be applied to the i-th Component Dynamic ETF in the Dynamic Index Rebalancing Period following the Dynamic Index Rebalance Date t^* ;

$\widehat{W}_{t^*}^i$ is the the optimised weight applied to the i-th Component Dynamic ETF in the Dynamic Index Rebalancing Period preceding the Dynamic Index Rebalance Date t^* ;

$\mu_{t^*}^i$ is the expected return calculated for the i-th Component Dynamic ETF averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date t^* ;

$\sigma_{t^*}^i$ is the volatility (standard deviation) calculated for the i-th Component Dynamic ETF averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date t^* ;

$\rho_{i,j}^t$ is the correlation between the i-th and the j-th Component Dynamic ETFs, with $i \neq j$, averaging the historical simple daily returns on a window size of 1 year preceding the Dynamic Index Rebalance Date t^* ;

τ_i^t is the transaction cost applied to the i-th Component Dynamic ETF on the Dynamic Index Rebalance Date t^* ;

N is the number of Component Dynamic ETFs in the ETF Dynamic Basket.

“**Dynamic Index Rebalancing Period**” is the period from, and including, a Dynamic Index Rebalance Date to, but excluding, the next following Dynamic Index Rebalance Date.

The new weights of each Component Dynamic ETF within the ETF Dynamic Basket will be published by the Index Calculation Agent on the Exchange Business Day following each Dynamic Index Rebalance Date.

Dynamic Index Level

The level of the Dynamic Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_i^t \times \left(\frac{S_{t^*}^i + d_i^t}{S_t^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t^* means the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, 12 August 2011 was the first Dynamic Index Rebalance Date

W_i^t means the weight of Component Dynamic ETFi as determined on the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component Dynamic ETFi at the close of business on Exchange Business Day “t”

$S_{t^*}^i$ means the Dynamic Index Market Quotation of Component ETFi on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first Dynamic Index Rebalance Date

d_i^t means the sum of the cash flows paid by the Component Dynamic ETFi between the Dynamic Index Rebalance Date t^* and the Exchange Business Day t

Mgt.Fee means the annual management fee of 0.75 per cent per annum

On the Dynamic Index Rebalance Date t^* , the Dynamic Index will be calculated as

$$Index_t = Index_{s^*} \times (1 + R_t - F_t - Coupon_t)$$

with

$$Coupon_t = \sum_{i=1}^N W_s^i \times \frac{\hat{d}_t^i}{S_s^i}$$

where:

s^* means the Dynamic Index Rebalance Date immediately preceding Dynamic Index Rebalance Date t^*

\hat{d}_t^i means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Dynamic ETF_i in the ETF Dynamic Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Dynamic ETF_i during the Dynamic Index Rebalancing Period between s^* and t^*

The Dynamic Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of any Securities in respect of which the Dynamic Index is the Reference Item are quoted Ex Remuneration Amount) will be each Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component Dynamic ETF.

“**Component Dynamic ETF**” means an ETF which comprises part of the Dynamic Index from time to time, with the current Component Dynamic ETFs and their respective weightings being those specified in the section headed “Component Dynamic ETFs” below.

“**Dynamic Index Level**” or “**Index_t**” means, with respect to an Exchange Business Day “t”, the level of the Dynamic Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left(\frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFees$$

where:

t^* means the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first Dynamic Index Rebalance Date

W_t^i means the weight of Component Dynamic ETF_i as determined on the Dynamic Index Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component Dynamic ETF_i at the close of business on Exchange Business Day “t”

$S_{t^*}^i$ means the Dynamic Index Market Quotation of Component Dynamic ETF_i on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Dynamic Index Rebalance Date

d_t^i means the sum of the cash flows paid by the Component Dynamic ETF_i between the Dynamic Dynamic Index Rebalance Date t^* and the Exchange Business Day t

$MgtFees$ means the annual management fee of 0.75 per cent per annum

On the Dynamic Index Rebalance Date t^* , the Dynamic Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

s^* means the Dynamic Index Rebalance Date immediately preceding Dynamic Index Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Dynamic ETF_i in the ETF Dynamic Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Dynamic ETF_i during the Dynamic Index Rebalancing Period between s^* and t^*

“**Dynamic Index Market Quotation**” means the price, as determined by the Index Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component Dynamic ETF_i by Dynamic Index Reference Market-makers between 12:00 CET and 12:30 CET.

“**Dynamic Index Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market

participants in general to effect transactions in, or obtain market values for any Component Dynamic ETF.

“**Dynamic Index Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Dynamic Index Rebalancing Period**” is the period from, and including, a Dynamic Index Rebalance Date to, but excluding, the next following Dynamic Index Rebalance Date.

“**Dynamic Index Reference Market-maker**” means an official specialist and/or liquidity provider for each Component Dynamic ETF.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Dynamic ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Substitute Component Dynamic ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the Dynamic Index Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component Dynamic ETF on the Exchange in respect of such Component Dynamic ETF.

Component Dynamic ETFs

The Component Dynamic ETFs and their respective weightings which comprise the Dynamic Index as at the date of this Base Prospectus are:

Component Ticker	ETF	Component ISIN	ETF	Component Description	ETF	Weight
IEAC IM		IE00B3F81R35		iShares Barclays Euro Corporate Bond		30%
IBGL IM		IE00B1FZS913		iShares Barclays Capital Euro Government Bond 15-30		30%
IBGM IM		IE00B1FZS806		iShares Barclays Capital Euro Government Bond 7-10		30%

SE15 IM	IE00B4L60045	iShares Barclays Capital Euro Corporate Bond 1-5	10%
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B) THE ETF MANAGER EUROPEAN EQUITY INDEX

General

The ETF Manager European Equity Index (the “**European Equity Index**”) has been established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**European Equity Index Sponsor**”) on 12 August 2011 (the “**European Equity Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the European Equity Index (the “**Index Calculation Agent**”) is responsible for the operation of the European Equity Index and accordingly will announce the European Equity Index Level and the composition of the European Equity Index every Exchange Business Day at the close of business, except on any European Equity Rebalance Day when the announcement will be made at or before 14:00 CET.

Composition

The European Equity Index replicates a dynamic investment in a basket of Component European Equity ETFs (the “**European Equity Basket**”). The investment theme of the European Equity Index is investment in iShares ETFs tracking the performance of the main European equity indices, including sector indices and thematic indices. The current Component European Equity ETFs are specified and their current European Equity Weights (as defined below) within the European Equity Basket are specified below.

The weights (the “**European Equity Weights**”) of each Component European Equity ETF within the European Equity Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a European Equity Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the European Equity Basket composition by (a) adding a Component European Equity ETF to the Component European Equity ETFs which are then part of the European Equity Basket; or (b) removing a Component European Equity ETF from the European Equity Basket; or (c) substituting the relevant Component European Equity ETF with a Substitute Component European Equity ETF. A Substitute Component European Equity ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the European Equity Eligibility Criteria.

The “**European Equity Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each European Equity Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;

- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the European Equity Index];
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant European Equity Rebalance Date; and
- (iv) the relevant ETF’s AUM (as defined above) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant European Equity Rebalance Date.

The European Equity Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each European Equity Rebalance Date.

Weights Determination Methodology

The European Equity Weight for each Component European Equity ETF in respect of each European Equity Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every European Equity Rebalance Date, the set of European Equity Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the European Equity Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component European Equity ETF.

On each European Equity Rebalance Date t^* , the European Equity Weights of the Component European Equity ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_t^i \times \mu_t^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_t^i \times W_t^j \times \sigma_t^i \times \sigma_t^j \times \rho_t^{ij} - \sum_{i=1}^N |W_t^i - \widehat{W}_t^i| \times \tau_t^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

W_t^i is the optimised weight to be applied to the i-th Component European Equity ETF in the European Equity Rebalancing Period following the Rebalance Date t^* ;

W_t^i is the the optimised weight applied to the i-th Component European Equity ETF in the European Equity Rebalancing Period preceeding the European Equity Rebalance Date t^* ;

μ_t^i is the expected return calculated for the i-th Component European Equity ETF averaging the historical simple daily returns on a window size of 1 year preceeding the European Equity Rebalance Date t^* ;

σ_t^i is the volatility (standard deviation) calculated for the i-th Component European Equity ETF averaging the historical simple daily returns on a window size of 1 year preceeding the European Equity Rebalance Date t^* ;

$\rho_t^{i,j}$ is the correlation between the i-th and the j-th Component European Equity ETFs, with $i \neq j$, averaging the historical simple daily returns on a window size of 1 year preceeding the European Equity Rebalance Date t^* ;

τ_t^i is the transaction cost applied to the i-th Component European Equity ETF on the European Equity Rebalance Date t^* ;

N is the number of Component European Equity ETFs in the European Equity Basket.

“**European Equity Rebalancing Period**” is the period from, and including, a European Equity Rebalance Date to, but excluding, the next following European Equity Rebalance Date.

The new weights of each Component European Equity ETF within the basket will be published by the Index Calculation Agent on the Exchange Business Day following each European Equity Rebalance Date.

European Equity Index Level

The level of the European Equity Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left(\frac{s_t^i + a_t^i}{s_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t^* means the European Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first European Equity Rebalance Date

W_t^i means the weight of Component European Equity ETF_i as determined on the European Equity Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component European Equity ETF_i at the close of business on Exchange Business Day “t”

$S_{t^*}^i$ means the European Equity Market Quotation of Component European Equity ETF_i on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first European Equity Rebalance Date

d_t^i means the sum of the cash flows paid by the Component European Equity ETF_i between the European Equity Rebalance Date t^* and the Exchange Business Day t

MgtFee means the annual management fee of 1.00 per cent per annum

On the European Equity Rebalance Date t^* , the European Equity Index will be calculated as

$$Index_t = Index_{t^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

s^* means the European Equity Rebalance Date immediately preceding European Equity Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component European Equity ETF_i in the European Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component European Equity ETF_i during the European Equity Rebalancing Period between s^* and t^*

The European Equity Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each European Equity Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component European Equity ETF.

“**Component European Equity ETF**” means an ETF which comprises part of the European Equity Index from time to time, with the current Component European Equity ETFs and their respective weightings being those specified in the section headed “*Component European Equity ETFs*” below.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component European Equity ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**European Equity Index Level**” or “**Index_t**” means, with respect to an Exchange Business Day “t”, the level of the European Equity Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left(\frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t* means the European Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first European Equity Rebalance Date

W_{t*}ⁱ means the weight of Component European Equity ETF_i as determined on the European Equity Rebalance Date immediately preceding Exchange Business Day “t”

S_tⁱ means the official closing price of Component European Equity ETF_i at the close of business on Exchange Business Day “t”

S_{t*}ⁱ means the European Equity Market Quotation of Component European Equity ETF_i on **t*** as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first European Equity Rebalance Date

d_tⁱ means the sum of the cash flows paid by the Component European Equity ETF_i between the European Equity Rebalance Date **t*** and the Exchange Business Day **t**

MgtFee means the annual management fee of 1.00 per cent per annum

On the European Equity Rebalance Date **t***, the European Equity Index will be calculated as

$$Index_{t^*} = Index_{t^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

s^* means the European Equity Rebalance Date immediately preceding European Equity Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component European Equity ETF_i in the European Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component European Equity ETF_i during the European Equity Rebalancing Period between s^* and t^*

“**European Equity Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF_i by Reference Market-makers between 12:00 CET and 12:30 CET.

“**European Equity Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component European Equity ETF.

“**European Equity Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**European Equity Rebalancing Period**” is the period from, and including, a European Equity Rebalance Date to, but excluding, the next following European Equity Rebalance Date.

“**European Equity Reference Market-maker**” means an official specialist and/or liquidity provider for each Component European Equity ETF.

“**Substitute Component European Equity ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the European Equity Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component European Equity ETF on the Exchange in respect of such Component European Equity ETF.

Component European Equity ETFs

The Component European Equity ETFs and their respective weightings which comprise the European Equity Index as at the date of this Base Prospectus are:

Component Ticker	ETF	Component ISIN	ETF	Component Description	ETF	Weight
DAXEX IM		DE0005933931		iShares DAX® (DE)		30%
EUE IM		IE0008471009		iShares Euro Stoxx 50		10%
DJMC IM		IE00B02KXL92		iShares Euro Stoxx Mid		30%
IDJG IM		IE00B0M62V02		iShares Euro Stoxx Total Market Growth Large		30%

C) ETF MANAGER WORLD EQUITY INDEX

General

The ETF Manager World Equity Index (the “**World Equity Index**”) has been established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**World Equity Index Sponsor**”) on 12 August 2011 (the “**World Equity Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the World Equity Index (the “**Index Calculation Agent**”) is responsible for the operation of the World Equity Index and accordingly will announce the World Equity Index Level and the composition of the World Equity Index every Exchange Business Day at the close of business, except on any World Equity Rebalance Day when the announcement will be made at or before 14:00 CET.

Composition

The World Equity Index replicates a dynamic investment in a basket of Component World Equity ETFs (the “**World Equity Basket**”). The investment theme of the World Equity Index is investment in iShares ETFs tracking the performance of the main world equity indices, including sector indices and thematic indices, with investments in euro-hedged ETFs being favoured. The current Component World Equity ETFs are specified and their current World Equity Weights (as defined below) within the World Equity Basket as specified below.

The weights (the “**World Equity Weights**”) of each Component World Equity ETF within the World Equity Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a World Equity Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the World Equity Basket composition by (a) adding a Component World Equity ETF to the Component World Equity ETFs which are then part of the World Equity Basket; or (b) removing a Component World Equity ETF from the World Equity Basket; or (c) substituting the relevant Component World Equity ETF with a Substitute Component

World Equity ETF. A Substitute Component World Equity ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the World Equity Eligibility Criteria.

The World Equity Eligibility Criteria are the criteria determined by the Index Calculation Agent quarterly on each World Equity Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the World Equity Index;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant World Equity Rebalance Date; and
- (iv) the relevant ETF’s AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant World Equity Rebalance Date.

The World Equity Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each World Equity Rebalance Date.

Weights Determination Methodology

The World Equity Weight for each Component World Equity ETF in respect of each World Equity Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every World Equity Rebalance Date, the set of World Equity Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the World Equity Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component World Equity ETF.

On each World Equity Rebalance Date t^* , the World Equity Weights of the Component World Equity ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_t^i \times \mu_t^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_t^i \times W_t^j \times \sigma_t^i \times \sigma_t^j \times \rho_t^{ij} - \sum_{i=1}^N |W_t^i - \tilde{W}_t^i| \times \tau_t^i \right\}$$

subject to

- (a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

- (b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

W_t^i is the optimised weight to be applied to the i-th Component World Equity ETF in the Rebalancing Period following the Rebalance Date t^* ;

\bar{W}_t^i is the the optimised weight applied to the i-th Component World Equity ETF in the World Equity Rebalancing Period preceeding the World Equity Rebalance Date t^* ;

μ_t^i is the expected return calculated for the i-th Component World Equity ETF averaging the historical simple daily returns on a window size of 1 year preceeding the World Equity Rebalance Date t^* ;

σ_t^i is the volatility (standard deviation) calculated for the i-th Component World Equity ETF averaging the historical simple daily returns on a window size of 1 year preceeding the World Equity Rebalance Date t^* ;

ρ_t^{ij} is the correlation between the i-th and the j-th Component World Equity ETFs, with $i \neq j$, averaging the historical simple daily returns on a window size of 1 year preceeding the World Equity Rebalance Date t^* ;

τ_t^i is the transaction cost applied to the i-th Component World Equity ETF on the World Equity Rebalance Date t^* ;

N is the number of Component World Equity ETFs in the World Equity Basket.

“**World Equity Rebalancing Period**” is the period from, and including, a World Equity Rebalance Date to, but excluding, the next following World Equity Rebalance Date.

The new weights of each Component World Equity ETF within the basket will be published by the Index Calculation Agent on the Exchange Business Day following each World Equity Rebalance Date.

World Equity Index Level

The level of the World Equity Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left(\frac{s_t^i + a_t^i}{s_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFees$$

where:

t^* means the World Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first World Equity Rebalance Date

W_t^i means the weight of Component World Equity ETF_i as determined on the World Equity Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component World Equity ETF_i at the close of business on Exchange Business Day “t”

$S_{t^*}^i$ means the World Equity Market Quotation of Component World Equity ETF_i on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt is the first World Equity Rebalance Date

d_t^i means the sum of the cash flows paid by the Component World Equity ETF_i between the World Equity Rebalance Date t^* and the Exchange Business Day t

$MgtFees$ means the annual management fee of 1.00 per cent per annum

On the World Equity Rebalance Date t^* , the World Equity Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

s^* means the World Equity Rebalance Date immediately preceding World Equity Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component World Equity ETF_i in the World Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component World Equity ETF_i during the World Equity Rebalancing Period between s^* and t^*

The World Equity Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each World Equity Rebalance Date.

As used in this section, the following terms have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component World Equity ETF.

“**Component World Equity ETF**” means an ETF which comprises part of the World Equity Index from time to time, with the current Component World Equity ETFs and their respective weightings being those specified in the section headed “Component European Equity ETFs” below.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component World Equity ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Substitute Component World Equity ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the World Equity Eligibility Criteria.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component World Equity ETF on the Exchange in respect of such Component World Equity ETF.

“**World Equity Index Level**” or “**Index_t**” means, with respect to an Exchange Business Day “t”, the level of the World Equity Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_{t^*}^i \times \left(\frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t* means the World Equity Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first World Equity Rebalance Date

W_{t*}ⁱ means the weight of Component World Equity ETF_i as determined on the World Equity Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component World Equity ETF_i at the close of business on Exchange Business Day “t”

$S_{t^*}^i$ means the World Equity Market Quotation of Component World Equity ETF_i on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first World Equity Rebalance Date

d_t^i means the sum of the cash flows paid by the Component World Equity ETF_i between the World Equity Rebalance Date t^* and the Exchange Business Day t

MgtFee means the annual management fee of 1.00 per cent per annum

On the World Equity Rebalance Date t^* , the World Equity Index will be calculated as

$$Index_{t^*} = Index_{t^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{t^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{t^*}^i}$$

where:

s^* means the World Equity Rebalance Date immediately preceding World Equity Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component World Equity ETF_i in the World Equity Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component World Equity ETF_i during the World Equity Rebalancing Period between s^* and t^*

“**World Equity Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF_i by Reference Market-makers between 12:00 CET and 12:30 CET.

“**World Equity Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component World Equity ETF.

“**World Equity Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**World Equity Rebalancing Period**” is the period from, and including, a World Equity Rebalance Date to, but excluding, the next following World Equity Rebalance Date.

“**World Equity Reference Market-maker**” means an official specialist and/or liquidity provider for each Component World Equity ETF.

Component World Equity ETFs

The Component World Equity ETFs and their respective weightings which comprise the World Equity Index as at the date of this Base Prospectus are:

Component Ticker	ETF	Component ISIN	ETF	Component Description	ETF	Weight
DAXEX IM		DE0005933931		iShares DAX® (DE)		30%
EUE IM		IE0008471009		iShares Euro Stoxx 50		30%
IUSA IM		IE0031442068		iShares S&P 500		30%
IJPN IM		IE00B02KXH56		iShares MSCI Japan		10%

D) ETF MANAGER CONSERVATIVE BOND INDEX

General

The ETF Manager Conservative Bond Index (the “**Conservative Bond Index**”) will be established by Mediobanca – Banca di Credito Finanziario S.p.A. (the “**Conservative Bond Index Sponsor**”) on 12 August 2011 (the “**Conservative Bond Commencement Date**”). Mediobanca – Banca di Credito Finanziario S.p.A. in its capacity as calculation agent in respect of the Conservative Bond Index (the “**Index Calculation Agent**”) is responsible for the operation of the Conservative Bond Index and accordingly will announce the Conservative Bond Index Level and the composition of the Conservative Bond Index every Exchange Business Day at the close of business, except on any Conservative Bond Rebalance Day when the announcement will be made at or before 14:00 CET.

Composition

The Conservative Bond Index replicates a dynamic investment in a basket of Component Conservative Bond ETFs (the “**Conservative Bond Basket**”). The investment theme of the Conservative Bond Index is investment in iShares ETFs tracking the performance of low risk bond assets, typically government bonds with different maturities and selected corporate bonds. The current Component ETFs are specified and their current Conservative Bond Weights (as defined below) within the Conservative Bond Basket are specified below.

The weights (the “**Conservative Bond Weights**”) of each Component Conservative Bond ETF within the Conservative Bond Basket are rebalanced by the Index Calculation Agent on a quarterly basis according to a mean-variance selection algorithm, as further described below in the section entitled “*Weights Determination Methodology*”.

If a Conservative Bond Potential Substitution Event occurs, the Index Calculation Agent may, acting in good faith and in a commercially reasonable manner, change the Conservative Bond Basket composition by (a) adding a Component Conservative Bond ETF to the Component Conservative Bond ETFs which are then part of the Conservative Bond Basket; or (b) removing a Component Conservative Bond ETF from the Conservative Bond Basket; or (c) substituting the relevant Component Conservative Bond ETF with a Substitute Component Conservative Bond ETF. A Substitute Component Conservative Bond ETF is an ETF selected by the Index Calculation Agent in its sole discretion which meets the Conservative Bond Eligibility Criteria.

The “**Conservative Bond Eligibility Criteria**” are the criteria determined by the Index Calculation Agent quarterly on each Conservative Bond Rebalance Date in its sole discretion but which must include, but are not limited to, the following:

- (i) the relevant ETF must be an iShares ETF which is listed on the Italian Stock Exchange;
- (ii) the investment theme of the relevant ETF must be reasonably similar to the investment theme of any securities already issued by Mediobanca – Banca di Credito Finanziario S.p.A. that have as their underlying reference item the Conservative Bond;
- (iii) the relevant ETF’s liquidity, measured as the monthly ETF liquidity published by the Italian Stock Exchange, must be above EUR 2,000,000 during the 30 Exchange Business Days preceding the relevant Conservative Bond Rebalance Date; and
- (iv) the relevant ETF’s AUM (as defined below) must be above EUR 40,000,000 during the 30 Exchange Business Days preceding the relevant Conservative Bond Rebalance Date.

The Conservative Bond Eligibility Criteria can be revised by the Index Calculation Agent quarterly on each Conservative Bond Rebalance Date.

Weights Determination Methodology

The Conservative Bond Weight for each Component Conservative Bond ETF in respect of each Conservative Bond Rebalance Date will be determined by the Index Calculation Agent in accordance with the standard Mean-Variance Optimization algorithm introduced in the Modern Portfolio Theory of H. Markowitz. The goal of the algorithm is to find, on every Conservative Bond Rebalance Date, the set of Conservative Bond Weights that maximises the expected return subject to a selected level of risk for a market-neutral investor. The risk of each ETF is measured by its volatility. The impact of each ETF on the risk of the allocated portfolio is measured by its correlation with the other ETFs in the Conservative Bond Basket. The optimisation will be performed assuming full investment (i.e. there is no holding in cash) and a maximum allocation of 30% of the total investment for a single Component Conservative Bond ETF.

On each Conservative Bond Rebalance Date t^* , the Conservative Bond Weights of the Component Conservative Bond ETFs are chosen in order to solve the following maximization problem:

$$\max \left\{ \sum_{i=1}^N W_{t^*}^i \times \mu_{t^*}^i - \frac{1}{2} \sum_{i=1}^N \sum_{j=1}^N W_{t^*}^i \times W_{t^*}^j \times \sigma_{t^*}^i \times \sigma_{t^*}^j \times \rho_{t^*}^{ij} - \sum_{i=1}^N |W_{t^*}^i - \tilde{W}_{t^*}^i| \times \tau_{t^*}^i \right\}$$

subject to

(a) the following lower and upper bounds:

$$0\% \leq W_t^i \leq 30\% \quad \text{for every } i; \text{ and}$$

(b) a full investment constraint:

$$\sum_{i=1}^N W_t^i = 100\%;$$

where:

W_t^i is the optimised weight to be applied to the i-th Component Conservative Bond ETF in the Conservative Bond Rebalancing Period following the Conservative Bond Rebalance Date t^* ;

\bar{W}_t^i is the the optimised weight applied to the i-th Component Conservative Bond ETF in the Conservative Bond Rebalancing Period preceding the Conservative Bond Rebalance Date t^* ;

μ_t^i is the expected return calculated for the i-th Component Conservative Bond ETF averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date t^* ;

σ_t^i is the volatility (standard deviation) calculated for the i-th Component Conservative Bond ETF averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date t^* ;

ρ_t^{ij} is the correlation between the i-th and the j-th Component Conservative Bond ETFs, with $i \neq j$, averaging the historical simple daily returns on a window size of 1 year preceding the Conservative Bond Rebalance Date t^* ;

τ_t^i is the transaction cost applied to the i-th Component Conservative Bond ETF on the Conservative Bond Rebalance Date t^* ;

N is the number of Component Conservative Bond ETFs in the Conservative Bond Basket.

“**Conservative Bond Rebalancing Period**” is the period from, and including, a Conservative Bond Rebalance Date to, but excluding, the next following Conservative Bond Rebalance Date.

The new weights of each Component Conservative Bond ETF within the basket will be published by the Index Calculation Agent on the Business Day following each Conservative Bond Rebalance Date.

Conservative Bond Index Level

The level of the Conservative Bond Index will be calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula on each Exchange Business Day (known as Exchange Business Day “t”):

$$Index_t = Index_{t-1} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left(\frac{S_t^i + d_t^i}{S_t^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t^* means the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, is the first Conservative Bond Rebalance Date

W_t^i means the weight of Component Conservative Bond ETF_i as determined on the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”

S_t^i means the official closing price of Component Conservative Bond ETF_i at the close of business

on Exchange Business Day “t”

$S_{t^*}^i$ means the Conservative Bond Market Quotation of Component Conservative Bond ETF_i on t^* as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Conservative Bond Rebalance Date

d_t^i means the sum of the cash flows paid by the Component Conservative Bond ETF_i between the Conservative Bond Rebalance Date t^* and the Exchange Business Day t

$MgtFee$ means the annual management fee of 0.50 per cent per annum

On the Conservative Bond Rebalance Date t^* , the Conservative Bond Index will be calculated as

$$Index_t = Index_{t^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{t^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{t^*}^i}$$

where:

s^* means the Conservative Bond Rebalance Date immediately preceding Conservative Bond Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Conservative Bond ETF_i in the Conservative Bond Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Conservative Bond ETF_i during the Conservative Bond Rebalancing Period between s^* and t^*

The Conservative Bond Index Level takes into account the daily accrued management fee and is therefore lower than the gross value of the invested basket as a result of the existence of such fee.

The Remuneration Ex Date (being the date on which the price of the Securities are quoted Ex Remuneration Amount) will be each Conservative Bond Rebalance Date.

The following terms will have the meanings set out below:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component Conservative Bond ETF.

“**Component Conservative Bond ETF**” means an ETF which comprises part of the Conservative Bond Index from time to time, with the current Component Conservative Bond ETFs and their respective weightings being those specified in the section headed “Component Conservative Bond ETFs” below.

“**Conservative Bond Index Level**” or “**Index_t**” means, with respect to an Exchange Business Day “t”, the level of the Conservative Bond Index calculated by the Index Calculation Agent in its sole discretion in accordance with the following formula:

$$Index_t = Index_{t^*} \times (1 + R_t - F_t)$$

with

$$R_t = \sum_{i=1}^N W_t^i \times \left(\frac{S_t^i + d_t^i}{S_{t^*}^i} - 1 \right)$$

and

$$F_t = \frac{t - t^*}{360} \times MgtFee$$

where:

t* means the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”; for the avoidance of any doubt, the Issue Date is the first Conservative Bond Rebalance Date

W_tⁱ means the weight of Component Conservative Bond ETF_i as determined on the Conservative Bond Rebalance Date immediately preceding Exchange Business Day “t”

S_tⁱ means the official closing price of Component Conservative Bond ETF_i at the close of business on Exchange Business Day “t”

S_{t*}ⁱ means the Conservative Bond Market Quotation of Component Conservative Bond ETF_i on **t*** as provided by official market makers between 12:00 CET and 12:30 CET. For the avoidance of any doubt the Issue Date is the first Conservative Bond Rebalance Date

d_tⁱ means the sum of the cash flows paid by the Component Conservative Bond ETF_i between the Conservative Bond Rebalance Date **t*** and the Exchange Business Day **t**

MgtFee means the annual management fee of 0.50 per cent per annum

On the Conservative Bond Rebalance Date t^* , the Conservative Bond Index will be calculated as

$$Index_{t^*} = Index_{s^*} \times (1 + R_{t^*} - F_{t^*} - Coupon_{t^*})$$

with

$$Coupon_{t^*} = \sum_{i=1}^N W_{s^*}^i \times \frac{\hat{d}_{t^*}^i}{S_{s^*}^i}$$

where:

s^* means the Conservative Bond Rebalance Date immediately preceding Conservative Bond Rebalance Date t^*

$\hat{d}_{t^*}^i$ means the sum of the weighted net cash flows (such weighting being equal to the weighting of the Component Conservative Bond ETF_i in the Conservative Bond Basket) net of any applicable taxes, costs, expenses, or redemption fees, paid by the Component Conservative Bond ETF_i during the Conservative Bond Rebalancing Period between s^* and t^*

“**Conservative Bond Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for the Component ETF_i by Reference Market-makers between 12:00 CET and 12:30 CET.

“**Conservative Bond Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Index Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component Conservative Bond ETF.

“**Conservative Bond Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Conservative Bond Rebalancing Period**” is the period from, and including, a Conservative Bond Rebalance Date to, but excluding, the next following Conservative Bond Rebalance Date.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Conservative Bond ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**ETF**” means an exchange traded fund.

“**Reference Market-maker**” means an official specialist and/or liquidity provider for each Component Conservative Bond ETF.

“**Substitute Component Conservative Bond ETF**” means an ETF selected by the Index Calculation Agent in its sole discretion which meets the Conservative Bond Eligibility Criteria. “**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component Conservative Bond ETF on the Exchange in respect of such Component Conservative Bond ETF.

Component Conservative Bond ETFs

The Component Conservative Bond ETFs and their respective weightings which comprise the Conservative Bond Index as at the date of this Base Prospectus are:

Component Ticker	ETF	Component ISIN	ETF	Component Description	ETF	Weight
ICOV IM		IE00B3B8Q275		iShares Markit iBoxx Euro Covered Bond		30%
IBGL IM		IE00B1FZS913		iShares Barclays Capital Euro Government Bond 15-30		30%
IBGM IM		IE00B1FZS806		iShares Barclays Capital Euro Government Bond 7-10		30%
SEGA IM		IE00B4WXJJ64		iShares Barclays Euro Treasury Bond		10%

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Terms and Conditions of the Securities which, as completed by the applicable Final Terms, will apply to each issue of Securities and be incorporated by reference into each Global Security. The applicable Final Terms in relation to any issue of Securities may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, be deemed to be incorporated into and thereby complete the Terms and Conditions, for the purposes of such Securities.

Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”), Mediobanca International (Luxembourg) S.A. (“**Mediobanca International**”) (each, an “**Issuer**” and, together, the “**Issuers**”) have established an Issuance Programme (the “**Programme**”) for the issuance of certificates (“**Certificates**”) and warrants (“**Warrants**” and, together with the Certificates, “**Securities**”), guaranteed by Mediobanca (in its capacity as guarantor, the “**Guarantor**”) in respect of Securities issued by Mediobanca International.

The Securities are issued pursuant to an Issue and Paying Agency Agreement dated 12 March 2013, as amended or supplemented from time to time, (the “**Issue and Paying Agency Agreement**”) between the Issuers, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent and principal paying agent (the “**Fiscal Agent**”) and Mediobanca in its capacity as Italian paying agent (the “**Italian Paying Agent**” and together with the Fiscal Agent and any additional or other paying agents in respect of the Securities from time to time appointed, the “**Paying Agents**”) and with the benefit of deeds of covenant dated 12 March 2013 (each, a “**Deed of Covenant**” and, together, the “**Deeds of Covenant**”), each of them executed by the relevant Issuer in respect of Securities issued by such Issuer. The Guarantor has, for the benefit of the holders of Securities issued by Mediobanca International from time to time, executed and delivered a deed of guarantee (the “**Deed of Guarantee**”) dated 12 March 2013 under which it has guaranteed, in accordance with the terms and subject to limitations of the Deed of Guarantee, the due and punctual payment of the amounts due and the performance of any non-cash delivery obligations by Mediobanca International under the Securities and the Deed of Covenant as and when the same shall become due and payable or deliverable, as the case may be (the “**Guarantee of the Securities**”).

The Securityholders (as defined in Condition 1(B)) are deemed to have notice of all of the provisions of the Issue and Paying Agency Agreement applicable to them.

Securities issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Securities. Each Tranche is the subject of final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Securities are these Conditions, as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. All subsequent references in these Conditions to “**Securities**” are to the Securities which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out below (the “**Specified Office**”). Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement and are subject to their detailed provisions.

The Final Terms issued in respect of each issue of Securities will specify whether the Issuer is Mediobanca or Mediobanca International. In these Conditions of the Securities, any reference to a statute or regulation shall be construed as a reference to such statute or regulation as the same may have been, or may from time to time be, amended or re-enacted.

Copies of the Issue and Paying Agency Agreement, the Deeds of Covenant and the Deed of Guarantee are available for inspection at the Specified Office of the Paying Agent.

Securities will be either Warrants or Certificates, as specified in the applicable Final Terms, and references in these Conditions to “**Security**” and “**Securities**” will be construed accordingly. Conditions 16, 17 and 18 apply only to Warrants and Conditions 19, 20 and 21 apply only to Certificates. Other Conditions apply to Warrants or Certificates, as applicable. References herein to the applicable Final Terms are to Part A of the Final Terms or each Final Terms (in the case of any further securities issued pursuant to Condition 10 and forming a single series with the Securities) (which for the avoidance of doubt may be issued in respect of more than one series of Securities) attached to the global security in bearer form representing the Securities (the “**Global Security**”) insofar as it relates to the Securities.

1. **Type, Title and Transfer**

(A) *Type*

The Securities are Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities or Fund Securities. Certain terms which will apply to Index Securities, Share Securities, Debt Securities or Commodity Securities, respectively, are set out in Condition 13.

The applicable Final Terms will indicate:

- (1) for all Securities:
 - (i) whether settlement shall be by way of cash payment (“**Cash Settled Securities**”) or physical delivery (“**Physical Delivery Securities**”);
 - (ii) whether Averaging (“**Averaging**”) will apply to the Securities; and
 - (iii) if Averaging is specified as applying in the applicable Final Terms, the relevant Averaging Dates and, if an Averaging Date is a Disrupted Day (as defined in Condition 3), whether Omission, Postponement or Modified Postponement (each as defined in Condition 3 below) applies;
- (2) in the case of Warrants only:
 - (i) whether the Warrants are American style Warrants, being Warrants which are exercisable during a specified period (“**American Style Warrants**”) or European style Warrants, being Warrants which are exercisable on a specified date (“**European Style Warrants**”) and whether automatic exercise (“**Automatic Exercise**”) applies to the Warrants;
 - (ii) whether the Warrants are call Warrants (“**Call Warrants**”) or put Warrants (“**Put Warrants**”) and whether the Warrants may only be exercisable in Units. If Units are specified in the applicable Final Terms, Warrants must be exercised in Units and any

Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect; and

- (3) in the case of Certificates only, whether remuneration shall be payable in respect of the Securities.

References in these Conditions, unless the context otherwise requires, to Cash Settled Securities shall be deemed to include references to Physical Delivery Securities, which include an option (as set out in the applicable Final Terms) at the Issuer's election to request cash settlement of such Security and where settlement is to be by way of cash payment, and references in these Conditions, unless the context otherwise requires, to Physical Delivery Securities shall be deemed to include references to Cash Settled Securities which include an option (as set out in the applicable Final Terms) at the Issuer's election to request physical delivery of the relevant Reference Item in settlement of such Security and where settlement is to be by way of physical delivery.

(B) *Title to Securities*

Except as set out below, each person who is for the time being shown in the records of the relevant Clearing System(s) as the holder of a particular number of Securities (in which regard any certificate or other document issued by the relevant Clearing System(s) as to the number of Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Calculation Agent as the holder of such number of Securities for all purposes (and the expressions “**Securityholder**” and “**holder of Securities**” and related expressions shall be construed accordingly).

(C) *Transfers of Securities*

For so long as the Securities are represented by Securities in definitive form (“**Definitive Securities**”), title to the Securities will pass by delivery.

For so long as the Securities are represented by a Global Security, all transactions (including transfers of Securities) in the open market or otherwise must be effected through an account at the relevant Clearing System(s), subject to and in accordance with the rules and procedures for the time being of the relevant Clearing System(s). Title will pass upon registration of the transfer in the books of the relevant Clearing System(s).

If the relevant Final Terms specifies that the Securities will be held in book-entry form, then the Securities will not be represented by paper certificates and the transfer and exchange of Securities will take place exclusively through an electronic book-entry system managed by Monte Titoli S.p.A. or any other centralised custodian appointed by the Issuers (the “**Centralised Custodian**”). Accordingly, all Securities held in book-entry form shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Securities with the Centralised Custodian.

Any reference herein to a Clearing System(s), Euroclear and/or Clearstream, Luxembourg and/or Monte Titoli shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Fiscal Agent from time to time and notified to the Securityholders in accordance with Condition 8.

Any transfer or attempted transfer within the United States or to, or for the account or benefit of, a United States person shall be null and void *ab initio* and shall vest no rights in the purported transferee (the “**Disqualified Transferee**”) and the last preceding holder that was not a Disqualified Transferee shall be restored to all rights as a Securityholder thereof retroactively to the date of transfer of such interest by the relevant Securityholder.

2. Status of the Securities and the Guarantee

(a) Status of the Securities

The Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than subordinated obligations, if any, of the Issuer from time to time outstanding.

(b) Status of Guarantee

The Guarantee of the Securities constitutes direct, unconditional, unsubordinated and unsecured obligations of the Guarantor pursuant to the terms and conditions and subject to the limitations set out in the Deed of Guarantee which will rank at all times at least *pari passu* without any preference among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for certain mandatory exceptions of applicable law.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, at its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement to the holders of such Physical Delivery Securities when the same shall become due and deliverable, but in lieu thereof to pay an amount in cash equal to the Guaranteed Cash Settlement Amount. The “**Guaranteed Cash Settlement Amount**” in respect of each Security means an amount calculated pursuant to the terms of, or as specified in, the applicable Final Terms or, if not specified in the applicable Final Terms, an amount equal to the fair market value of the Entitlement in respect of such Security on any date notified as such by the Guarantor to the Issuer and the Calculation Agent, less the cost to the Issuer and/or its Affiliates or agents of unwinding or adjusting any underlying or related hedging arrangements (including the cost of funding in respect of such hedging arrangements), all as determined by the Guarantor in its sole and absolute discretion. Any payment of the Guaranteed Cash Settlement Amount in lieu of the Entitlement shall constitute a complete discharge of the Guarantor’s obligations in respect of such Physical Delivery Securities.

3 Definitions

For the purposes of these Conditions, the following general definitions will apply:

“**Actual Exercise Date**”, in respect of an American Style Warrant, is defined in Condition 16(A)(i) or, in respect of a European Style Warrant, is defined in Condition 16(A)(ii), in each case subject to Condition 18(A)(ii);

“**Affiliate**” means in relation to any entity (the “**First Entity**”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes control means ownership of a majority of the voting power of an entity;

“**Averaging Date**” means, in respect of an Actual Exercise Date (in the case of Warrants) or an Exercise Date (in the case of Certificates), each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day:

- (a) if “**Omission**” is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision there would not be an Averaging Date in respect of such Actual Exercise Date or Exercise Date, as the case may be, then the provisions of the definition of Valuation Date will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Actual Exercise Date or Exercise Date, as the case may be, as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if “**Postponement**” is specified as applying in the applicable Final Terms, then the provisions of the definition of Valuation Date will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if “**Modified Postponement**” is specified as applying in the applicable Final Terms:
 - (i) where the Securities relate to a Reference Item constituted by only one item, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to such Actual Exercise Date or Exercise Date, as the case may be, then (A) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a) of the definition of Valuation Date below; and
 - (ii) where the Securities relate to a Basket, the Averaging Date for each Component not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the “**Scheduled Averaging Date**”) and the Averaging Date for a Component affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Component. If the first succeeding Valid Date in relation to such Component has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to such Actual Exercise Date or Exercise Date, as the case may be, then (A) that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in respect of such Component, and (B) the

Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (b) of the definition of Valuation Date below;

“**Basket**” means in respect of any Reference Item constituted by more than one item, the basket composed of such items in the relative proportions and/or numbers specified in the Final Terms;

“**Bid Price**” means, in respect of a Debt Instrument, the bid price for such Debt Instrument, including accrued but unpaid interest (if the Final Terms specify that Include Accrued Interest is applicable) or excluding accrued but unpaid interest (if the Final Terms specify that Include Accrued Interest is not applicable).

“**Business Day**” means (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant Business Day Centre(s) and on which the relevant Clearing System(s) is open for business and (ii) for the purposes of making payments in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) or any successor thereto is open;

“**Cash Settlement Amount**” means, in relation to a Cash Settled Security, the amount which the Securityholder is entitled to receive on the Settlement Date in the Settlement Currency in relation to each such Security, or in relation to Warrants and if Units are specified in the applicable Final Terms, each Unit, in each case as specified in the applicable Final Terms or determined by the Calculation Agent in accordance with the following:

- (a) (in the case of Certificates and if “Normal Performance” is specified as being applicable in the Final Terms) an amount equal to:
 - (i) the Nominal Amount; multiplied by
 - (ii) $(1 + (\text{Participation Factor multiplied by Performance of Underlying}))$;
- (b) (in the case of Certificates and if “Performance Differential” is specified as being applicable in the Final Terms) an amount equal to:
 - (i) the Nominal Amount; multiplied by
 - (ii) $(1 + (\text{Participation Factor multiplied by } (\text{Performance of Underlying 1 minus Performance of Underlying 2})))$;
- (c) (in the case of Warrants) an amount equal to:
 - (i) if the Warrants are Call Warrants, the Final Reference Level minus the Strike Level;
 - (ii) if the Warrants are Put Warrants, the Strike Level minus the Final Reference Level,

provided in each case that the Cash Settlement Amount will not be greater than the Maximum Amount (if any) and will not be less than the Minimum Amount (if any). The Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities exercised or redeemed, as the case may be, at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Cash Settlement Amount payable;

“**Clearing System**” shall mean Euroclear and/or Clearstream, Luxembourg and/or Monte Titoli S.p.A. or such other clearing system as may be specified in the applicable Final Terms;

“**Commodity**” means the commodity specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Commodity Index**” means each index specified as such in the applicable Final Terms;

“**Commodity Index Reference Price**” has the meaning given in the applicable Final Terms;

“**Commodity Reference Price**” means the reference price or spot price for the Specified Commodity specified in the Final Terms;

“**Component**” means in respect of any Reference Item constituted by a Basket, each component comprised in such Basket;

“**Component Weight**” means in respect of any Component comprised in a Basket, the percentage specified in the Final Terms;

“**Debt Instrument**” means the debt instrument specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Delivery Date**” means, in respect of a Reference Item that is a Commodity, the Nearby Month of expiration of the relevant Specified Futures Contract or the relevant date or month for delivery of the underlying (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (a) if a date is, or a month and year are, specified in the Final Terms, that date or that month and year;
- (b) if a Nearby Month is specified in the Final Terms, the month of expiration of the relevant Specified Futures Contract; and
- (c) if a method is specified for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method,

as determined by the Calculation Agent;

“**Disrupted Day**” means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) the Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred;

“**Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Settlement Date in respect of each such Security

following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight;

“**Entitlement Units**” has the meaning given in the applicable Final Terms;

“**Entitlement Multiplier**” has the meaning given in the applicable Final Terms;

“**Exchange**” means:

- (a) in respect of Index Securities and in relation to an Index which is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange);
- (b) in respect of Index Securities and in relation to an Index which is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, in respect of each component security of that Index (each a “**Component Security**”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent;
- (c) in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange);
- (d) in respect of Commodity Securities if Exchange Price is specified as being applicable in the applicable Final Terms and in relation to a Commodity or Specified Futures Contract, each exchange or quotation system specified as such for such Commodity or Specified Futures Contract in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Commodity or Specified Futures Contract has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Commodity or Specified Futures Contract on such temporary substitute exchange or quotation system as on the original Exchange); and

- (e) in respect of Fund Securities if Exchange Price is specified as being applicable in the applicable Final Terms and in relation to a Fund Interest, each exchange or quotation system specified as such for such Fund Interest in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Fund Interest has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Fund Interest on such temporary substitute exchange or quotation system as on the original Exchange);

“**Exchange Business Day**” means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time;

“**Exercise Business Day**” means:

- (a) in the case of Cash Settled Securities, a day that is a Business Day; and
- (b) in the case of Physical Delivery Securities, a day that is a Business Day and a Scheduled Trading Day;

“**Final Reference Level**” means:

- (a) if Averaging is not specified as being applicable in the applicable Final Terms, the Settlement Price on the Valuation Date; or
- (b) if Averaging is specified as being applicable in the applicable Final Terms, the average of the Settlement Prices determined on each of the Averaging Dates;

“**Fund**” means the fund specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Fund Interest**” means a unit, share, partnership interest, or other similar direct interest in a Fund that entitles the holder of such interest to a share in the net assets of that Fund, as specified as such in the applicable Final Terms, or such relevant interests in any Replacement Fund as determined by the Calculation Agent in accordance with Condition 13(E) below;

“**Fund Manager**” means (a) the person specified as such in the applicable Final Terms, (b) any other person responsible from time to time for notifying the holders of Fund Interests of the Net Asset Value, or (c) the relevant manager or person as described in (b) above in respect of any Replacement Fund as determined by the Calculation Agent in accordance with Condition 13(E) below;

“**Fund Rules**” means, with respect to a Fund, the terms of the bye-laws and other associated documentation relating to such Fund and any other rules or regulations relating to such Fund and the relevant Fund Interests (including any prospectus in respect of such) existing on the Issue Date of the Securities, including its investment guidelines and restrictions;

“**Index**” means the index specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components thereof;

“**Initial Reference Level**” means the value specified in the Final Terms;

“**In-The-Money**” means:

- (a) in the case of a Warrant (a “**Cash Settled Warrant**”) which is a Cash Settled Security, the Cash Settlement Amount in respect of such Warrant is greater than zero; and
- (b) in the case of a Warrant (a “**Physical Delivery Warrant**”) which is a Physical Delivery Security, the value of the Entitlement on the Actual Exercise Date for such Warrant is greater than the Exercise Price as determined by the Calculation Agent;

“**Investing Entity**” means the Issuer, any affiliate of the Issuer or any hedge counterparty that holds, redeems or subscribes Fund Interests and references in these Conditions to an Investing Entity are to any such entity acting in that capacity;

“**Italian Listed Securities**” means Securities in respect of which the applicable Final Terms state that an application will be made to list and admit such Securities to trading on the Italian Stock Exchange and the expressions “**Italian Listed Warrants**” and “**Italian Listed Certificates**” shall be construed accordingly;

“**Italian Stock Exchange**” means the electronic "Securitized Derivatives Market" (the **SeDeX**), organised and managed by Borsa Italiana S.p.A.;

“**Market Quotation**” means the price, as determined by the Calculation Agent in its sole discretion, equal to the lowest offer (highest bid) provided for each Component ETF by Reference Market-makers between 12:00 CET and 12:30 CET;

“**Maximum Amount**” has the meaning given in the applicable Final Terms;

“**Minimum Amount**” has the meaning given in the applicable Final Terms;

“**Nearby Month**”, when preceded by a numerical adjective, means, in respect of an Averaging Date or a Valuation Date, as applicable, the month of expiration of the Specified Futures Contract identified by that numerical adjective, so that: (i) “**First Nearby Month**” means the month of expiration of the first Specified Futures Contract to expire following that date; (ii) “**Second Nearby Month**” means the month of expiration of the second Specified Futures Contract to expire following that date; and, for example, (iii) “**Sixth Nearby Month**” means the month of expiration of the sixth Specified Futures Contract to expire following that date;

“**Net Asset Value**” means the available official net asset value of a Fund per Fund Interest, as either notified to the Calculation Agent by the relevant fund manager (or other entity responsible for calculating or notifying such value) or published by or on behalf of such Fund, less any applicable costs, expenses or taxes that would be incurred by a holder of a Fund Interest in redeeming such Fund Interest, determined by the Calculation Agent; provided that if an Investing Entity either makes an investment in, or redeems, Fund Interests as of the relevant day at a price per Fund Interest that is different from the one so notified or published, the net price per Fund Interest at which such investment or redemption is effected shall be treated as the Settlement Price;

“**Participation Factor**” means the value specified in the Final Terms or if none is specified, 100 per cent.;

“**Performance of Underlying**” means an amount calculated by the Calculation Agent in respect of the Reference Item in accordance with the following formula:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Performance of Underlying 1**” means an amount calculated by the Calculation Agent in respect of the Reference Item identified as Reference Item 1 in the Final Terms in accordance with the following formula:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Performance of Underlying 2**” means an amount calculated by the Calculation Agent in respect of the Reference Item identified as Reference Item 2 in the Final Terms in accordance with the following formula:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

“**Price Source**” means, in respect of a Reference Item or any Component of a Basket, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated), as specified in the applicable Final Terms;

“**Reference Item**” has the meaning given in the applicable Final Terms;

“**Reference Market-maker**” means an Official Specialist and/or Liquidity Provider for each Component ETF (as defined in Condition 13 (A) (3));

“**Related Exchange**” means, in respect of Index Securities and in relation to an Index, in respect of Share Securities and in relation to a Share, in respect of Commodity Securities and in relation to a Commodity or Specified Futures Contract and in respect of Fund Securities and in relation to a Fund Interest, each exchange or quotation system specified as such in relation to such Index, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be, in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index or such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “**All Exchanges**” is specified as the Related Exchange in the applicable Final Terms, “**Related Exchange**” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index, Share, Commodity, Specified Futures Contract or Fund Interest, as the case may be;

“Relevant Asset” means the asset or assets specified in the Final Terms that constitute the Entitlement;

“Relevant Price” means for any Valuation Date or Averaging Date, the Specified Price of the Index, determined with respect to such date for the Commodity Index Reference Price specified in the applicable Final Terms;

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

“Scheduled Trading Day” means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of that Index, and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

“Scheduled Valuation Date” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date;

“Settlement Business Day” means (a) a day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions (b) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant Settlement Business Day Centre(s) and (c) a day on which the relevant Clearing System(s) is open for business;

“Settlement Date” means, unless specified otherwise in the applicable Final Terms:

(a) in relation to Cash Settled Securities:

- (i) where Averaging is not specified in the applicable Final Terms, the fifth Business Day following the Valuation Date provided that if the Securities relate to a Basket and the occurrence of a Disrupted Day has resulted in a Valuation Date for one or more Components being adjusted as set out in the definition of Valuation Date below, the Settlement Date shall be the fifth Business Day next following the last occurring Valuation Date in relation to any Component; or
- (ii) where Averaging is specified in the applicable Final Terms, the fifth Business Day following the last occurring Averaging Date provided that where the Securities relate to a Basket and the occurrence of a Disrupted Day has resulted in an Averaging Date for one or more Components being adjusted as set out in the definition of Averaging Date above, the Settlement Date shall be the fifth Business Day next following the last occurring Averaging Date in relation to any Component, or such other date as is specified in the applicable Final Terms; and

- (b) in relation to Physical Delivery Securities, the date specified as such in the applicable Final Terms;

“**Settlement Price**” means, in relation to each Cash Settled Security and, in relation to Warrants, if Units are specified in the applicable Final Terms, each Unit:

- (a) in respect of Index Securities other than Index Securities relating to a Commodity Index, subject to Condition 13(A) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in the case of Index Securities relating to a Basket of Indices, the sum of the amounts (which shall be deemed to be a monetary amount in the Index Currency) calculated as follows in respect of each Index comprising the Basket:
 - (a) the official closing level for such Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction; multiplied by
 - (b) the relevant Component Weight; and
 - (ii) in the case of Index Securities relating to a single Index, an amount (which shall be deemed to be a monetary amount in the Index Currency) equal to the official closing level of the Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction;
- (b) in respect of Share Securities, subject to Condition 13(B) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in the case of Share Securities relating to a Basket of Shares, the sum of the amounts calculated as follows in respect of each Share comprising the Basket:
 - (a) the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share (as defined in Condition 15(B)) on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction (or, if in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging

Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Share whose official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be determined based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the relevant Share or on such other factors as the Calculation Agent shall decide); multiplied by

(b) the relevant Component Weight,

each such value to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate, all as determined by or on behalf of the Calculation Agent; and

(ii) in the case of Share Securities relating to a single Share, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequent published correction (or, if in the opinion of the Calculation Agent, any such official closing price, (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide), such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate and such converted amount to be the Settlement Price, all as determined by or on behalf of the Calculation Agent;

(c) in respect of Debt Securities, subject to Condition 13 (C) and as referred to in Valuation Date below or Averaging Date above:

- (i) in the case of Debt Securities relating to a Basket of Debt Instruments, the sum of the amounts calculated as follows in respect of each Debt Instrument comprising the Basket:
 - (a) the Bid Price for such Debt Instrument as determined by or on behalf of the Calculation Agent by reference to the Bid Price for such Debt Instrument appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the Bid Prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such Bid Prices to be expressed as a percentage of the nominal amount of such Debt Instrument; multiplied by
 - (b) the relevant Component Weight; and
 - (ii) in the case of Debt Securities relating to a single Debt Instrument, an amount equal to the Bid Price for the Debt Instrument as determined by or on behalf of the Calculation Agent by reference to the Bid Price for such Debt Instrument appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the Bid Prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such Bid Prices to be expressed as a percentage of the nominal amount of the Debt Instrument;
- (d) in respect of Currency Securities:
- (i) in the case of Currency Securities relating to a Basket of Subject Currencies, the sum of the amounts calculated as follows in respect of each Subject Currency comprising the Basket:
 - (a) the spot rate of exchange appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or

more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent); multiplied by

- (b) the relevant Component Weight; and
 - (ii) in the case of Currency Securities relating to a single Subject Currency, an amount equal to the spot rate of exchange appearing on the Price Source at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent);
- (e) in respect of Commodity Securities, subject to Condition 13(D) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
- (i) in respect of Commodity Securities relating to a Basket of Commodities, the sum of the amounts calculated as follows in respect of each Commodity comprising the Basket:
 - (a) (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Commodity or Specified Futures Contract as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Commodity or Specified Futures Contract at the Valuation Time displayed on the Price Source, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by
 - (b) the relevant Component Weight; and
 - (ii) in respect of Commodity Securities relating to a single Commodity, an amount equal to (a) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price (or the Specified Price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Commodity or Specified Futures Contract as quoted on the relevant Exchange or (b) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Commodity or Specified Futures Contract at the Valuation Time displayed on the Price Source, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final

Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;

- (f) in respect of Fund Securities, subject to Condition 13(E) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in respect of Fund Securities relating to a Basket of Funds, the sum of the amounts calculated as follows in respect of the Fund Interest in each Component Fund comprising the Basket:
 - (a) (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Fund Interest as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Fund Interest at the Valuation Time displayed on the Price Source or (3) if NAV Price is specified as being applicable in the applicable Final Terms, the Net Asset Value of the relevant Fund Interest at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by
 - (b) the relevant Component Weight; and
 - (ii) in respect of Fund Securities relating to a single Fund, an amount equal to (1) if Exchange Price is specified as being applicable in the applicable Final Terms, the official closing price for the relevant Fund Interest as quoted on the relevant Exchange or (2) if Screen Price is specified as being applicable in the applicable Final Terms, the Specified Price for the relevant Fund Interest at the Valuation Time displayed on the Price Source or (3) if NAV Price is specified as being applicable in the applicable Final Terms, the Net Asset Value of the relevant Fund Interest at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;
- (g) in respect of Index Securities relating to a Commodity Index, subject to Condition 13(A) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in the case of Index Securities relating to a Basket of Indices, the sum of the amounts calculated as follows in respect of the Index comprising the Basket:
 - (a) an amount equal to the Relevant Price for such Index in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date; multiplied by
 - (b) the relevant Component Weight; and

- (ii) in the case of Index Securities relating to a single Index, an amount equal to the Relevant Price of the Index as determined by the Calculation Agent in respect of (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date.
- (h) in respect of Index Securities in respect of which the Reference Item is a Proprietary Index (as defined in Condition 13(A)(3)), the level for such Proprietary Index as determined by the Calculation Agent at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date;

“**Share**” means the share specified in the Final Terms as being the relevant Reference Item, or in respect of any Reference Item constituted by a Basket, one of the Components relating to a Basket Company thereof, subject to adjustment in accordance with Condition 13(B);

“**Specified Futures Contract**” means with respect to any Reference Item or Component of a Basket that is a Commodity, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to such Reference Item or Component of a Basket, or as specified in the Final Terms.

“**Specified Price**” means, in respect of a Reference Item or any Component of a Basket, as the case may be, any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source), as specified in the Final Terms (and, if applicable, as of the time so specified): (A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the spot price; (O) the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms or (P) any other price specified in the Final Terms.

“**Strike Level**” has the meaning given in the applicable Final Terms;

“**Valid Date**” means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in relation to the Actual Exercise Date or Exercise Date, as the case may be, does not or is not deemed to occur;

“**Valuation Date**” means (1) in the case of Warrants, the Actual Exercise Date of the relevant Warrant or (2) in the case of Certificates, the Exercise Date, or if that is not a Scheduled Trading Day the first Scheduled Trading Day thereafter unless, in the opinion of the Calculation Agent, such day is a Disrupted Day or (3) in the case of Securities in respect of which Barrier Event is specified as being applicable in the relevant Final Terms and a Barrier Observation Date is specified, the Barrier Observation Date, or if that is not a Scheduled Trading Day the first Scheduled Trading Day thereafter unless, in the opinion of the Calculation Agent, such day is a Disrupted Day or (4) in the case of Securities in respect of which Barrier Event is specified as being applicable in the relevant Final Terms and a Barrier Observation Period is specified, any Business Day that, where applicable, is also a Scheduled Trading Day during such Barrier Observation Period unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) where the Securities relate to a Reference Item constituted by only one item, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price:
- (x) in the case of Index Securities, by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with (subject to Condition 13(A)(2)) the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or
 - (y) in the case of Share Securities, Debt Securities, Currency Securities, Commodity Securities or Fund Securities, in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (b) where the Securities relate to a Basket, the Valuation Date for each Component not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Component affected by the occurrence of a Disrupted Day (each an **Affected Item**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, acting in good faith, determine the Settlement Price using:
- (x) in the case of an Index, the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with (subject to Condition 13(A)(2)) the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or
 - (y) in the case of a Share, Debt Instrument, rate of exchange Commodity Specified Futures Contract or Fund Interest, its good faith estimate of the value for the Affected Item as of the Valuation Time on that eighth Scheduled Trading Day, and otherwise in accordance with the above provisions;

“**Valuation Time**” means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, in the case of Index Securities or Share Securities, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Index or Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or if no Valuation Time is specified (i) for the purposes of determining whether a Market Disruption Event has occurred (x) in respect of any Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant Related Exchange, and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

4. **Physical Delivery Provisions**

(A) *Settlement Disruption*

If, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on any Settlement Date, then such Settlement Date for such Securities shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Settlement Date shall be such day as the Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Settlement Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Settlement Date. For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy and discharge its obligations in respect of the relevant Security by payment to the relevant Securityholder of the Settlement Disruption Amount (as defined below) on the third Business Day following the date that notice of such election is given to the Securityholders in accordance with Condition 8. Payment of the Settlement Disruption Amount will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that a Settlement Disruption Event has occurred provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Settlement Disruption Event. No Securityholder shall be entitled to any payment in respect of the relevant Security in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

For the purposes hereof:

“**Settlement Disruption Amount**” in respect of any relevant Security shall be the fair market value of such Security (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets), less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Issuer in its sole and absolute discretion plus, if already paid, in the case of Warrants, the Exercise Price (or, where as provided above some Relevant Assets have been delivered and a pro rata portion thereof has been paid, such *pro rata* portion); and

“**Settlement Disruption Event**” means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Relevant Asset(s) using the method specified in the applicable Final Terms.

(B) *Failure to Deliver due to Illiquidity*

If "Failure to Deliver due to Illiquidity" is specified as applicable in the applicable Final Terms and, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets (the **Affected “Relevant Assets”**) comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a “**Failure to Deliver due to Illiquidity**”), then:

- (a) subject as provided elsewhere in these Conditions as completed by the applicable Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Settlement Date in accordance with Condition 16(C) or Condition 19(C), as applicable, and, in the case of Warrants, the Calculation Agent shall determine the appropriate pro rata portion of the Exercise Price to be paid by the relevant Securityholder in respect of that partial settlement; and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Security by payment to the relevant Securityholder of the Failure to Deliver Settlement Price (as defined below) on the fifth Business Day following the date that notice of such election is given to the Securityholders in accordance with Condition 8. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that the provisions of this Condition 4(B) apply.

For the purposes hereof:

“**Failure to Deliver Settlement Price**” means, in respect of any relevant Security, the fair market value of such Security (taking into account, the Relevant Assets comprising the Entitlement which have been duly delivered as provided above), less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion plus, in the case of Warrants and if already paid, the Exercise Price (or, where as provided above some Relevant Assets have been delivered, and a *pro rata* portion thereof has been paid, such *pro rata* portion).

(C) *Issuer's Option to Vary Settlement*

If the applicable Final Terms indicates that the Issuer has an option to vary settlement in respect of the Securities, upon a valid exercise of Securities in accordance with these Conditions, the Issuer may, at its sole and unfettered discretion, in respect of each such Security, elect not to pay the relevant Securityholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Securityholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Securityholders, as the case may be. Notification of such election will be given to Securityholders no later than 10.00 a.m. (Luxembourg time) on the second Business Day following (a) the Actual Exercise Date for Warrants or (b) the Exercise Date for Certificates in accordance with Condition 8 and/or, at the option of the Issuer, if applicable, in accordance with the contact details for a Securityholder specified in its Exercise Notice (in the case of a Warrant) or Physical Delivery Confirmation Notice (in the case of a Certificate).

(D) *Intervening Period*

If the Entitlement in respect of Physical Delivery Securities comprises Relevant Assets which are Shares or Debt Instruments or Fund Interests, for such period of time after the Settlement Date as any person other than the relevant Securityholder shall continue to be the legal owner of such Shares, Debt Instruments or Fund Interests (the “**Intervening Period**”), neither the Issuer nor any other person shall (i) be under any obligation to deliver or procure delivery to the relevant Securityholder or any subsequent beneficial owner of such Shares, Debt Instruments or Fund Interests or any other person any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such Shares, Debt Instruments or Fund Interests or (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Shares, Debt Instruments or Fund Interests during the Intervening Period.

(E) *General*

None of the Issuer, the Paying Agents and the Calculation Agent shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or of any Entitlement.

The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

The Issuer shall be under no obligation to register or procure the registration of any Securityholder or any other person as the registered holder in respect of any Shares, Debt Instruments or Fund Interests comprised in any Entitlement in the register of, as the case may be (i) members of the relevant Share Company (as defined in Condition 13(B)) or Fund (if any) or (ii) bondholders of the relevant obligor.

5. **Illegality**

If the Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the Issuer's obligations under the Securities have become illegal in whole or in part for any reason, the Issuer may cancel the Securities by giving notice to Securityholders in accordance with Condition 8.

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer cancels the Securities then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security or, in the case of Warrants, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder, which amount shall be the fair market value of a Security or Unit, as the case may be, notwithstanding such illegality less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants and if already paid by or on behalf of a Securityholder, the Exercise Price, all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

6. Purchases and Cancellation

The Issuer may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation.

7. Agents, Determinations, Meetings of Securityholders and Modifications

(A) Agents

The Fiscal Agent, the Paying Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agent and the Calculation Agent act solely as agents of the Issuer and the Guarantor (where applicable) and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer and the Guarantor (where applicable) reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other agents provided that the Issuer will at all times maintain (i) a Fiscal Agent, (ii) a Calculation Agent where the Conditions so require one, (iii) the Issuer and the Guarantor (where applicable) will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax, pursuant to European Council Directive 2003/48/EU, or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive, (iv) Paying Agents having a specified office in at least two major European cities (including Luxembourg so long as the Securities are listed on the Luxembourg Stock Exchange), and (v) such other agents as may be required by the rules of any other stock exchange on which the Securities may be listed.

Notice of any such change or any change of any specified office will promptly be given to the holders of Securities in accordance with Condition 8 (Notices).

(B) Calculation Agent

In relation to each issue of Securities, the Calculation Agent (whether it be the Issuer or another entity) acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders. All calculations and

determinations made in respect of the Securities by the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Securityholders.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

(C) *Determinations by the Issuer*

Any determination made by the Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Securityholders.

(D) *Occurrence of certain events*

The Issuer or the Calculation Agent are under no obligation to monitor whether or not any of the applicable events described in Condition 13 has occurred in respect of any Security, Reference Item or Component, as the case may be. Neither the Issuer nor the Calculation Agent shall be liable to any Securityholder for losses resulting from (i) any determination that any such event has occurred or has not occurred, (ii) the timing relating to the determination that any such event has occurred or has not occurred or (iii) any actions taken or not taken by the Issuer and/or the Calculation Agent in accordance with these Conditions as a result of such determination that any such event has occurred or has not occurred.

(E) *Meetings of Securityholders and Modifications*

The Issue and Paying Agency Agreement contains provisions for convening meetings of holders of Securities to consider any matter affecting their interest, including modification by Extraordinary Resolution of the Securities (including these Conditions insofar as the same may apply to such Securities). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the holders of Securities, whether present or not, except that any Extraordinary Resolution proposed, *inter alia*, (i) to modify the date of exercise of the Securities, (ii) to reduce or cancel the Cash Settlement Amount or the Entitlement in respect of the Securities, (iii) to alter the currency of payment of the Securities other than pursuant to Condition 14, will only be binding if passed at a meeting of the holders of Securities (or at any adjournment thereof) at which a special quorum (provided for in the Issue and Paying Agency Agreement) is present.

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Issue and Paying Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the holders of Securities.

The Issuer and the Guarantor may, without the prior consent of the holders of the Securities correct (i) any manifest error in the Terms and Conditions of the Securities and/or in the Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Securities and/or in the Final Terms or (iii) any inconsistency in the Terms and Conditions of the Securities and/or in the Final Terms between the Terms and Conditions of the Securities and/or the Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Securities (provided such correction is not materially prejudicial to the holders of the relevant Series of Securities). Any such correction shall be binding on the

holders of the relevant Securities and the Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Securities as soon as practicable thereafter pursuant to Condition 8 (*Notices*).

In addition, the Issuer and the Guarantor may modify from time to time in the relevant Final Terms the time references to certain Business Days contained in these Conditions.

8. **Notices**

All notices to Securityholders shall be valid if (i) until such time as any Definitive Securities are issued, the notice is delivered to the relevant Clearing System(s), for communication by them to the Securityholders; (ii) if and so long as the Securities are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange, the notice is published in accordance with the rules and regulations of the Luxembourg Stock Exchange (which shall include publication in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu)) and (iii) if and so long as the Securities are admitted to trading on the Italian Stock Exchange, the notice is published in accordance with the rules and regulations of the Italian Stock Exchange (which shall include publication on the website of the Italian Stock Exchange (www.borsaitaliana.it)). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange (or any other relevant authority) on which the Securities are for the time being listed or by which they have been admitted to trading. If Definitive Securities are issued, notices to Securityholders will be deemed validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times. Any such notice shall be deemed to have been given on the date of delivery to the relevant Clearing System(s) or the date of publication, as the case may be, or, if published more than once, on the date of the first publication.

9. **Expenses and Taxation**

- (A) A holder of Securities must pay all taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, sale commissions, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising from the exercise and settlement of such Securities and/or the delivery or transfer of the Entitlement (as applicable) pursuant to the terms of such Securities (“**Expenses**”) relating to such Securities as provided above.
- (B) The Issuer shall not be liable for or otherwise obliged to pay, and the relevant Securityholder shall be liable for and/or pay, any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person. All payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted and no additional amount shall be payable to any relevant Securityholder in respect of any such tax, duty, withholding or other payment.

10. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of Securityholders to create and issue further Securities so as to be consolidated with and form a single series with the outstanding Securities.

11. **Substitution of the Issuer**

(A) *Substitution of Issuer*

- (a) The Issuer and, in case of Securities issued by Mediobanca International, the Guarantor may at any time, without the consent of the holders of Securities, substitute Mediobanca in place of Mediobanca International or Mediobanca International in place of Mediobanca (each a “**Substitute**”) upon notice by the Issuer, the Guarantor (in case of Securities issued by Mediobanca International) and the Substitute to be given in accordance with Condition 8 (*Notices*), provided that;
- (i) no payment in respect of the Securities or the Deed of Guarantee (as the case may be) is at the relevant time overdue;
 - (ii) the Substitute shall, by means of a deed poll in the form scheduled to the Programme Manual as Schedule 10 (the “**Deed Poll**”), agree to indemnify each holder of Securities against any incremental tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Securities or the Deed of Covenant and which would not have been so imposed or otherwise suffered by any holder of Securities had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
 - (iii) in respect of Securities issued by Mediobanca International, where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Securities and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll, in accordance with the terms thereof;
 - (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Securities and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, where applicable, of the Guarantor have been taken, fulfilled and done and are in full force and effect;
 - (v) the Substitute shall have become party to the Issue and Paying Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
 - (vi) legal opinions shall have been delivered to the Fiscal Agent from lawyers of recognised standing in each jurisdiction referred to in (ii) above, in Italy and in England as to the fulfilment of the requirements of this Condition 11 (*Substitution of the Issuer*) and the other matters specified in the Deed Poll and that the Securities are legal, valid and binding obligations of the Substitute;

- (vii) each stock exchange on which the Securities are listed shall have confirmed that, following the proposed substitution of the Substitute, the Securities will continue to be listed on such stock exchange;
 - (viii) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Securities.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Securities and the Issue and Paying Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Securities and under the Issue and Paying Agency Agreement.
 - (c) After a substitution pursuant to Condition 11(A)(a), the Substitute may, without the consent of any holder, effect a further substitution. All the provisions specified in Conditions 11(A)(a) and 11(A)(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
 - (d) After a substitution pursuant to Condition 11(A)(a) or 11(A)(c) any Substitute may, without the consent of any holder, reverse the substitution, *mutatis mutandis*.
 - (e) The Deed Poll and all documents relating to the substitution shall be delivered to, and kept by, the Fiscal Agent. Copies of such documents will be available free of charge at the specified office of the Paying Agent.

(B) *Modification of Conditions as a result of Substitution of Issuer*

After any substitution or change of branch pursuant to Condition 11(A) above, the Conditions will be modified in all consequential respects including, but not limited to, replacement of references to the Republic of Italy in the Conditions where applicable, by references to the country of incorporation, domicile and/or residence for tax purposes of the Substitute or the new branch, as the case may be. Such modifications shall be notified to Securityholders in accordance with Condition 8.

12. **Governing Law and Jurisdiction**

- (a) *Governing Law:* If it is specified in the Final Terms that English law is applicable to the Securities, the Securities and any contractual or non-contractual obligations arising from or connected with the Securities are governed by, and shall be construed in accordance with, English law. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Securities are governed by, and shall be construed in accordance with, Italian law.
- (b) *English courts:* If it is specified in the Final Terms that English law is applicable to the Securities, subject to Condition 12(d) (*Rights of the Securityholders to take proceeding outside England*), the courts of England have exclusive jurisdiction to

settle any dispute (a “**Dispute**”), arising from or connected with the Securities, whether arising out of or in connection with contractual or non-contractual obligations. If it is specified in the Final Terms that Italian law is applicable to the Securities, the Courts of Milan shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with these Securities.

- (c) *Appropriate forum*: If it is specified in the Final Terms that English law is applicable to the Securities, each of the Issuer and the Guarantor (where applicable) agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.
- (d) *Rights of the Securityholders to take proceeding outside England*: If it is specified in the Final Terms that English law is applicable to the Securities, Condition 12(b) (*English courts*) is for the benefit of the Securityholders only. As a result, nothing in this Condition 12 (*Governing Law and Jurisdiction*) prevents any Securityholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Securityholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of notices/documents*: If it is specified in the Final Terms that English law is applicable to the Securities, each of the Issuer and the Guarantor (where applicable) agree that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on them by being delivered to Mediobanca – London Branch 33 Grosvenor Place, London SW1X 7HY United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer and the Guarantor (where applicable), the Issuer and the Guarantor (where applicable) shall, on the written demand of any Securityholder addressed and delivered to the Issuer and to the Guarantor (where applicable) or to the specified office of the Fiscal Agent appoint a further person in England to accept service of process on their behalf and, failing such appointment within 15 days, any Securityholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor (where applicable) and delivered to the Issuer and the Guarantor (where applicable) or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Securityholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Non-applicable Conditions if Italian law applies to the Securities*: If it is specified in the Final Terms that Italian law is applicable to the Securities, Conditions 12(c) (*Appropriate forum*), 12(d) (*Rights of the Securityholders to take proceedings outside England*) and 14(e) (*Service of notices/documents*) shall not apply.

13. **Terms for Index Securities, Share Securities, Debt Securities, Commodity Securities and Fund Securities**

(A) ***Index Securities***

For the purposes of this Condition 13(A):

“**Indices**” and “**Index**” mean, subject to adjustment in accordance with this Condition 13(A), the indices (including rate of inflation) or index specified in the applicable Final Terms and related expressions shall be construed accordingly; and

“**Index Sponsor**” means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

(1) **Market Disruption**

“**Market Disruption Event**” means, in relation to Securities relating to a single Index or Basket of Indices other than Securities relating to a Commodity Index, in respect of an Index:

- (a) in respect of an Index other than a Designated Multi-Exchange Index:
 - (i) the occurrence or existence at any time during the one hour period that ends at the Valuation Time:
 - (A) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (I) on any relevant Exchange(s) in securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or
 - (II) in futures or options contracts relating to the relevant Index on any relevant Related Exchange;
 - (B) of any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) on any relevant Exchange(s) to effect transactions in, or obtain market values for, securities/commodities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange, which in either case the Calculation Agent determines is material; or
 - (ii) the closure on any Exchange Business Day of any relevant Exchange(s) in securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or

- (iii) the occurrence or existence, in respect of any Component Security, of:
 - (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (C) an Early Closure in respect of such Component Security; and
 - (D) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; or
- (b) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:
 - (A) a Trading Disruption, (B) an Exchange Disruption which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange or (C) an Early Closure, in each case in respect of such futures or options contracts.

As used above:

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security or (ii) in futures or options contracts relating to the Index on the Related Exchange.

“**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Index on the Related Exchange.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of any Component Security prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

For the purposes of determining whether a Market Disruption Event in respect of an Index or a Component Security exists at any time, if a Market Disruption Event occurs in respect of a security/commodity included in the Index or such Component Security at any time, then the relevant percentage contribution of that security/commodity or Component Security, as the case may be, to the

level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security/commodity or Component Security, as the case may be, and (ii) the overall level of the Index, in each case either (a) except where the Index is a Designated Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (b) where that Index is a Designated Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market "opening data".

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Disrupted Day.

(2) Adjustments to an Index and Commodity Index Disruption Events

(a) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (the "**Successor Index Sponsor**") acceptable to the Issuer, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the "**Successor Index**") will be deemed to be the Index.

(b) Modification and Cessation of Calculation of an Index

The following paragraph applies in respect of an Index which is not a Commodity Index.

If (i) on or prior to a Valuation Date or an Averaging Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an "**Index Modification**"), or permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"), or (ii) on a Valuation Date or an Averaging Date the Index Sponsor or, if applicable, the Successor Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**") and, together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then the Issuer may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Securities and, if so, to calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date or that Averaging Date, as the case may be, as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those

securities/commodities that comprised that Index immediately prior to that Index Adjustment Event; or

- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder which amount shall be the fair market value of a Security or Unit, as the case may be, taking into account the Index Adjustment Event, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

The following paragraph applies in respect of an Index which is a Commodity Index

If on or prior to any Valuation Date or an Averaging Date (i) the relevant Index Sponsor makes a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Index Sponsor permanently cancels a relevant Index or (iii) the Index Sponsor fails to calculate and announce a relevant Index and there is no Successor Index Sponsor or Successor Index, then the Calculation Agent, acting in good faith and in a commercially reasonable manner, may at its option (in the case of (i)) and shall (in case of (ii) and (iii)) (such events (i), (ii) and (iii) to be collectively referred to as Index Adjustment Events) calculate the relevant Settlement Price using in lieu of the published level for that Index, the level for that Index as at the relevant determination date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the relevant Index Adjustment Event, but using only those futures contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (other than those futures contracts that have ceased to be listed on any relevant exchange).

- (c) Commodity Index Disruption Events

The following paragraph applies in respect of an Index which is a Commodity Index.

If, in the opinion of the Calculation Agent, a Commodity Index Disruption Event has occurred and is continuing on any Valuation Date or Averaging Date (or, if different, the day on which prices for the Valuation Date or that Averaging Date, as the case may be, would, in the ordinary course, be published by the Price Source), the Relevant Price for that Valuation Date or Averaging Date, as the case may be, will be determined by the Calculation Agent using:

- (i) with respect to each futures contract included in the Index which is not affected by the Commodity Index Disruption Event, the closing prices of each such contract on the applicable determination date; and
- (ii) with respect to each futures contract included in the Index which is affected by the Commodity Index Disruption Event, the closing prices of each such contract on the first day following the applicable determination date on which no Commodity Index Disruption Event is occurring with respect to such contract.

Subject as provided below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (i) and (ii) above using the then-current method for calculating the Index.

Where a Commodity Index Disruption Event with respect to one or more futures contracts included in the Index has occurred on an applicable determination date and continues to exist as of the Commodity Index Cut-Off Date for such applicable determination date, the Calculation Agent shall determine the Relevant Price on such Commodity Index Cut-Off Date. In calculating the Relevant Price as set out herein, the Calculation Agent shall use the formula for calculating the Index last in effect prior to the Commodity Index Disruption Event.

As used above:

“Commodity Index Cut-Off Date” means, in respect of an applicable determination date:

- (i) in respect of Certificates and European Style Warrants, the second Business Day immediately preceding the Settlement Date;
- (ii) in respect of American Style Warrants, the fifth Trading Day immediately succeeding such applicable determination date; or
- (iii) as specified in the applicable Final Terms.

“Commodity Index Disruption Event” means:

- (i) a temporary or permanent failure by the applicable exchange or other price source to announce or publish (x) the final settlement price for the Index or (y) the closing price for any futures contract included in the Index;
- (ii) a material limitation, suspension or disruption of trading in one or more of the futures contracts included in the Index which results in a failure by the exchange on which each applicable futures contract is traded to report a closing price for such contract on the day on which such event occurs or any succeeding day on which it continues; or
- (iii) the closing price for any futures contract included in the Index is a limit price, which means that the closing price for such contract for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable exchange rules.

“Trading Day” shall mean a day when the exchanges for all futures contracts included in the relevant Index are scheduled to be open for trading.

(d) Notice

The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, notify a Securityholder of any determination made by it pursuant to paragraph (b) above, as at the date of receipt of such request. The Issuer shall make available for inspection by Securityholders during normal office hours copies of any such determinations.

(3) **Adjustments and disruption events relating to a Proprietary Index**

If a Potential Redemption Event occurs, each Security will be redeemed on the Early Redemption Date at its Early Redemption Amount.

If a Potential Substitution Event occurs and the Index Calculation Agent changes the Basket composition by (a) adding a Component ETF to the Component ETFs which are then part of the Basket; or (b) removing a Component ETF from the Basket; or (c) substituting the relevant Component ETF with a Substitute Component ETF, in such circumstances, the Calculation Agent may, acting in good faith and in a commercially reasonable manner, make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

If an Index Adjustment Event occurs, notwithstanding Condition 13(A)(2)(b) (*Adjustments to an Index and Commodity Index Disruption Events*) the Issuer may require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Securities and, if so, to calculate the relevant Cash Settlement Amount and any Remuneration Amount using, in lieu of a published level for the relevant Proprietary Index, the Index Level as at the relevant time, as determined by the Index Calculation Agent in accordance with the formula for and method of calculating the Index Level last in effect prior to the change, failure or cancellation, but using only those securities/commodities that comprised the relevant Proprietary Index immediately prior to the relevant Index Adjustment Event.

If a Correction Event occurs, the Calculation Agent may make all such amendments and adjustments to the terms of the Securities as deemed appropriate in good faith by the Calculation Agent in order to preserve the economic terms of the Securities.

The Securityholders will be informed of the occurrence of any Extraordinary Event, as well as of the amendments and adjustments (if any) to the terms of the Securities, in accordance with Condition 8 (*Notices*). If the Securities are to be (a) redeemed following the occurrence of a Potential Redemption Event or (b) cancelled following the occurrence of an Index Adjustment Event, payments to Securityholders will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8 (*Notices*).

In the event that the Index Level and the composition of the relevant Proprietary Index is not published on at least one of the ETF Index Sources for 2 consecutive Exchange Business Days at any time after the Issue Date up to, and including, the Settlement Date, the Calculation Agent shall on each Exchange Business Day notify Securityholders of the Index Level and the composition of the relevant Proprietary Index in accordance with Condition 8 (*Notices*) until such time as the Index Level and the composition of the relevant Proprietary Index can be published on each Exchange Business Day on at least one of the ETF Index Sources.

In the event that a change in the Eligibility Criteria occurs, the Calculation Agent shall promptly notify the Securityholders not later than 5 Business Days after the relevant Rebalance Date in accordance with Condition 8 (*Notices*).

For these purposes, the following terms will have the following meanings:

“**AUM**” means “Assets Under Management” and refers to the total market value of the investments managed under the relevant Component ETF.

“**Component ETF**” means an ETF which comprises, as the case may be, part of the relevant Proprietary Index from time to time.

“**Correction Event**” means any Index Level published with respect to the relevant Proprietary Index and which is utilised for any calculation or determination made by the Calculation Agent is subsequently corrected by the Index Calculation Agent.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange in respect of any Component ETF prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“**Early Redemption Date**” means the day that is 3 Business Days following the occurrence of the Potential Redemption Event.

“**Early Redemption Amount**” means with respect to a Security, an amount which the Calculation Agent will determine and calculate in good faith and in a commercially reasonable manner to be the fair market value of such Security, taking into account the Potential Redemption Event less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements).

“**Eligibility Criteria**” means the eligibility criteria determined by the index calculation agent in relation to the relevant Proprietary Index.

“**ETF**” means an exchange traded fund.

“**ETF Basket**” means the basket constituted by the Component ETFs relating to the relevant Proprietary Index.

“**ETF Index Source**” means the page or service on which the level of the relevant Proprietary Index is published.

“**ETF Manager Conservative Bond Index**” means the ETF Manager Conservative Bond Index established by the Index Sponsor on 12 August 2011.

“**ETF Manager Dynamic Bond Index**” means the ETF Manager Dynamic Bond Index established by the Index Sponsor on 12 August 2011.

“**ETF Manager European Equity Index**” means the ETF Manager European Equity Index established by the Index Sponsor on 12 August 2011.

“**ETF Manager World Equity Index**” means the ETF Manager World Equity Index established by the Index Sponsor on 12 August 2011 .

“**ETF Market Disruption Event**” means the European ETF market is closed for any reason for a period of 30 consecutive calendar days or more.

“**Extraordinary Event**” means a Potential Substitution Event, a Potential Redemption Event, a Successor Event, an Index Adjustment Event or a Correction Event.

“**Force Majeure Event**” means means any circumstances not within the reasonable control of the party concerned including, without limitation:

- (a) any strike, lockout or other industrial action, or any shortage of or difficulty in obtaining labour, fuel, raw materials or components;
- (b) any destruction, temporary or permanent breakdown, malfunction or damage of or to any premises, plant, equipment (including computer systems) or materials;
- (c) any breach of contract, default or insolvency by or of any third party (including an agent or sub-contractor), other than a company in the same group as the party affected by the force majeure, or an employee or officer of that party or company;
- (d) any action taken by a governmental or public authority of any kind, including, without limitation, not granting a consent, exemption, approval or clearance or imposing an embargo, export or import restriction, rationing, quota or other restriction or prohibition;
- (e) any civil commotion or disorder, riot, invasion, war, threat of or preparation for war;
- (f) any accident, fire, or explosion, (other than in each case, one caused by a breach of contract by or assistance of the party concerned) storm, flood, earthquake, subsidence, epidemic or other natural physical disaster.

“**Index Adjustment Event**” means an event as described in Condition 13(A)(2)(b) (*Adjustments to an Index and Commodity Index Disruption Events*).

“**Index Level**” means the level of the relevant Proprietary Index.

“**Proprietary Index**” means each of the ETF Manager Dynamic Bond Index, the ETF Manager Conservative Bond Index, the ETF Manager World Equity Index and the ETF Manager European Equity Index, as the case may be.

“**Potential Redemption Event**” means, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, the Issuer and/or any of its Affiliates or agents acting on its behalf is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (including, but not limited to, the occurrence of

a Force Majeure Event, ETF Market Disruption Event, Trading Disruption or an Early Closure).

“**Potential Substitution Event**” means any event (including, but not limited to, a Trading Disruption or an Early Closure) that disrupts or impairs, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, the ability of market participants in general to effect transactions in, or obtain market values for any Component ETF.

“**Rebalance Date**” means a rebalancing date relating to the relevant Proprietary Index.

“**Rebalancing Period**” means a rebalancing period relating to the relevant Proprietary Index.

“**Substitute Component ETF**” means a substitute component ETF relating to the relevant Proprietary Index, as the case may be.

“**Successor Event**” means an event as described in Condition 13(A)(2)(a) (*Adjustments to an Index and Commodity Index Disruption Events*).

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or otherwise relating to any Component ETF on the Exchange in respect of such Component ETF.

(B) **Share Securities**

For the purposes of this Condition 13(B):

“**Basket Company**” means a company whose shares are included in the Basket of Shares and “**Basket Companies**” means all such companies; and

“**Share Company**” means, in the case of an issue of Securities relating to a single share, the company that has issued such share.

(1) **Market Disruption**

Market Disruption Event means, in relation to Securities relating to a single Share or Basket of Shares, in respect of a Share:

(a) the occurrence or existence at any time during the one hour period that ends at the Valuation Time for such Share:

(i) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or any Related Exchange or otherwise:

(A) relating to the Share on the Exchange; or

(B) in futures or options contracts relating to the Share on any relevant Related Exchange; or

- (ii) of any event (other than as described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in or obtain market values for, the Share on the Exchange or (B) to effect transactions in, or obtain market values for, futures or options contracts on or relating to the Share on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (b) the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Disrupted Day.

(2) **Potential Adjustment Events, Merger Event, Tender Offer, De-listing, Nationalisation and Insolvency**

- (a) **“Potential Adjustment Event”** means any of the following:
 - (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
 - (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights, certificates or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
 - (iii) an extraordinary dividend as determined by the Calculation Agent;
 - (iv) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;

- (v) a repurchase by the Basket Company or any of its subsidiaries or Share Company or any of its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the “**Options Exchange**”) to options on the Shares traded on that Options Exchange.

Upon the making of any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with Condition 8, stating the adjustment to any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such adjustment.

- (b) “**De-listing**” means, in respect of any relevant Shares, the Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an

exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

“**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them.

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“**Merger Event**” means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (a) in the case of Cash Settled Securities, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date in respect of the relevant Security or (b) in the case of Physical Delivery Securities, the relevant Settlement Date.

“**Nationalisation**” means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

If (x) a Merger Event, De-listing, Nationalisation or Insolvency and/or (y) Tender Offer is specified as applying in the applicable Final Terms, a Tender Offer occurs in relation to a Share, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of any Relevant Assets and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may, in the case of adjustments following a Merger Event or a Tender Offer, include (without limitation) adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or the Securities. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency made by any Options Exchange to options on the Shares traded on that Options Exchange; or
- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or
- (iii) following such adjustment to the settlement terms of options on the Shares traded on the Options Exchange, require the Calculation Agent to make a corresponding adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight

and/or any of the other terms of these Conditions and/or the applicable Final Terms, which adjustment will be effective as of the date reasonably determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded.

- (c) Upon the occurrence of a Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be.

(C) ***Debt Securities***

(1) **Market Disruption**

“**Market Disruption Event**” shall mean the suspension of or limitation imposed on trading either on any exchange on which the Debt Instruments or any of them (in the case of a Basket of Debt Instruments) are traded or on any exchange on which options contracts or futures contracts with respect to the Debt Instruments or any of them (in the case of a Basket of Debt Instruments) are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

The Issuer shall give notice as soon as reasonably practicable to the Securityholders in accordance with Condition 8 that a Market Disruption Event has occurred.

(2) **Replacement Events**

In the event that “Replacement of Debt Instruments” is specified as being applicable in the applicable Final Terms, if at any time the Calculation Agent determines that a Replacement Event has occurred or is continuing with respect to a Debt Instrument (the “**Original Debt Instrument**”), the Calculation Agent may:

- (i) in respect of Securities relating to a single Debt Instrument, as soon as is practicable after such determination, replace the Original Debt Instrument for the purposes of the Securities with an appropriate alternative debt instrument (a “**Replacement Debt Instrument**”), as determined by the Calculation Agent and following any such replacement, the Calculation Agent may make any adjustments to any one or more of

any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement; or

- (ii) in respect of Securities relating to a Basket of Debt Instruments, remove the Original Debt Instrument from the Basket with effect as soon as reasonably practicable and, as soon as reasonably practicable following the removal of the Original Debt Instrument, either:
 - (a) substitute the Original Debt Instrument with a Replacement Debt Instrument having the same Component Weight as the Original Debt Instrument or more than one Replacement Debt Instruments having individual Component Weights selected by the Calculation Agent and an aggregate Component Weight equal to the Original Debt Instrument; or
 - (b) if no Replacement Debt Instrument is available or if a Replacement Event has occurred in relation to each of the Replacement Funds, adjust the Component Weights of the remaining Debt Instruments in the Basket;

and following any such replacement or weight adjustment, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement or weight adjustment; or

- (iii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Replacement Event, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or
- (iv) determine that the effect of the Replacement Event can be compensated by an adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and following any such determination, the Calculation Agent may make any such adjustments as it deems appropriate to reflect such compensation.

For these purposes, “**Replacement Event**” means:

- (A) a Debt Instrument matures;

(B) a Debt Instrument becomes repayable (otherwise than at the option of the relevant obligor thereof in accordance with the terms of such Debt Instrument) or becomes capable of being declared due and payable prior to its stated date of maturity for whatever reason;

(C) if a Debt Instrument becomes repayable at the option of the obligor thereof in accordance with the terms of such Debt Instrument,

in each case prior to the Exercise Date or first day of the Exercise Period, as the case may be.

(D) ***Commodity Securities***

Market Disruption

“**Market Disruption Event**” shall mean the occurrence, with respect to the Commodity or any Component, of a Price Source Disruption, a Trading Disruption, a Disappearance of Commodity Reference Price, a Tax Disruption, a Material Change in Content, a Material Change in Formula or an Early Closure if so specified in the Final Terms.

As used above:

“**Price Source Disruption**” means, in respect of the Commodity or Component, (A) the failure of the relevant Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price of such Commodity) for the relevant Commodity Reference Price or (B) the temporary or permanent discontinuance or unavailability of the Price Source.

“**Trading Disruption**” means, in respect of the Commodity or Component, the material suspension of, or the material limitation imposed on, trading in the relevant Specified Futures Contract or such Commodity or Component on the relevant Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material.

“**Disappearance of Commodity Reference Price**” means, in respect of the Commodity or Component, (A) the permanent discontinuation of trading in the Specified Futures Contract on the relevant Exchange; (B) the disappearance of, or of trading in, the Commodity; or (C) the disappearance or permanent discontinuance or unavailability of the relevant Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Specified Futures Contract or Commodity or Component.

“**Tax Disruption**” means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to the relevant Commodity or Component or Specified Futures Contract (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the Commodity Reference Price on the day that would otherwise be an Averaging Date or Valuation Date, as applicable, from what it would have been without that imposition, change or removal.

“**Material Change in Content**” means the occurrence since the Issue Date of a material change in the content, composition or constitution of the relevant Commodity or Component or Specified Futures Contract.

“**Material Change in Formula**” means the occurrence since the Issue Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price.

“**Early Closure**” means the closure on any Exchange Business Day of the Exchange or Related Exchange in respect of the relevant Commodity or Component or Specified Futures Contract prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day and (ii) the submission deadline for orders to be entered into on the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

The Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 that a Market Disruption Event has occurred.

(E) ***Fund Securities***

(1) **Market Disruption**

“**Market Disruption Event**” means, in respect of a Fund Business Day, the occurrence or continuation, as determined by the Calculation Agent, of:

- (a) a failure or postponement that is, in the determination of the Calculation Agent, material by a Fund Manager to publish the Net Asset Value in respect of a Business Day (provided that such Business Day is a day for which such Net Asset Value is scheduled to be published); or
- (b) the inability of a holder of Fund Interests to subscribe for, or redeem, Fund Interests for value on a Business Day (provided that such Business Day is a day for which subscriptions or redemptions are scheduled to be permissible (in accordance with the Fund Rules)); or
- (c) a postponement or failure of a Fund to make any payment in respect of the redemption of Fund Interests on any day for which such payment is scheduled to be made (in accordance with the Fund Rules).

(2) **Corporate Events**

“**Corporate Event**” means a declaration by or on behalf of a Fund of:

- (i) a subdivision, consolidation, reclassification or distribution of the relevant Fund Interests which has a diluting or concentrative effect on the theoretical value of such Fund Interests;
- (ii) a (1) dividend (including cash, and whether ordinary or extraordinary), (2) distribution or (3) issue of the relevant Fund Interests, capital, securities, rights or other assets or

interests to existing holders of the relevant Fund Interests that has or is likely to have an effect on the value of such Fund Interest; or

- (iii) a call by a Fund in respect of the relevant Fund Interests that are not fully paid;

If the Calculation Agent determines that, in respect of a Fund, a Corporate Event has occurred or is continuing, the Calculation Agent will (a) make the corresponding adjustment(s), if any, to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for the dilutive or concentrative effect on the value of Fund Interests and (b) determine the effective date(s) of the adjustment(s). The Issuer shall give notice of such adjustment to Securityholders in accordance with Condition 8. For the avoidance of doubt, if Corporate Event is also specified as a Substitution Event in the Final Terms, the provisions of Condition 13(E)(3) shall prevail.

(3) **Substitution Events**

If at any time the Calculation Agent determines that an applicable Substitution Event has occurred or is continuing with respect to a Fund (the “**Original Fund**”), the Calculation Agent may:

- (i) waive such Substitution Event; or
- (ii) in respect of Securities relating to a single Fund, as soon as is practicable after such determination, replace the Original Fund for the purposes of the Securities with an appropriate alternative fund (a “**Replacement Fund**”), as determined by the Calculation Agent and following any such replacement, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement; or
- (iii) in respect of Securities relating to a Basket of Funds, remove the Original Fund from the Basket with effect as soon as reasonably practicable and, as soon as reasonably practicable following the removal of the Original Fund, either:
 - (a) substitute the Original Fund with a Replacement Fund having the same Component Weight as the Original Fund or more than one Replacement Fund having individual Component Weights selected by the Calculation Agent and an aggregate Component Weight equal to the Original Fund; or
 - (b) if no Replacement Fund is available or if a Substitution Event has occurred in relation to each of the Replacement Funds, adjust the Component Weights of the remaining Funds in the Basket;

and following any such replacement or weight adjustment, the Calculation Agent may make any adjustments to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the

other terms of these Conditions and/or the applicable Final Terms as it deems appropriate to reflect such replacement or weight adjustment; or

- (iv) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of a Security or a Unit, as the case may be, taking into account the Substitution Event, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, in the case of Warrants, the Exercise Price (if already paid), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8; or
- (v) determine that the effect of the Substitution Event can be compensated by an adjustment to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms and following any such determination, the Calculation Agent may make any such adjustments as it deems appropriate to reflect such compensation.

A Substitution Event is applicable in respect of the Securities if it is so specified in the Final Terms, where such term so specified shall have the meaning provided immediately below. If no Substitution Event is specified, then no Substitution Event will be deemed to have been specified. If one or more Substitution Events are specified, only the Substitution Events specified will apply. For these purposes:

“**Audit Event**” means the making of any reservation in an audit report of a Fund by the auditor of that Fund that is, in the determination of the Calculation Agent, material;

“**Charging Change**” means the increase of, or introduction by a Fund of (a) a bid/offer spread or (b) charges for subscription or redemption orders made by an Investing Entity, for Fund Interests in addition to any such spread or charge specified in the Fund Rules as applicable on the Issue Date;

“**Cross-contamination**” means any cross-contamination or other failure by a Fund to effectively segregate assets between the different classes of Fund Interests and different classes, series or compartments of that Fund;

“**Currency Change**” means the currency in which (a) Fund Interests are denominated or (b) the net asset value of a Fund is calculated, is no longer the currency specified in the Fund Rules;

“**Distribution Inkind**” means a redemption of Fund Interests in the form of a distribution of non-cash assets;

“Fund Accounting Event” means any changes in the accounting principles or policies applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the Issuer;

“Fund Constitution Breach” means any failure to observe any of the objects, constitution, conditions, nature, or Fund Rules of a Fund that is, in the determination of the Calculation Agent, material;

“Fund Constitution Change” means any modification of the objects, constitution, conditions, nature, or Fund Rules of a Fund that is, in the determination of the Calculation Agent, material;

“Fund Regulatory Event” means any changes in the regulatory treatment applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the Issuer;

“Fund Rules Breach” means any failure of the Fund Manager of a Fund to comply with any terms set out in the Fund Rules of that Fund;

“Fund Strategy Breach” means any failure to observe any of the investment objectives, policies or strategy of a Fund that is, in the determination of the Calculation Agent, material;

“Fund Strategy Change” means any modification of the investment objectives, policies or strategy of a Fund that is, in the determination of the Calculation Agent, material;

“Fund Tax Event” means any changes in the tax treatment applicable to a Fund and/or its Fund Manager and/or any Investing Entity which might reasonably be expected to have an economic, legal or regulatory impact for the Issuer;

“Hedging Event” means the Issuer is unable, or would incur an increased cost (compared with that on the Issue Date), to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of, in such size and upon such timing as it determines appropriate, any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s) upon such timing and in such form as it determines appropriate, whether or not in accordance with the Fund Rules;

“Investor Tax Event” means any changes in the regulatory, tax, accounting and/or any other treatment applicable to the holder of Fund Interests, which could have an economic or legal or regulatory impact for such holder;

“Litigation Event” means the commencement or continuation of litigation involving a Fund, Fund Manager or other service provider of that Fund that is, in the determination of the Calculation Agent, material;

“Management Change” means the occurrence of any event or the making of any changes affecting the structure of a Fund, its management, its material service providers, its reputation or solvency and/or the structure of, or rights attaching to, any shares in the capital of a Fund, which, in the reasonable opinion of the Calculation Agent is likely to have a significant impact on the value of the Fund Interests of such Fund, whether immediately or later;

“**Mandatory Disposal**” means any event or circumstance (whether or not imposed by the Fund, or in accordance with the Fund Rules) that obliges the holder of Fund Interests to sell or otherwise dispose of such Fund Interests;

“**Market Event**” means any crisis in the major financial markets such that the holding, trading or managing of an investment in a Fund is impracticable, inadvisable or materially altered;

“**NAV Suspension**” means suspension of the calculation or publication of the net asset value of a Fund, or failure by its Fund Manager, its administrator or any relevant entity duly appointed in that respect to deliver when due any relevant report detailing the net asset value of that Fund;

“**Performance Failure**” means any failure of the Fund Manager, administrator and/or the custodian (and/or other relevant service provider, as determined by the Calculation Agent) of a Fund to perform any of its material obligations under the Fund Rules or the liquidation, termination of appointment or resignation of the Fund Manager, administrator, custodian and/or a relevant service provider of such Fund;

“**Potential Regulatory Event**” means an investigation into the activities of a Fund, its Fund Manager, its custodian and/or its administrator being launched, or such activities being placed under review, in each case by their respective regulatory authorities or other competent body, for reason of alleged wrong-doing, alleged breach of any rule or regulation, or other similar reason;

“**Redemption Failure**” means a holder of Fund Interests would be unable to receive redemption payments in respect of such Fund Interests;

“**Regulatory Event**” means the winding-up, the closure or the termination of a Fund or the cancellation of the approval or registration of a Fund or its Fund Manager (or any successor thereto) by any relevant regulatory authority;

“**Subscription/Redemption Alteration**” means any subscription or redemption orders with respect to Fund Interests are not executed as described in the Fund Rules for that Fund;

“**Subscription/Redemption Restriction**” means any suspension of, or any restriction on, the acceptance of subscriptions or redemptions for Fund Interests or any limitation imposed on such subscription or redemptions (whether or not in accordance with the Fund Rules); or

“**Transfer Restriction**” means suspension of, or any restriction on, the ability of a holder of Fund Interests to transfer any such Fund Interests, other than in accordance with the Fund Rules.

(F) ***Additional Disruption Events***

“**Additional Disruption Event**” means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

“**Change in Law**” means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation

(including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (X) it has become illegal for it or any of its Affiliates or agents acting on its behalf to hold, acquire or dispose of any relevant Share (in the case of Share Securities) or any relevant security/commodity comprised in an Index (in the case of Index Securities) or (Y) it will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates or agents acting on its behalf).

“**Hedging Disruption**” means that the Issuer and/or any of its Affiliates or agents acting on its behalf is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“**Hedging Shares**” means the number of Shares that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

“**Increased Cost of Hedging**” means that the Issuer and/or any of its Affiliates or agents acting on its behalf would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates or agents acting on its behalf shall not be deemed an Increased Cost of Hedging.

“**Increased Cost of Stock Borrow**” means that the Issuer and/or any of its Affiliates would incur a rate to borrow Shares that is greater than the Initial Stock Loan Rate.

“**Initial Stock Loan Rate**” means, in respect of a Share, the initial stock loan rate specified in relation to such Share in the applicable Final Terms.

“**Insolvency Filing**” means that a Share Company or Basket Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not

consented to by the Share Company or Basket Company shall not be deemed an Insolvency Filing.

“**Loss of Stock Borrow**” means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

“**Maximum Stock Loan Rate**” means, in respect of a Share, the Maximum Stock Loan Rate specified in the applicable Final Terms.

“**Price Correction**” means that any price or level published on an Exchange, Related Exchange, Price Source, NAV Price, Relevant Price or other source for determining the price of any Reference Item or Component and which is utilised for any calculation or determination made under the Securities is subsequently corrected and the correction is published by the relevant source within three Business Days after the original publication.

If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine, in its sole and absolute discretion, the appropriate adjustment, if any, to be made to any one or more of any Relevant Assets and/or the Entitlement and/or the Exercise Price and/or the Component Weight and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) cancel the Securities by giving notice to Securityholders in accordance with Condition 8. If the Securities are so cancelled the Issuer will pay an amount to each Securityholder in respect of each Security or, in the case of Warrants and where Units are specified in the applicable Final Terms, each Unit, as the case may be, held by him which amount shall be the fair market value of such Security or Unit, as the case may be, taking into account the Additional Disruption Event less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 8.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 8 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event.

14. **Adjustments for European Monetary Union**

The Issuer may, without the consent of the Securityholders, on giving notice to the Securityholders in accordance with Condition 8:

- (i) elect that, with effect from the Adjustment Date specified in the notice, certain terms of the Securities shall be redenominated in euro;

The election will have effect as follows:

- (A) where the Settlement Currency of the Securities is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Calculation Agent may decide and as may be specified in the notice, and after the Adjustment Date, all payments of the Cash Settlement Amount in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;
 - (B) where the Exchange Rate and/or any other terms of these Conditions (as completed in the applicable Final Terms) are expressed in or, in the case of the Exchange Rate, contemplate the exchange from or into, the currency (the “**Original Currency**”) of a country which is participating in the third stage of European Economic and Monetary Union, such Exchange Rate and/or any other terms of these Conditions shall be deemed to be expressed in or, in the case of the Exchange Rate, converted for or, as the case may be into, euro at the Established Rate; and
 - (C) such other changes shall be made to these Conditions (as completed in the applicable Final Terms) as the Issuer may decide, in its sole and absolute discretion to conform them to conventions then applicable to instruments expressed in euro; and/or
- (ii) require that the Calculation Agent make such adjustments to the Component Weight and/or the Exercise Price and/or the Settlement Price and/or any other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent, in its sole and absolute discretion, may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union on the Component Weight and/or the Exercise Price and/or the Settlement Price and/or such other terms of these Conditions and/or the applicable Final Terms).

Notwithstanding the foregoing, none of the Issuer, any of its Affiliates, the Calculation Agent or any of the Paying Agents shall be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.

In this Condition, the following expressions have the following meanings:

“**Adjustment Date**” means a date specified by the Issuer in the notice given to the Securityholders pursuant to this Condition which falls on or after the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

“**Established Rate**” means the rate for the conversion of the Original Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to first sentence of Article 1091(4) of the Treaty;

“**euro**” means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty;

“**National Currency Unit**” means the unit of the currency of a country, as those units are defined on the date on which the country of the Original Currency first participates in European Economic and Monetary Union; and

“**Treaty**” means the treaty establishing the European Community, as amended.

15. **Contracts (Rights of Third Parties) Act 1999**

Subject as provided in the Agency Agreement, the Securities do not confer on any third party any rights under the Contracts (Rights of Third Parties) Act 1999 (the Act) to enforce any term of the Securities, but this does not affect any right or remedy of a third party which exists or is available apart from the Act.

16. **Exercise Rights for Warrants**

Conditions 16, 17 and 18 shall apply only to Warrants

(A) *Exercise Period*

(i) American Style Warrants

American Style Warrants are exercisable on any Exercise Business Day during the exercise period specified in the Final Terms (the “**Exercise Period**”) by the delivery of an Exercise Notice in the manner set out in Condition 17(A).

If Automatic Exercise is not specified in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the last Exercise Business Day of the Exercise Period (the “**Expiration Date**”), shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Expiration Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions “**exercise**”, “**due exercise**” and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Expiration Date in accordance with this provision.

With respect to an American Style Warrant, the “**Actual Exercise Date**” means (a) if Automatic Exercise is not specified in the applicable Final Terms, the Exercise Business Day during the Exercise Period on which an Exercise Notice in respect of an American Style Warrant is delivered to the relevant Clearing System(s) with a copy to the Issuer and the Fiscal Agent as provided in Condition 17(A), at or prior to 10.00 a.m. Brussels or Luxembourg time, as appropriate, or (b) if Automatic Exercise is specified in the applicable Final Terms, the Expiration Date. If any Exercise Notice in respect of an American Style Warrant is received by the relevant Clearing System(s), or a copy thereof is delivered to the Issuer or the Fiscal Agent after 10.00 a.m. Brussels or Luxembourg time, as appropriate, on any Exercise Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date, provided that any such Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Condition 17(A) at or prior to 10.00 a.m. Brussels or Luxembourg time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified in the applicable Final Terms, become void or (ii) if Automatic Exercise is specified in the applicable Final Terms, be automatically exercised on the Expiration Date as provided above.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice, which shall be substantially in the form set out in the Agency Agreement and copies of which may be obtained from the specified office of the Paying Agents and the registered office of the Issuer (a “**Renouncement Notice**”), to the relevant Clearing System, with a copy to the Fiscal Agent and the Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renouncement Notice shall be irrevocable. Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the Issuer and the Fiscal Agent, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the relevant Clearing System and copied to the Issuer and the Fiscal Agent.

(ii) European Style Warrants

European Style Warrants are only exercisable on the Exercise Date or if such day is not an Exercise Business Day the immediately succeeding Exercise Business Day (the “**Actual Exercise Date**” and the “**Expiration Date**”).

If Automatic Exercise is not specified in the applicable Final Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in

Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time (as appropriate) on the Actual Exercise Date, shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Actual Exercise Date and which is in the determination of the Calculation Agent "In-The-Money", shall be automatically exercised on the Actual Exercise Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions exercise, due exercise and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Actual Exercise Date in accordance with this provision.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice to the relevant Clearing System, with a copy to the Issuer and the Fiscal Agent, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renouncement Notice shall be irrevocable. Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the Issuer and the Fiscal Agent, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered the relevant Clearing System and copied to the Issuer and the Fiscal Agent.

(B) *Cash Settlement*

If the Warrants are Cash Settled Warrants, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit entitles its holder, upon due exercise in accordance with Condition 17(A) to receive from the Issuer on the Settlement Date the Cash Settlement Amount.

(C) *Physical Settlement*

If the Warrants are Physical Delivery Securities, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, entitles its holder, upon due exercise and subject as provided in Condition 4, to receive the Entitlement from the Issuer on the Settlement Date, subject to payment of the relevant Exercise Price, any Expenses and any other sums payable. The method of delivery of the Entitlement is set out in the applicable Final Terms.

Warrants or Units, as the case may be, exercised at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants or Units, as the case may be, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Warrant, all dividends on the Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Exercise Notice as referred to in Condition 17(A)(v).

(D) **Barrier Event**

If a Barrier Event is specified as being applicable in the Final Terms, each Warrant or Unit, if Units are specified in the applicable Final Terms, as the case may be, entitles its holder to receive from the Issuer on each Barrier Exercise Date the Barrier Cash Settlement Amount or the Barrier Entitlement, as the case may be, less any Expenses not already paid. If specified in the Final Terms, each such Warrant or Unit, as the case may be, shall be automatically exercised on the Barrier Exercise Date indicated in the Final Terms.

For the purpose of this Condition 19(D):

“**Barrier Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Barrier Exercise Date in respect of each such Security following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight.

“**Barrier Cash Settlement Amount**” means the amount which the Securityholder is entitled to receive on the Barrier Exercise Date in the Settlement Currency in relation to each such

Security or Unit, if Units are specified in the applicable Final Terms, as specified in the applicable Final Terms or determined by the Calculation Agent as an amount equal to:

- (a) the amount indicated in the relevant Final Terms; or
- (b) if the Warrants are Call Warrants, the Barrier Reference Level minus the Strike Level; or
- (c) if the Warrants are Put Warrants, the Strike Level minus the Barrier Reference Level,

provided in each case that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if any). The Barrier Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities or Units, as the case may be, held at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Barrier Cash Settlement Amount payable.

“**Barrier Event**” means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms,

“**Barrier Exercise Date**” has the meaning given in the Final Terms;

“**Barrier Level**” has the meaning given in the Final Terms;

“**Barrier Maximum Amount**” has the meaning given in the Final Terms;

“**Barrier Minimum Amount**” has the meaning given in the Final Terms;

“**Barrier Observation Date**” means the date indicated in the relevant Final Terms;

“**Barrier Observation Period**” means the period indicated in the relevant Final Terms; and

“**Barrier Reference Level**” means the Settlement Price on the relevant Barrier Observation Date or the relevant day during the Barrier Observation Period on which the Barrier Event occurs, as the case may be.

17. **Exercise Procedure**

(A) *Exercise Notice*

Warrants may only be exercised by the delivery or the sending by authenticated swift message (confirmed in writing) to the relevant Clearing System(s), with a copy to the Fiscal Agent and the Issuer, of a duly completed exercise notice (an “**Exercise Notice**”) in the form set out in

the Agency Agreement (copies of which form may be obtained from the relevant Clearing System(s) and the Paying Agents) in accordance with the provisions set out in Condition 16 and this Condition. If the relevant Warrant is in definitive form, such Warrant must be delivered, together with the Exercise Notice, to the Issuer and with a copy to the Fiscal Agent.

An Exercise Notice shall:

- (i) specify the series of the Warrants and the number of Warrants or Units the subject of such Notice;
- (ii) except in the case of Definitive Warrants, specify the number of the Securityholder's account at the relevant Clearing System(s), to be debited with the Warrants the subject of such Exercise Notice;
- (iii) except in the case of Definitive Warrants, irrevocably instruct the relevant Clearing System(s), to debit on or before the Settlement Date the Securityholder's account with the Warrants the subject of such Exercise Notice;
- (iv) include (A) an undertaking to pay all Expenses and, in the case of Physical Delivery Warrants, the aggregate Exercise Price in respect of the relevant Warrants or Units (together with any other amounts payable); and (B) an authorisation to the Issuer to deduct any Expenses from the Cash Settlement Amount, in the case of Cash Settled Warrants, or, in the case of Physical Delivery Warrants, an irrevocable instruction to the relevant Clearing System(s) (or to the Fiscal Agent, in the case of Definitive Warrants), to debit a specified account of the Securityholder at the relevant Clearing System(s) (or such other specified account of the Securityholder, in the case of Definitive Warrants) with the aggregate Exercise Price and any Expenses (together with any other amounts payable);
- (v) include such details as are required by the applicable Final Terms for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and the number of the Securityholder's account with the relevant Clearing System(s), or, in the case of a Definitive Warrant, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Entitlement or any cash adjustment amount paid in lieu of fractions of the Relevant Asset or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or, if applicable, a Failure to Deliver due to Illiquidity and the Issuer electing to pay the Settlement Disruption Amount or Failure to Deliver Settlement Price;
- (vi) in the case of Currency Warrants only, specify the number of the Securityholder's account at the relevant Clearing System(s), or, in the case of a Definitive Warrant, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with the amount due upon exercise of the Warrants;

- (vii) in the case of Cash Settled Warrants which are Definitive Warrants only, specify the details of an account in the principal financial centre of the relevant Settlement Currency to be credited with the Cash Settlement Amount for each Warrant or Unit, as the case may be, being exercised;
 - (viii) certify, inter alia, that the beneficial owner of each Warrant the subject of such Exercise Notice is not a U.S. person (as defined in the Exercise Notice), the Warrant was not held on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with such exercise and, where appropriate, undertake to provide such various forms of certification in respect of selling restrictions under the securities, commodities and other laws of the United States as set out in the applicable Final Terms; and
 - (viii) authorise the production of such certification in any applicable administrative or legal proceedings, all as provided in the Agency Agreement.
- (2) If Condition 4(C) applies, the form of Exercise Notice required to be delivered may be different from that set out above. Copies of such Exercise Notice may be obtained from the relevant Clearing System(s) and the Paying Agents.

(B) *Verification of the Securityholder*

Except in the case of an Exercise Notice submitted in respect of a Definitive Warrant, upon receipt of an Exercise Notice, the relevant Clearing System(s), shall verify that the person exercising the Warrant is the holder thereof according to the books of the relevant Clearing System(s). Subject thereto, the relevant Clearing System(s) will confirm to the Fiscal Agent the series and the number of Warrants being exercised, the relevant account details (if applicable) for payment of the Cash Settlement Amount or the details for the delivery of the Entitlement, as the case may be, in respect of each Warrant or Unit the subject of the relevant Exercise Notice. Upon receipt of such confirmation, the Fiscal Agent will inform the Issuer thereof. The relevant Clearing System(s) will on or before the Settlement Date debit the account of the relevant Securityholder with the Warrants the subject of the relevant Exercise Notice.

(C) *Cash Settled Warrants*

Subject as provided in this Condition 17, the Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant or Unit, as the case may be, by credit or transfer to the Securityholder's account with the relevant Clearing System(s), for value on the Settlement Date less any Expenses not already paid, such payment to be made in accordance with the rules of the relevant Clearing System(s) (as appropriate).

The Issuer's obligations will be discharged by payment to, or to the order of, the relevant Clearing System(s) of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular number of Warrants must look solely to the relevant Clearing System(s) for his share of each such payment.

Payments will be subject in all cases to any fiscal or any other laws and regulations applicable thereto in the place of payment.

(D) *Physical Delivery Warrants*

Subject to payment of the aggregate Exercise Price and any Expenses with regard to the relevant Warrants or Units, as the case may be, the Issuer shall on the Settlement Date deliver, or procure the delivery of, the Entitlement for each duly exercised Warrant or Unit, subject as provided in Condition 4(C). The Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

(E) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Fiscal Agent, and shall be conclusive and binding on the Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form or which is not duly delivered to the relevant Clearing System(s) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, is not duly delivered to the Issuer together with the relevant Definitive Warrant(s) and copied to the Fiscal Agent), shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System(s), in consultation with the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the satisfaction of the Issuer in consultation with the Fiscal Agent), it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to the relevant Clearing System(s) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the Issuer and copied to the Fiscal Agent).

If Automatic Exercise is not specified in the applicable Final Terms, any Warrants with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 16(A)(i), in the case of American Style Warrants, or Condition 16(A)(ii), in the case of European Style Warrants, shall become void.

The relevant Clearing System(s) (or, in the case of Definitive Warrants, the Issuer) shall use its best efforts promptly to notify the Securityholder submitting an Exercise Notice if, in consultation with the Issuer and/or the Fiscal Agent (as applicable), it has determined that such Exercise Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Paying Agents, the relevant Clearing System(s) and the Calculation Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Securityholder.

(F) *Delivery of an Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election by the relevant Securityholder to exercise the Warrants specified. After the delivery of such Exercise Notice, such exercising Securityholder may not transfer such Warrants.

(G) *Failure to deliver an Exercise Notice*

This paragraph only applies if (i) Automatic Exercise is specified in the applicable Final Terms and Warrants are automatically exercised as provided in Condition 16(A)(i) or Condition 16(A)(ii); and (ii) provided the relevant Warrant is not a Definitive Warrant.

(i) *Cash Settled Warrants*

In the event that a Warrantholder does not, in respect of a Cash Settled Warrant to which this Condition 17(G) applies, deliver an Exercise Notice in accordance with Condition 17(A) above on or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date, the provisions of Condition 17(C) shall nevertheless apply as if such Warrant or Unit had been duly exercised on such date.

(ii) *Physical Delivery Warrants*

In the event that a Warrantholder does not, in respect of a Physical Delivery Warrant to which this Condition 17(G) applies, deliver an Exercise Notice in accordance with Condition 17(A) above on or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date, the Issuer shall as soon as reasonably practicable determine the Assessed Value Payment Amount and in respect of the relevant Warrant or Unit, as the case may be, shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the relevant Securityholder's account with the relevant Clearing System(s) (such payment to be made in accordance with the rules of the relevant Clearing System(s) as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the Issuer's obligations in respect of such Warrant or Unit shall be discharged. Payments will be subject in all cases to any fiscal or any other laws and regulations applicable thereto in the place of payment. As used herein, Assessed Value Payment Amount means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Warrant or Unit, less any Expenses and any other amounts payable.

(H) *Settlement provisions for Definitive Warrants*

In the event that any Definitive Warrants have been issued prior to the Expiration Date, the Issuer shall, on or prior to the Expiration Date, notify Securityholders in accordance with Condition 8 of the procedure to be followed in order to receive any Cash Settlement Amount or Assessed Value Payment Amount that may be payable upon Automatic Exercise.

(I) *Exercise Risk*

Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date and none of the Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of the

relevant Clearing System(s) in relation to the performance of their duties in relation to the Warrants.

18. **Minimum and Maximum Number of Warrants Exercisable**

(A) *American Style Warrants*

This paragraph (A) applies only to American Style Warrants.

- (i) The number of Warrants exercisable by any Securityholder on any Actual Exercise Date, as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.
- (ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Securityholder or a group of Securityholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the Quota), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Securityholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the Issuer.

(B) *European Style Warrants*

This paragraph (B) applies only to European Style Warrants.

The number of Warrants exercisable on behalf of any Securityholder on any Exercise Date, as determined by the Issuer, must be equal to the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any exercise which purports to exercise Warrants in breach of this provision shall be void and of no effect.

“**Unit**” means, with respect to Warrants, the number of Warrants specified in the Final Terms, which will be the minimum number of Warrants which may be exercised in accordance with Condition 17.

19. **Exercise of Certificates**

Conditions 19, 20 and 21 shall only apply to Certificates

(A) *Exercise Date*

Subject to Condition 19(D) below, each Certificate shall be automatically exercised on the Exercise Date.

In respect of Italian Listed Certificates, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Certificate by the delivery or sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice to the relevant Clearing System, with a copy to the Fiscal Agent and the Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time.

Once delivered a Renouncement Notice shall be irrevocable. Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the relevant Clearing System in consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form or which is not duly delivered shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the relevant Clearing System, in consultation with the Issuer and the Fiscal Agent, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the relevant Clearing System and copied to the Issuer and the Fiscal Agent.

(B) *Cash Settlement*

If the Certificates (“**Cash Settled Certificates**”) are Cash Settled Securities, each such Certificate entitles its holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.

(C) *Physical Settlement*

If the Certificates (“**Physical Delivery Certificates**”) are Physical Delivery Securities, each such Certificate entitles its holder, subject to the provisions of Condition 20(A), to receive from the Issuer on the Settlement Date the Entitlement, subject to payment of any Expenses. The method of delivery of the Entitlement is set out in the applicable Final Terms.

Unless otherwise specified in the applicable Final Terms, Certificates of the same Securityholder automatically exercised and in respect of which a Physical Delivery Confirmation Notice (as defined below) has been duly given as provided in Condition 20(A), will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Certificates, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the

case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Certificate, all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Physical Delivery Confirmation Notice as referred to in Condition 20(A)(1)(v).

(D) **Barrier Event**

If a Barrier Event is specified as being applicable in the Final Terms and has occurred, each Certificate entitles its holder to receive from the Issuer on each Barrier Exercise Date the Barrier Cash Settlement Amount or the Barrier Entitlement, as the case may be, less any Expenses not already paid. If specified in the Final Terms, each such Certificate shall be automatically exercised on the Barrier Exercise Date indicated in the Final Terms.

For the purpose of this Condition 19(D):

“**Barrier Entitlement**” means, in relation to a Physical Delivery Security, and a Reference Item or, as the case may be, a Component, the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Securityholder is entitled to receive on the Barrier Exercise Date in respect of each such Security following payment of any sums payable, including the Exercise Price (in the case of a Warrant) and Expenses rounded down as provided in Condition 16(C) or 19(C), as determined by the Calculation Agent including any documents evidencing such Entitlement, specified in the applicable Final Terms or in accordance with the following:

- (a) the Entitlement Units; multiplied by
- (b) the Entitlement Multiplier; multiplied by
- (c) in respect of any Reference Item constituted by a Basket, the Component Weight.

“**Barrier Cash Settlement Amount**” means, in relation to a Cash Settled Security, the amount which the Securityholder is entitled to receive on the Barrier Exercise Date in the Settlement Currency in relation to each such Security, as determined by the Calculation Agent as an amount equal to:

- (a) the amount indicated in the relevant Final Terms; or
- (b) (i) the Nominal Amount multiplied by (ii) (1+ (Participation Factor multiplied by Performance of Underlying),

provided in each case that the Barrier Cash Settlement Amount will not be greater than the Barrier Maximum Amount (if any) and will not be less than the Barrier Minimum Amount (if

any). The Barrier Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Securities held at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Barrier Cash Settlement Amount payable.

“**Barrier Event**” means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Barrier Level on a Barrier Observation Date or at any time during the Barrier Observation Period, as specified in the relevant Final Terms,

“**Barrier Exercise Date**” has the meaning given in the Final Terms;

“**Barrier Level**” has the meaning given in the Final Terms;

“**Barrier Maximum Amount**” has the meaning given in the Final Terms;

“**Barrier Minimum Amount**” has the meaning given in the Final Terms;

“**Barrier Observation Date**” means the date indicated in the relevant Final Terms;

“**Barrier Observation Period**” means the period indicated in the relevant Final Terms;

“**Performance of Underlying**” means, with respect to the Reference Item:

$$\left[\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} \right] - 1$$

where “**Final Reference Level**” is the Settlement Price on the relevant Barrier Observation Date or the relevant day during the Barrier Observation Period on which the Barrier Event occurs, as the case may be.

20. **Physical Delivery Confirmation Notices and Settlement**

(A) *Physical Delivery Confirmation Notice Requirement*

In the case of Physical Delivery Certificates, in order to obtain delivery of the Entitlement the relevant Securityholder must deliver or send by authenticated swift message (confirmed in writing) to the relevant Clearing System(s) with a copy to the Fiscal Agent and the Issuer not later than 10.00 a.m. Brussels or Luxembourg time (as appropriate) on the Exercise Date a duly completed physical delivery confirmation notice (a “**Physical Delivery Confirmation Notice**”) in the form set out in the Agency Agreement (copies of which form may be obtained from the relevant Clearing System(s) or the Paying Agents) in accordance with the provisions set out in this Condition. If the relevant Certificate is in definitive form, such Certificate must

be delivered, together with the Physical Delivery Confirmation Notice, to the Issuer and with a copy to the Fiscal Agent.

- (1) The Physical Delivery Confirmation Notice shall:
 - (i) specify the series of the Certificates and the number of Certificates the subject of such Physical Delivery Confirmation Notice;
 - (ii) except in the case of Definitive Certificates, specify the number of the Securityholder's account at the relevant Clearing System(s) to be debited with the Certificates the subject of such Physical Delivery Confirmation Notice;
 - (iii) except in the case of Definitive Certificates, irrevocably instruct the relevant Clearing System(s) to debit on or before the Settlement Date the Securityholder's account with the Certificates the subject of such Physical Delivery Confirmation Notice;
 - (iv) include an undertaking to pay all Expenses and, except in the case of Definitive Certificates, an authority to the relevant Clearing System(s) to debit a specified account of the Securityholder at the relevant Clearing System(s) in respect thereof;
 - (v) include such details as are required by the applicable Final Terms for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and the number of the Securityholder's account with the relevant Clearing System(s) or, in the case of a Definitive Certificate, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Entitlement or any cash adjustment amount paid in lieu of fractions of the Relevant Asset or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver due to Illiquidity and the Issuer electing to pay the Settlement Disruption Amount or Failure to Deliver Settlement Price, as the case may be;
 - (vi) in the case of Currency Certificates only, specify the number of the Securityholder's account at the relevant Clearing System(s) or, in the case of a Definitive Certificate, at a bank in the principal financial centre of the relevant Settlement Currency to be credited with the amount due upon exercise of the Certificates;
 - (vii) certify, inter alia, that the beneficial owner of each Certificate the subject of such Physical Delivery Confirmation Notice is not a U.S. person (as defined in the Physical Delivery Confirmation Notice), the Certificate was not held on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with such exercise and, where appropriate, undertake to provide such various forms of certification in respect of selling restrictions under the securities, commodities and other laws of the United States as may be required; and

(viii) authorise the production of the Physical Delivery Confirmation Notice in any applicable administrative or legal proceedings, all as provided in the Agency Agreement.

(2) If Condition 4(C) applies, the form of Physical Delivery Confirmation Notice required to be delivered may be different from that set out above. Copies of such Physical Delivery Confirmation Notice may be obtained from the relevant Clearing System(s) and the Paying Agents.

(B) *Verification of the Securityholder*

Except in the case of a Physical Delivery Confirmation Notice submitted in respect of a Definitive Certificate, upon receipt of a Physical Delivery Confirmation Notice, the relevant Clearing System(s) shall verify that the person exercising the Certificates is the holder thereof according to the books of the relevant Clearing System(s). Subject thereto, the relevant Clearing System(s) will confirm to the Fiscal Agent the series and the number of Certificates being exercised and the details for the delivery of the Entitlement in respect of each Certificate the subject of the relevant Physical Delivery Confirmation Notice. Upon receipt of such confirmation, the Fiscal Agent will inform the Issuer thereof. The relevant Clearing System(s) will on or before the Settlement Date debit the account of the relevant Securityholder with the Certificates the subject of the relevant Physical Delivery Confirmation Notice.

(C) *Cash Settled Certificates*

Subject as provided in this Condition 20, the Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each Certificate by credit or transfer to the Securityholder's account with the relevant Clearing System(s) for value on the Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of the relevant Clearing System(s).

The Issuer's obligations will be discharged by payment to, or to the order of, the relevant Clearing System(s) of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular amount of the Certificates must look solely to the relevant Clearing System(s) for his share of each such payment.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(D) *Physical Delivery Certificates*

Subject to payment of any Expenses with regard to the relevant Certificates, the Issuer shall, on the Settlement Date, deliver, or procure the delivery of, the Entitlement for each Certificate in respect of which a valid Physical Delivery Confirmation Notice has been delivered as provided in Condition 20(A) pursuant to the details specified in the Physical Delivery Confirmation Notice, subject as provided in Condition 4(C). The Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

In the event that no valid Physical Delivery Confirmation Notice has been duly delivered at or prior to 10.00 a.m. (Brussels or Luxembourg time, as the case may be) on the Exercise Date, the provisions of Condition 20(G) below shall apply.

(E) *Determinations*

Any determination as to whether a Physical Delivery Confirmation Notice is duly completed and in proper form shall be made by the Fiscal Agent, and shall be conclusive and binding on the Issuer, the Paying Agents, the Calculation Agent and the relevant Securityholder. Subject as set out below, any Physical Delivery Confirmation Notice so determined to be incomplete or not in proper form or which is not duly delivered to the relevant Clearing System(s) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, which is not duly delivered to the Issuer together with the relevant Definitive Certificate(s) and copied to the Fiscal Agent) shall be null and void.

If such Physical Delivery Confirmation Notice is subsequently corrected to the satisfaction of the relevant Clearing System(s), in consultation with the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the satisfaction of the Issuer in consultation with the Fiscal Agent), it shall be deemed to be a new Physical Delivery Confirmation Notice submitted at the time such correction was delivered to the relevant Clearing System(s) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the Issuer and copied to the Fiscal Agent).

The relevant Clearing System(s) (or, in the case of Definitive Certificates, the Issuer) shall use its best efforts promptly to notify the Securityholder submitting a Physical Delivery Confirmation Notice if, in consultation with the Issuer and/or the Fiscal Agent (as applicable), it has determined that such Physical Delivery Confirmation Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Paying Agents, the relevant Clearing System(s) and the Calculation Agent shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Securityholder.

(F) *Delivery of a Physical Delivery Confirmation Notice*

After the delivery of a Physical Delivery Confirmation Notice, the relevant Securityholder may not transfer Certificates the subject of such notice.

(G) *Failure to deliver a Physical Delivery Confirmation Notice*

Provided that the relevant Certificates are not Definitive Certificates, in which case the provisions of Condition 20(H) will apply, in the event that a Certificateholder does not, in respect of a Physical Delivery Certificate, deliver or procure delivery of a Physical Delivery Confirmation Notice as set out above, prior to 10.00 a.m., Brussels or Luxembourg time, on the Exercise Date, the Issuer shall as soon as reasonably practicable determine the Assessed Value Payment Amount and in respect of such Certificate shall pay or cause to be paid the Assessed Value Payment Amount by credit or transfer to the Securityholder's account with the relevant Clearing System(s) as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the Issuer's obligations in respect of such Certificate shall be discharged.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. As used herein, Assessed Value Payment Amount means an amount determined by the Calculation Agent to be the fair market value of the Relevant Assets comprised in the Entitlement in respect of the relevant Certificate, less any Expenses.

(H) **Settlement provisions for Definitive Certificates**

In the event that any Definitive Certificates have been issued prior to the Exercise Date, the Issuer shall, on or prior to the Exercise Date, notify Securityholders in accordance with Condition 8 of the procedure to be followed in order to receive any Cash Settlement Amount or Assessed Value Payment Amount that may be payable upon exercise of the Certificates.

(I) **Exercise Risk**

Exercise of the Certificates is subject to all applicable laws, regulations and practices in force on the Exercise Date and none of the Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of the relevant Clearing System(s) in relation to the performance of their duties in relation to the Certificates.

21. **Remuneration**

(A) *Remuneration Amount*

If so specified in the applicable Final Terms and subject to Condition 21(L), each Certificate pays remuneration from and including the Issue Date at the Remuneration Rate payable in arrear on each Remuneration Payment Date.

The amount of remuneration payable in respect of each Certificate for any period shall be the Remuneration Amount, save that where a Remuneration Amount is specified in respect of such period, the amount of remuneration payable in respect of such Certificate for such period will equal such Remuneration Amount. In respect of any short or long Remuneration Period as specified in the applicable Final Terms, the Calculation Agent will determine the Remuneration Rate using either Linear Interpolation or the relevant Reference Rate on the Remuneration Determination Date as indicated in the Final Terms.

(B) *Accrual of Remuneration*

Each Certificate will cease to accrue remuneration from and including the Settlement Date or, if earlier, the date on which the Certificates are cancelled (the “**Cancellation Date**”) or the date on which a Remuneration Barrier Event occurs, if applicable, in accordance with these Conditions unless (and subject to a Remuneration Barrier Event, if applicable, not having occurred) payment of the amount and/or delivery of any Entitlement due on the Settlement Date or Cancellation Date, as the case may be, is improperly withheld or refused or unless default is otherwise made in respect of the payment or delivery in which case additional remuneration shall accrue from the date such amount or delivery of such Entitlement was due until such amount or delivery of such Entitlement is paid or delivered, as the case may be. For

the avoidance of doubt, no remuneration on the Certificates shall accrue beyond the Settlement Date in the event that delivery of any Entitlement is postponed due to the occurrence of a Settlement Disruption Event.

(C) *Payment of Remuneration Amount*

Where the Certificates pay remuneration, subject as provided below, the Issuer shall pay or cause to be paid the Remuneration Amount for each Certificate in respect of each Remuneration Payment Date by credit or transfer to the Securityholder's account with the relevant Clearing System(s) for value on the relevant Remuneration Payment Date, such payment to be made in accordance with the rules of the relevant Clearing System(s).

The Issuer will be discharged by payment to, or to the order of, the relevant Clearing System(s) in respect of the amount so paid. Each of the persons shown in the records of the relevant Clearing System(s) as the holder of a particular amount of the Certificates must look solely to the relevant Clearing System(s) for his share of each such payment so made to, or to the order of, the relevant Clearing System(s).

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(D) *Business Day Convention*

If any date referred to in these Conditions which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (i) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (ii) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (iii) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(E) *Fixed Remuneration Rate*

If the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable, the amount of interest payable in respect of each Certificate for any Remuneration Period shall be the relevant Fixed Remuneration Amount. The amount of remuneration payable in respect of each Certificate for any period for which a Fixed Remuneration Amount is not specified shall be calculated by applying the Remuneration Rate to the Notional Amount of such Certificate, multiplying the product by the relevant Day Count Fraction (not adjusted in accordance with the Business Day Convention) and rounding the resulting figure in accordance with Condition 21(H) (*Rounding*).

(F) *Floating Remuneration Rate*

If the Floating Rate Provisions are specified in the Final Terms as being applicable, the Remuneration Rate for each Remuneration Period will be determined by the Calculation Agent on the following basis:

(i) *Screen Rate Determination*: if Screen Rate Denomination is specified in the relevant Final Terms as the manner in which the Remuneration Rate is to be determined, as follows:

- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Rate Screen Page is unavailable, the Calculation Agent will:
 - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Determination Time on the Remuneration Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and
 - (3) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Settlement Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Settlement Currency) on the first day of the relevant Remuneration Period for loans in the Settlement Currency to leading European banks for a period equal to the relevant Remuneration Period and in an amount that is representative for a single transaction in that market at that time,

and the Remuneration Rate for such Remuneration Period shall be:

- (a) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean determined in accordance with the above provisions (the “**Screen Determined Rate**”);

- (b) if “Rate Multiplier is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant Screen Determined Rate multiplied by (ii) the Rate Multiplier;
- (c) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant Screen Determined Rate multiplied by the Reference Rate Multiplier,

provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Remuneration Period, the Remuneration Rate applicable to the Certificates during such Remuneration Period will be calculated in accordance with the foregoing, save that the Determined Rate shall be the arithmetic mean last determined in relation to the Certificates in respect of a preceding Remuneration Period.

- (ii) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Remuneration Rate(s) is/are to be determined, the Remuneration Rate applicable to the Certificates for each Remuneration Period will be:

- (A) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the relevant ISDA Rate;
- (B) if “Rate Multiplier” is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant ISDA Rate multiplied by (ii) the Rate Multiplier;
- (C) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

where “**ISDA Rate**” in relation to any Remuneration Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (2) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (3) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Remuneration Period or (2) in any other case, as specified in the relevant Final Terms.

(iii) *CMS Rates Determination*: If CMS Rates Determination is specified in the relevant Final Terms as the manner in which the Remuneration Rate(s) is/are to be determined, as follows:

- (A) the Calculation Agent will determine the Reference Rate which appears on the Relevant Rate Screen Page as of the Relevant Determination Time on the relevant Remuneration Determination Date;
- (B) If no Reference Rate appears on the Relevant Rate Screen Page at the Relevant Determination Time on the Remuneration Determination Date, subject as provided below, the Reference Rate shall be a percentage determined on the basis of the mid-market annual swap rate quotations provided by each of the Reference Banks quoting to major banks in the Relevant Financial Centre at the Relevant Determination Time on the Remuneration Determination Date, as determined by the Calculation Agent. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated in accordance with the applicable Day Count Fraction, of a fixed-for-floating interest rate swap transaction denominated in the Settlement Currency with a term equal to the Specified Duration commencing on the Remuneration Determination Date and in an amount that is representative of a single transaction in that market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated in accordance with the applicable Day Count Fraction, is equivalent to the Specified Duration. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Remuneration Determination Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

and the Remuneration Rate for such Remuneration Period shall be:

- (a) if “Rate Multiplier” is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean determined in accordance with the above provisions (the “**CMS Determined Rate**”);
- (b) if “Rate Multiplier” is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant Screen Determined Rate multiplied by (ii) the Rate Multiplier;
- (c) if “Reference Rate Multiplier” is specified in the relevant Final Terms as being applicable, the sum of (i) Margin, and (ii) the relevant Screen Determined Rate multiplied by the Reference Rate Multiplier,

provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in

relation to any Remuneration Period, the Remuneration Rate applicable to the Certificates during such Remuneration Period will be calculated in accordance with the foregoing, save that the Determined Rate shall be the arithmetic mean last determined in relation to the Certificates in respect of a preceding Remuneration Period.

(G) *Maximum/Minimum Remuneration Rates*

If any Maximum Remuneration Rate or Minimum Remuneration Rate is specified in the relevant Final Terms, then any Remuneration Rate shall be subject to such maximum or minimum, as the case may be.

(H) *Rounding*

For the purposes of any calculations required pursuant to this Conditions 21 (unless otherwise specified), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (ii) all figures will be rounded to seven significant figures (with halves being rounded up) and (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen. For these purposes “**unit**” means, with respect to any currency other than Euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(I) *Determination and Publication of Remuneration Rates and Remuneration Amounts*

After the Relevant Determination Time on each Remuneration Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Remuneration, obtain any quote or make any determination or calculation, it will, promptly, determine the Remuneration Rate and calculate the Remuneration Amount for the relevant Remuneration Period, obtain such quote or make such determination or calculation, as the case may be, and cause the Remuneration Rate and the Remuneration Amount for each Remuneration Period and the relevant Remuneration Payment Date to be notified to the Fiscal Agent, the Issuer, the Paying Agent, the holders of the Certificates, any other Calculation Agent appointed in respect of the Certificates which is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange so requires, such exchange promptly after their determination but in no event later than (i) the commencement of the relevant Remuneration Period, if determined prior to such time, in the case of an Remuneration Rate and Remuneration Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Remuneration Amounts and the Remuneration Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Remuneration Period. The determination of each Remuneration Rate, Remuneration Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(J) *Calculation Agent and Reference Banks*

The Issuer will use its best endeavours to ensure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Conditions applicable to the Notes and for so long as any Notes are outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Remuneration Rate for any Remuneration Period or to calculate the Remuneration Amount or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(K) *Interest Rate Switch*

If Change of Interest is specified as being applicable in the relevant Final Terms, from and including the Remuneration Rate Switch Date, the Remuneration Rate applicable for the calculation of remuneration for each remaining Remuneration Period with respect to the Securities shall be the rate specified as applying from and including such Remuneration Rate Switch Date in the Final Terms and the initial Remuneration Rate applicable to the Securities shall no longer apply.

(L) *Remuneration Barrier Events*

- (i) In the event that the relevant Final Terms specify that the Remuneration Barrier Event is applicable and “No Further Interest Accrual” is applicable and a Remuneration Barrier Event has occurred, with effect from the date on which the Remuneration Barrier Event occurred, the Securities will cease to bear remuneration. Notwithstanding any other provisions to the contrary in this Condition 21, on the immediately following Remuneration Payment Date, the Remuneration Amount payable will be the amount calculated in accordance with the definition of Remuneration Amount below, provided that for the purposes of the definition of “Day Count Fraction”, the Remuneration Period will be deemed to have ended on, and included, the date on which the Remuneration Barrier Event occurred. Thereafter, there will be no further Remuneration Payment Dates and no further Remuneration Amounts payable with respect to the Securities.
- (ii) In the event that the relevant Final Terms specify that the Remuneration Barrier Event is applicable and “No Interest Accrual for Remuneration Period” is applicable and a Remuneration Barrier Event occurs, no Remuneration Amount will be payable on the next following Remuneration Payment Date.

(M) *Remuneration Amount in respect of Securities relating to a Proprietary Index*

In the event that the relevant Final Terms specify that the Reference Item is a Proprietary Index and that “Remuneration Amount – Component Cash Flows” is applicable,

notwithstanding any other provisions to the contrary in this Condition 21, the Remuneration Amount shall be with respect to each Security and a Remuneration Payment Date, an amount calculated by the Calculation Agent acting in good faith and in a commercially reasonable manner equal to the sum of the weighted net cash flows (such weighting being equal to the weighting of the relevant Component ETFs in the relevant ETF Basket paid during the immediately preceding Rebalancing Period by the Component ETFs constituting the relevant Proprietary Index during the immediately preceding Rebalancing Period, net of any applicable taxes, costs, expenses, or redemption fees in respect of the immediately preceding Rebalancing Period.

(N) *Definitions*

"30/360 (Floating)" or **"360/360"** or **"Bond Basis"** means the number of days in the Remuneration Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

"30E/360" or **"Eurobond Basis"** means the number of days in the Remuneration Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless such number would be 31, in which case D₂ will be 30.

"30E/360 (ISDA)" means the number of days in the Remuneration Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" is the first calendar day, expressed as a number, of the Remuneration Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Remuneration Period, unless (i) that day is the last day of February but not the Settlement Date or (ii) such number would be 31, in which case D₂ will be 30.

"**Actual/360**" means the actual number of days in the Remuneration Period divided by 360.

"**Actual/Actual**" or "**Actual/Actual (ISDA)**" means the actual number of days in the Remuneration Period in respect of which payment is being made divided by 365 (or, if any portion of that Remuneration Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Remuneration Period falling in a leap year divided by 366; and (B)

the actual number of days in that portion of the Remuneration Period falling in a non-leap year divided by 365).

"Actual/365 (Fixed)" means the actual number of days in the Remuneration Period in respect of which payment is being made divided by 365.

"Banking Day(s)" means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Milan, Paris, New York and Luxembourg and a TARGET Settlement Day.

"CMS" means the constant maturity swap rate specified as such in the Final Terms.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Final Terms.

"EURIBOR" means the Euro-zone interbank offered rate specified as such in the Final Terms.

"Fixed Remuneration Amount" has the meaning given to it in the relevant Final Terms.

"ISDA Definitions" means the 2006 ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc., a copy of which is available on the website of the International Swaps and Derivatives Association, Inc. (www.isda.org).

"LIBID" means the London interbank bid rate specified as such in the Final Terms.

"LIBOR" means the London interbank offered rate specified as such in the Final Terms.

"LIMEAN" means the London interbank mid-market rate specified as such in the Final Terms.

"Linear Interpolation" means the straight-line interpolation by reference to two rates based on the Reference Rate or the ISDA Rate, as the case may be, one of which will be determined as if the Specified Duration were the period of time for which rates are available next shorter than the length of the affected Interest Period and the other of which will be determined as if the Specified Duration or the Designated Maturity, as the case may be, were the period of time for which rates are available next longer than the length of such Interest Period.

"Margin" has the meaning given in the relevant Final Terms.

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

“**Rate Multiplier**” has the meaning given in the relevant Final Terms.

“**Rebalancing Period**” is the period from, and including, a Rebalance Date to, but excluding, the next following Rebalance Date, except that (a) the initial Rebalance Period will commence on, and include, the Issue Date and (b) the final Rebalance Period will end on, but exclude, the Exercise Date.

“**Rebalance Date**” means 12 May, 12 August, 12 November and 12 February in each year, from and including the Issue Date to and including the Exercise Date, provided that if any such day would otherwise fall in a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.

“**Reference Banks**” means, the institutions specified as such in the relevant Final Terms or, if none, four (or, if the Relevant Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate.

“**Reference Price**” has the meaning given in the relevant Final Terms.

“**Reference Rate**” has the meaning given in the relevant Final Terms.

“**Reference Rate Multiplier**” has the meaning given in the relevant Final Terms.

“**Relevant Rate Screen Page**” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters) as may be specified as the Relevant Rate Screen Page in the relevant Final Terms for the purpose of providing a Reference Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Reference Rate.

“**Relevant Determination Time**” means, with respect to any Remuneration Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in the Relevant Financial Centre *provided that* if the Relevant Currency is Euro and the Benchmark is EURIBOR, the Relevant Determination Time shall be 11.00 am Brussels time.

“**Relevant Financial Centre**” means, with respect to any floating rate to be determined on a Remuneration Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Reference Rate is most closely connected or, if none is so connected, London.

“**Remuneration Amount**” means, in respect of each Certificate and each Remuneration Period, an amount calculated by the Calculation Agent as follows:

Notional Amount per Certificate x Remuneration Rate x Remuneration Rate Day Count Fraction.

“**Remuneration Barrier Event**” means the occurrence in relation to the Reference Item of one of the following events:

- (a) the Settlement Price is equal to and/or exceeds the Remuneration Barrier Level on a Remuneration Barrier Observation Date or at any time during the Remuneration Barrier Observation Period, as specified in the relevant Final Terms; or
- (b) the Settlement Price is equal to and/or falls below the Remuneration Barrier Level on a Remuneration Barrier Observation Date or at any time during the Remuneration Barrier Observation Period, as specified in the relevant Final Terms.

“**Remuneration Barrier Level**” has the meaning given in the Final Terms.

“**Remuneration Barrier Observation Date**” means the date indicated in the relevant Final Terms.

“**Remuneration Barrier Observation Period**” means the period indicated in the relevant Final Terms.

“**Remuneration Determination Date**” has the meaning given to it in the Final Terms.

“**Remuneration Period**” means the period commencing on (and including) the Issue Date to (but excluding) the first Remuneration Payment Date and each period commencing on (and including) an Remuneration Payment Date to (but excluding) the next following Remuneration Payment Date.

“**Remuneration Rate**” means the rate of interest (expressed as a percentage per annum) payable from time to time in respect of the Certificates and which is either specified, or calculated in accordance with the provisions in the relevant Final Terms and these Conditions.

“**Remuneration Rate Switch Date**” means the date specified as such in the relevant Final Terms.

“**Specified Duration**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the period specified in the relevant Final Terms.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET or TARGET2) System or any successor thereto.

“**TARGET Settlement Day**” means any day on which the TARGET System is open.

PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Security will be in bearer form. Consequently, in relation to any Tranche of Securities represented by a Global Security, references in the Terms and Conditions of the Securities to “**Securityholder**” are references to the bearer of the relevant Global Security which, for so long as the Global Security is held by a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common depository.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Security (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Security and in relation to all other rights arising under the Global Security. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Security will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Securities are represented by the Global Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Securities and such obligations of the Issuer will be discharged by payment to the bearer of the Global Security.

Exchange of Temporary Global Securities

Whenever any interest in a Temporary Global Security is to be exchanged for an interest in a Permanent Global Security, the relevant Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Security, duly authenticated to the bearer of the Temporary Global Security; or
- (b) in the case of any subsequent exchange, an increase in the number of Securities represented by such Permanent Global Security, where applicable, in accordance with its terms,

as specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Security to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Security is to be exchanged for Definitive Securities, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of the relevant number of Definitive Securities, duly authenticated, to the bearer of the Temporary Global Security against the surrender of the Temporary Global Security to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Security has not been delivered or the principal amount thereof, where applicable, increased by 5.00 p.m. (Luxembourg time) on the seventh day after the bearer of a

Temporary Global Security has requested exchange of an interest in the Temporary Global Security for an interest in a Permanent Global Security; or

- (b) Definitive Securities have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Temporary Global Security has requested exchange of the Temporary Global Security for Definitive Securities; or
- (c) a Temporary Global Security (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Securities or the date for final redemption of a Temporary Global Security has occurred and, in either case, payment in full of the amounts falling due thereunder has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment,

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the number of Securities represented thereby, where applicable, or deliver Definitive Securities, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Security or others may have under the Deeds of Covenant. Under the Deeds of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Security became void, they had been the holders of a number of Definitive Securities equal to the number of Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Securities are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Security for Definitive Securities pursuant to Condition 8 (*Notices*) of the Securities.

Exchange of Permanent Global Securities

Whenever a Permanent Global Security is to be exchanged for Definitive Securities, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of the relevant number of Definitive Securities, duly authenticated to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) Definitive Securities have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Permanent Global Security has duly requested exchange of the Permanent Global Security for Definitive Securities; or
- (b) a Permanent Global Security (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Securities or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amounts falling due

thereunder has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment,

then the Permanent Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Security or others may have under the Deeds of Covenant). Under the relevant Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Security will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Security became void, they had been the holders of a number of Definitive Securities equal to the number of Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Securities are listed on the Luxembourg Stock Exchange and its rules so require, the relevant Issuer will give notice of the exchange of the Permanent Global Security for Definitive Securities pursuant to Condition 8 (*Notices*) of the Securities.

Conditions applicable to Global Securities

Each Global Security will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Global Security. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Securities.

Exercise of Warrants: In order to exercise Warrants in accordance with Conditions 16, 17 and 18 of the Securities, the bearer of the Permanent Global Security must, in accordance with the relevant Conditions of the Securities, send to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, with a copy to the Fiscal Agent and the Issuer, of a duly completed Exercise Notice. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 8 (*Notices*) of the Securities, while all the Securities are represented by a Permanent Global Security (or by a Permanent Global Security and/or a Temporary Global Security) and the Permanent Global Security is (or the Permanent Global Security and/or the Temporary Global Security are) deposited with a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Securityholders in accordance with Condition 8 (*Notices*) of the Securities on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; *provided, however, that*, so long as the Securities are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general

circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu).

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Securities will be used for the general corporate purposes of the relevant Issuer.

INFORMATION ON MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.P.A.

*This section of the Base Prospectus reflects the contents of (i) certain paragraphs of the registration document published in Italian language by Mediobanca on 22 October 2012 and approved by CONSOB pursuant to CONSOB Regulation No. 11971 of 14 May 1999 (as amended) on 18 October 2012, report No. 12082878 (the “**Mediobanca Registration Document**”), of which the relevant English translation is incorporated by reference to this Base Prospectus, and (ii) the press release of Mediobanca dated 27 October 2012, of which the relevant English translation is incorporated by reference to this Base Prospectus. Other information included in the Mediobanca Registration Document not incorporated in this section of the Base Prospectus are covered elsewhere in this Base Prospectus, such as under section headed “Risk Factors” or under section headed “Financial Information of Mediobanca – Banca di Credito Finanziario S.p.A.”*

Sections III (Risk factors), VII (Future trends) and VIII (Forecasts or estimates of profits) of the Mediobanca Registration Document are deemed to be incorporated by reference in, and to form part of, this Base Prospectus as more fully described in the section of this Base Prospectus headed “Documents Incorporated By Reference”. In addition, all other Sections of the Mediobanca Registration Document are deemed to be incorporated by reference in, and to form part of, this Base Prospectus for information purposes only. The Mediobanca Registration Document contains information inter alia regarding Mediobanca, its business, administration and management, and shareholders.

History and development of Mediobanca

Legal status and information

Mediobanca – Banca di Credito Finanziario S.p.A. was set up on 10 April 1946 by virtue of a notarial deed drawn up by Notary public Arturo Lovato, file no. 3041/52378. Mediobanca is a joint stock company incorporated under Italian law registered in the Milan Companies’ Register under Registration no. 00714490158 having its registered office and administrative headquarters in Piazzetta Enrico Cuccia 1, 20121 Milan, Italy, tel. no.: (0039) 02-88291. Mediobanca operates under Italian law, and the court of Milan has jurisdiction over any disputes arising against it.

Important events in Mediobanca’s recent history

Since 31 December 2012 there have been no negative changes either to the financial position or prospects of either Mediobanca or the Group headed up by it.

Neither Mediobanca nor any company in the Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect, Mediobanca’s ability to meet its obligations towards third parties.

As at 18 October 2012 S&P rated Mediobanca A-2 (short-term debt), BBB+ (long-term debt) and negative (outlook) – see www.mediobanca.it/it/investor-relations/rating.html.

To the knowledge of Mediobanca, Standard & Poor’s Ratings Service, a Division of the McGraw Hill Companies Inc. (“**S&P**”) is a credit rating agency which is established in the European Community and has been registered in accordance with Regulation 1060/2009/EC (as amended by Regulation 513/2011/EC) (the “**CRA**”). As such S&P is included in the latest list of credit rating agencies

published by the European Securities and Markets Authority on its website in accordance with the CRA – see [www.esma.europa.eu/page/List-registered-and-certified -CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

Business Overview

Principal activities

The Group's principal activities are currently segmented into three divisions: corporate and investment banking (CIB), which includes wholesale banking and leasing; principal investing (PI), which brings together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco and stakes taken as part of merchant banking and private equity activity; and retail and private banking (RPB), consisting of consumer credit activities, CheBanca! (retail banking) and private banking (Compagnie Monégasque de Banque and Banca Esperia.).

Mediobanca is a banking group operating in corporate and investment banking (CIB), which includes wholesale banking and leasing, principal investing (PI), which brings together the Group's long-term investments, and retail and private banking (RPB), consisting of consumer credit, retail banking and private banking. Mediobanca has a market capitalization of approx. €4.0bn.

Consolidated financial information as at 31/12/12

€m	CIB	PI	RPB	Total
	Coverage & corporate finance	Assicurazioni Generali	Credito al consumo	
	Lending & structured finance	RCS MediaGroup	Retail banking	
	Capital markets	Telco	Private banking	
Profit and loss account				
Net interest income	157.4	(3.9)	364.2	517.7
Total income	389.6	50.5	491.9	911.0
Profit before tax	183.6	(51.7)	74.9	208.5
Net profit	124.2	(52.0)	49.4	123.8

**Source: Mediobanca audited consolidated interim financial statement as at and for the year ended on 31 December 2012*

Corporate and investment banking (CIB)

Mediobanca seeks to provide its corporate clients with the advisory services and financial services they need to help them grow and develop.

The wholesale banking division comprises three different units: *Corporate finance, Lending and Structure Finance, Capital Markets*.

Corporate finance

Mediobanca is the leader in Italy and has an increasingly significant role in financial advisory services at the European level through its branches in Paris, Frankfurt and Madrid. A client-based approach is

adopted, backed by in depth knowledge of the financial issues and a consolidated track record in executing deals. The operating unit is organized into different industry teams covering individual industries in order to provide greater focus.

Corporate finance involves the following activities:

- defining strategic objectives for companies and identifying extraordinary financing transactions in order to help meet them;
- extraordinary financing transactions: mergers and acquisitions, joint ventures and partnerships, disposals and spinoffs;
- liability restructuring: earnings/financial analysis of companies/groups undergoing restructuring; working out financial rebalancing scenarios; negotiating with key creditors;
- corporate restructuring: LBOs, MBOs, spinoffs and tax-/inheritance-related issues;
- company valuations, on a standalone basis and for purposes of setting exchange ratios;
- relations with authorities: assistance in handling relations with market and regulatory authorities, principally CONSOB and Borsa Italiana.

Lending and structured finance

The Financing teams serve Mediobanca's Italian and international customers, through the branch offices located in Paris, Frankfurt, London and Madrid, to offer:

- advice in evaluating possible capital structures and financing solutions available from among a vast series of debt products, including considering possible implications in terms of rating;
- structuring and executing lending transactions;
- access to the international syndicated loans market;
- facility and security agent services for corporate and structured lending transactions.

The main products of the Lending and structured finance team are:

- **corporate lending:** (bilateral loans, club deals and syndicated loans): corporate loans aimed at supporting customers' financial requirements generated by investments or related to their companies' growth; the financial solutions offered are aimed primarily at medium-/large-sized firms operating on domestic and international markets, in industrial and service-based sectors;
- **leveraged finance:** (acquisition finance, loans for LBO/MBOs): financial support to corporate counterparties and institutional investors as part of leveraged transactions to acquire stakes in listed and unlisted companies; a wide range of lending transactions are developed, arranged, structured, underwritten and executed based on complex structures, and because of their size these are often syndicated on the international market;
- **structured finance:** (project finance, infrastructure finance, real estate finance): on the back of its solid track record in various sectors, customers are provided with advisory services covering the

entire process of structuring deals to support investment and infrastructure or industrial projects, including offering strategies, selection of the most effective debt instruments, hedging strategies, financial modelling and structuring contracts; and

- **export finance:** (export credit, trade finance, untied loans, etc.): financial support provided to exporters of merchandise and services destined for counterparties located in emerging markets, including with the support of government organizations guaranteeing insurance coverage and/or subsidized interest rates (SIMEST, SACE or other European export credit agencies); such loans, which are often syndicated, are structured in conjunction with the provision of advisory services regarding negotiations with commercial counterparties and financial and/or supranational institutions.

Capital Markets

Mediobanca operates on both the primary and secondary markets, trading equities and fixed-income securities, foreign exchange products and credit risk, interest rate and exchange rate derivatives. In the equity market (primary and secondary), activity is divided into the following areas:

- **equity capital markets:** it is the Italian leader and has a role of increasing importance internationally in structuring, co-ordinating and executing equity capital markets transactions, such as IPOs, rights issues, secondary offerings and ABOs, and bonds convertible into equity solutions (equity derivatives to manage investments and treasury shares): this unit structures and implements extraordinary financing transactions involving equity investments and treasury shares; using a dedicated trading platform, the team offers customers innovative, high value-added solutions, and also handles any legal, accounting, tax and regulatory issues;
- **equity finance (securities lending, equity repos, collateralized financing):** the unit offers tailored securities lending solutions, which range from simple loans to hedge short-/medium-term positions, to equity repos, to upgrades and collateralized financing;
- **equity derivatives institutional marketing:** a range of equity-linked investments are offered to banks, insurances, asset managers and family offices, from synthetic replications of simple underlying assets to sophisticated protection mechanisms and solutions for increasing the return on portfolios, funded or unfunded;
- **MB Securities:** this is Mediobanca's equity brokerage division, offering global access to equity markets and research on the Italian market (over 100 companies are covered), plus a pan-European focus on the financials sector (banks and insurances); a dedicated team also offers corporate broking services.

In relation to the debt market, the activity is divided into the following areas of operation:

- **debt capital markets:** this team originates, structures, executes and places corporate and financial bond issues, covered bonds and securitizations to meet its customers' financing needs.
- **CRAL solutions:** this area structures solutions based on interest rates, credit and alternative products; it targets corporate clients, banks and institutional investors who need to restructure their investment portfolios, increase asset liquidity and diversify their sources of funding.

- **proprietary funding:** this team is responsible for structuring, issuing and placing debt products, the revenues from which finance the Bank's own activities. Fund raising, supported by the Bank's high credit rating, takes place primarily through the issuance of securities, both plain vanilla and structured. Securities are placed with retail investors through public offers (executed using the networks of individual banks – including that of BancoPosta – either on an exclusive basis or via groups of banks in syndicates) and direct sales are made over the screen-based bond market (MOT) operated by Borsa Italiana. Demand from institutional investors is met via public offers of securities on the Euromarket and private placements of products customized to meet the subscribers' specific needs.

Leasing

Mediobanca owns a 60% stake in the SelmaBipiemme Leasing S.p.A. (“**SelmaBipiemme**”) group via Compass S.p.A. (“**Compass**”), with the other 40% held by Banca Popolare di Milano S.c.a r.l.. SelmaBipiemme owns 100% of Palladio Leasing, and 80% of Teleleasing (the other 20% being owned by Telecom Italy), a company which operates primarily in operating leasing.

The SelmaBipiemme group operates via branches, agents and above all banking networks, including Banca Popolare di Milan and Banca Popolare di Vicenza. It ranks among the top 10 operators in this sector.

In the twelve months to 30 June 2012 the group disbursed approximately €0.8 billion.

As at 30 June 2012 the net value finance disbursed by the group amounted to some €4.1 billion, with a headcount numbering 185 staff employed at the head office and 12 branches.

Principal investing (PI)

Mediobanca takes minority stakes in leading Italian and international companies, most of which are listed, and which are generally leaders in their respective spheres of activity, with a view to contributing, including through representation on investee companies' governing bodies, to value creation over a medium- and long-term time horizon. Mediobanca offers its investee companies, on an arm's length basis, the entire range of Group services (lending, corporate finance, capital markets, etc.). In view of the size of the investments and the role played by Mediobanca in the governance of the companies concerned, the shareholdings in Generali, RCS MediaGroup and Telco are assigned to the Principal investing division.

Company	Sector	% of share capital	Book value as at 30/6/12 €m
Assicurazioni Generali	Insurance	13.24%	2,356.20
RCS MediaGroup	Publishing/media	14.36%	109.4
Telco	Telephony	11.62%	205.9

Retail and Private Banking (RPB)

Mediobanca has a footprint in this sector through its group companies. It has operations in consumer credit through Compass, in retail banking through CheBanca!, and in private banking through Banca Esperia (in Italy) and Compagnie Monégasque du Banque (in the Principality of Monaco).

Consumer credit - Compass

Mediobanca has operated in the consumer credit sector since the 1960s through its subsidiary Compass. In 2008 its positioning in this segment was strengthened, including through acquisitions, with the addition of Linea, acquired on 27 June 2008 from Banca Popolare di Vicenza, Banco Popolare and other banking shareholders).

Compass is now one of the top-ranking Italian consumer credit operators with a market share of over 9%. Compass offers a wide range of products (personal loans, special purpose loans for acquisition of consumer durable goods, credit cards and salary-backed finance), using a highly diversified distribution network consisting of some 158 own branches, distributing agreements with banking partners and retailers, and BancoPosta.

As at the balance-sheet date it had approx. €9.2bn in loans outstanding, plus a total of 1,396 staff on the books.

Retail Banking - CheBanca! S.p.A. (formerly Micos Banca S.p.A.)

In 2008, with the launch of CheBanca! Mediobanca commenced operations in the retail banking segment. The rationale for the CheBanca! project was to diversify the Group's sources of funding and create a value centre to leverage on the market's potential to establish a transparent and highly innovative Italian operator. Three years since its launch, CheBanca! has achieved a distinctive position on the market, with.

- high brand recognition;
- effective, innovative multi-channel distribution (internet, 42 own branches, direct banking);
- simple, transparent products;
- substantial customer base (over 500,000 customers);
- strong commercial results: €12bn in deposits, €4.3bn in mortgages disbursed, over 650,000 products sold.

The company employs a total of 927 staff.

Private banking

The range of services offered to clients by the Mediobanca Group includes private banking, via Banca Esperia and Compagnie Monégasque de Banque.

- Banca Esperia was set up in July 2000 as a joint venture between the Mediobanca and Mediolanum groups with the aim of becoming the private banker of choice for high net worth clients, offering them portfolio management, advisory and financing services. Independence, operational autonomy, focus on private banking activities, and excellence and quality of service, are the hallmarks of a bank which has approximately €12 billion in assets under management at its branches in Bergamo, Bologna, Brescia, Florence, Genoa, Milan, Modena, Naples, Padua, Parma, Rome and Turin.

- Compagnie Monégasque de Banque (“CMB”) is 100%-owned by Mediobanca. CMB is market leader in the Principality of Monaco, with total deposits of approx.€6 billion. Its geographical position, indepth knowledge of markets and reputation for absolute discretion make it a player of primary importance in the private banking industry, which can provide exclusive services to its client, ranging from loans to property investments.

Brief description of the Mediobanca’s principal activities, with an indication of the main categories of products sold and/or services provided

As stated in Article 3 of the Company’s Articles of Association, the Company’s purpose is to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates.

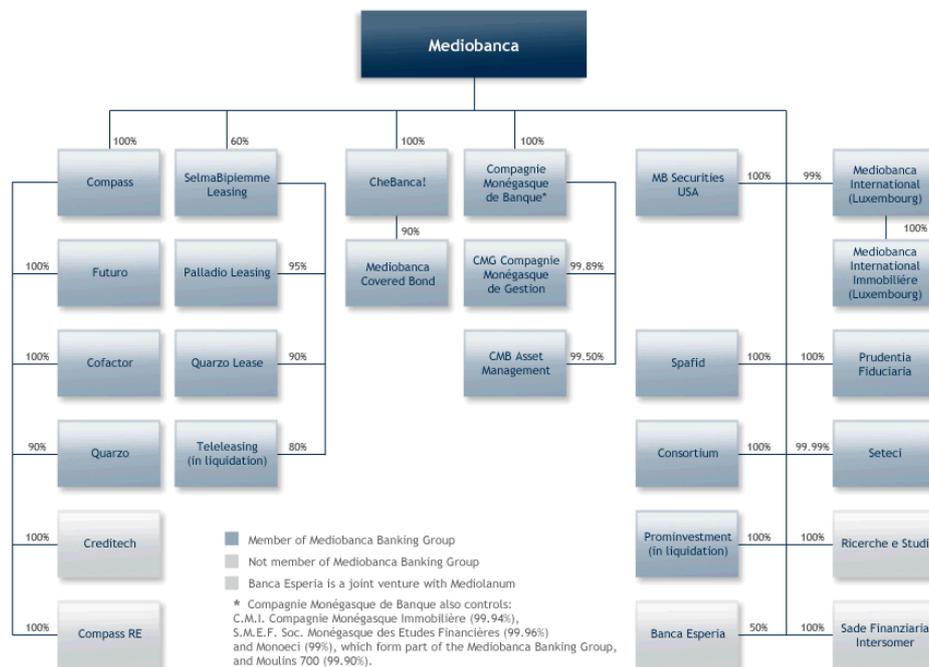
Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca’s purpose.

Organizational Structure

Description of organizational structure of group headed up by Mediobanca

The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.

The following diagram illustrates the structure of the Mediobanca Group as at the date hereof.



Bodies Responsible for governance, management and supervision of Mediobanca

The Board of Directors appointed on 28 October 2011 for the 2012, 2013 and 2014 financial years, currently consists of twenty-two members, sixteen of whom qualify as independent under Article 148,

paragraph 3 of Italian Legislative Decree 58/98, ten of which sixteen also qualify as independent under the Code of Conduct in respect of listed companies.

At the Annual General Meeting held on 27 October 2012 Pier Silvio Berlusconi, Christian Collin, Alessandro Decio, Alberto Pecci, Bruno Ermolli and Vanessa Labérenne have been appointed as directors; their terms of office expire on the same date of the other directors.

Board of Directors

Composition, Board of Directors:

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Renato Pagliaro *	Chairman ***	Milan, 20/2/57	30/6/14	Director, Telecom Italia Director, Pirelli & C.
Dieter Rampl	Deputy Chairman	Monaco, 5/9/47	30/6/14	Chairman, UniCredit Chairman of Supervisory Board, Koenig & Bauer Member of Supervisory Board, FC Bayern Munchen Director, KKR Management LLC Chairman of Management Board, Hypo-Kulturstiftung
Marco Tronchetti Provera	Deputy Chairman	Milan, 18/1/48	30/6/14	Chairman and CEO, Pirelli & C. Chairman, Camfin Chairman, Prelios Chairman, Gruppo Partecipazioni Industriali Director, F.C. Internazionale Milano
Alberto Nagel*	CEO ***	Milan, 7/6/65	30/6/14	-
Francesco Saverio Vinci *	General Manager ***	Milan, 10/11/62	30/6/14	Director, Banca Esperia Director, Perseo
Tarak Ben Ammar	Director	Tunis, 12/6/49	30/6/14	Director, Telecom Italia Chief Executive Officer (CEO), Quinta Communications Chairman and CEO, Prima Tv Chairman, Carthago Film Chairman, Andromeda Tunisie S.A. Chairman, Promotions et Participations International S.A.
Gilberto Benetton	Director	Treviso, 19/6/41	30/6/14	Chairman, Edizione Chairman, Autogrill Director, Sintonia Director, Benetton Group Director, Pirelli & C.

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Pier Silvio Berlusconi	Director	Milan, 28/4/69	30/6/14	Director, Atlantia Chairman and CEO, Reti Televisive Italiane Deputy Chairman, Mediaset Director, Arnoldo Mondadori Editore Director, Mediaset Espana Comunicacion Director, Medusa Film Director, Publitalia '80
Roberto Bertazzoni	Director	Guastalla, 10/12/42	30/6/14	Chairman, Smeg Chairman and CEO, Erfin - Eridano Finanziaria
Angelo Casò *	Director	Milan, 11/8/40	30/6/14	Chairman of Board of Directors, Milano Assicurazioni Chairman, Statutory Audit Committee, Benetton Group Chairman, Statutory Audit Committee, Edizione Chairman, Statutory Audit Committee, Fidelity Chairman, Statutory Audit Committee, Bracco Chairman, Statutory Audit Committee Alchera Chairman, Statutory Audit Committee, Bracco Imaging Standing Auditor, Barclays Private Equity Standing Auditor, Italmobiliare
Maurizio Cereda *	Director ***	Milan, 7/1/64	30/6/14	Director, Ansaldo STS Director, Enervit
Christian Collin	Director	Neuilly sur Seine, 11/5/54	30/6/14	General Manager, Groupama Director, Société Tunisienne d'Assurances et de Réassurances Director, La Banque Postale Assurances Iard
Massimo Di Carlo *	Director ***	Rovereto, 25/6/63	30/6/14	
Alessandro Decio	Director	Milan, 10/1/66	30/6/14	Member of Supervisory Board, Bank Pekao
Bruno Ermolli	Director	Varese, 6/3/39	30/6/14	Chairman, Promos Chairman, Sinergica Director, Arnoldo Mondadori Editore Director, Mediaset Director, Pellegrini
Anne Marie Idrac	Director	Saint Brieuc, 27/7/51	30/6/14	Director, Total Director, Bouygues Director, Compagnie de Saint Gobain Member of Supervisory Board, Vallourec
Carlo Pesenti	Director	Milano, 30/3/63	30/6/14	General Manager Italmobiliare CEO, Italcementi Deputy Chairman, Ciments Français

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Vanessa Labérenne	Director	Paris 08/01/78	30/6/14	Director, RCS MediaGroup
Fabio Roversi Monaco	Director	Addis Ababa, 18/12/38	30/6/14	Director, Telecom Italia Media
Eric Strutz *	Director	Mainz, 13/12/64	30/6/14	Member of Board of Partners Group Holding
Elisabetta Magistretti	Director	Busto Arsizio, 21/7/47	30/6/14	Director, Gefran Director, Luxottica Group Director, Unicredit Audit Director, Pirelli & C.
Alberto Pecci	Director	Pistoia, 18/9/43	30/6/14	Member of Board, EL.En Chairman, E.Pecci & C. Chairman, Pecci Filate Chairman Pontoglio Chairman, Toscofin Chairman, EFIMA

* *Member of Executive Committee.*

*** *Member of Mediobanca senior management.*

All Board members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence (in the latter case applicable only to the independent directors).

The address for all members of the Board of Directors for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

Statutory Audit Committee

Composition of Statutory Audit Committee:

Post	Nem	Place and date of birth	Term expires	Principal outside activities
Chairman	Freddi Natale	Rho, 6/6/52	FY 30/6/14	none
Standing Auditor	Villa Gabriele	Milan, 18/6/64	FY 30/6/14	none
Standing Auditor	Angelo Comneno Maurizia	Rome, 18/6/48	FY 30/6/14	none
Alternate auditor	Guido Croci	Milan, 4/3/59	FY 30/6/14	none
Alternate auditor	Busso Mario	Turin, 1/3/51	FY 30/6/14	none

All Statutory Audit Committee members are in possession of the requisites to hold such office by law, in terms of fitness, professional qualifications and independence; and are all registered as auditors.

The address for all members of the Statutory Audit Committee for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

General Manager and senior management

Renato Pagliaro Chairman, Alberto Nagel Chief Executive Officer, Francesco Saverio Vinci General Manager, Maurizio Cereda and Massimo Di Carlo, Executive Directors of Mediobanca and Massimo Bertolini, Head of Company Financial Reporting.

The address for the General Manager and the senior management for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

Conflicts of interest among bodies responsible for governance, management and supervision

At an annual general meeting held on 28 October 2011, the shareholders of Mediobanca authorized the directors with posts in banking enterprises to take office, as required by Article 2390 of the Italian Civil Code. Meanwhile, a ban was instituted pursuant Article 36 of Italian Decree Law 201/11, as converted into Italian Law 214/11, on representatives of banks, insurers and financial companies from holding positions in companies which operate in the same sectors. In the months of April, May and June, Ennio Doris, Vincent Bolloré, Marina Berlusconi, Fabrizio Palenzona, Pierre Lefèvre and Jonella Ligresti therefore resigned from their posts as directors of Mediobanca, and in May and June Pier Silvio Berlusconi, Vanessa Labérenne, Christian Collin, Alessandro Decio and Bruno Ermolli were co-opted in their place. Each year the Board of Directors will assess the positions of the individual directors, which may have changed as a result of changes in the activities or size of the other companies in which they hold posts. To this end, each director shall inform the Board of any changes in the positions assumed by them in the course of their term of office.

Mediobanca also adopts the procedure recommended under Article 136 of the Italian Consolidated Banking Act for approval of transactions involving individuals who perform duties of management and control in other companies where these are Directors or Statutory Auditors.

Transactions with “related parties” are described in part H of the interim financial statements for the six months ended 31 December 2012.

Save as described above, the members of the bodies responsible for governance, management and supervision have no further potential conflicts of interest between their duties to Mediobanca and their private interests.

Share capital

Amount of share capital issued

As of the date of this Base Prospectus, Mediobanca’s share capital, fully subscribed and paid up, totalled € 430,564,606.00, made up of 861,129,212 par value €0.50 shares.

Main Shareholders

Information on ownership structure

Individuals or entities who based on the shareholders’ register and available information as at 31 December 2012 own directly or indirectly financial instruments representing share capital with voting rights in excess of 2% of the company’s share capital, directly or indirectly, are listed below:

	Shareholder	% of share capitale
1	UniCredito group	8.76
2	Bolloré group	6.0
3	Groupama group	4.93
4	FINSOE S.p.A.	3.87
5	Mediolanum group	3.50
6	Italmobiliare group	2.62
7	Fondazione Ca.Ris.Bo	2.95
8	Benetton group	2.16
9	Fininvest group	2.06

Mediobanca shareholders representing approx. 50% of the Bank's share capital entered into a shareholders' agreement in 2007 (subsequently amended in October 2008 to reflect the new corporate governance model adopted) which expired on 31 December 2011. On 4 October 2011, the shareholders renewed the Shareholders' Agreement until 31 December 2013.

The Agreement, which is filed with the Milan companies' register, is a block shareholders' agreement aimed at preserving a stable shareholder base combined with representative governing bodies to ensure consistent management objectives. In order to achieve these objectives, these shareholders, divided into three groups, concur in seeing the traditional system of corporate governance which leverages on the management and provides greater clarity in the roles of the various governing bodies within the company, as fundamental to safeguarding the characteristics, function and traditional independence of Mediobanca and to ensuring that consistent management objectives are pursued.

An excerpt from the Agreement may be found on the Issuer's website at <http://www.mediobanca.it/en/azionisti/shareholders-agreement.html>.

Agreements the performance of which may result in a change of control subsequent to the date hereof

Mediobanca is not aware of any agreements aimed at bringing about future changes regarding the ownership structure of Mediobanca.

Auditors of the Financial Statements

External auditors and auditors responsible for auditing the financial statements

At the annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers S.p.A. to audit the Bank's financial statements for the 2013-2021 period.

PricewaterhouseCoopers S.p.A. with registered office in Via Monte Rosa 91, Milan is registered under No. 43 in the Register of Statutory Auditors by the Italian Ministry of Economy and Finance and set out at Article 161 of the Unified Text of the Rules for the Capital Markets (*Testo Unico delle Disposizioni in materia di mercati finanziari*) and under No. 119644 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of the Legislative Decree of 27 January, 1992, No. 88. PricewaterhouseCoopers S.p.A. is also a member of ASSIREVI, the Italian association of auditing firms.

PricewaterhouseCoopers S.p.A. has reviewed the unaudited consolidated financial statements of Mediobanca for the semi-annual period ended 31 December 2012 and will audit the consolidated financial statements of Mediobanca for the 2013 - 2021 period.

Reconta Ernst & Young S.p.A., a company with its registered offices in Via della Chiusa 2, Milan, Italy, has audited the individual and consolidated financial statements of Mediobanca as at 30 June 2010, 30 June 2011 and 30 June 2012. Reconta Ernst & Young S.p.A. is registered under No. 2 in the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the *Testo Unico delle Disposizioni in Materia di Mercati Finanziari* and under No. 70945 in the Register of Accounting Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992, and is also a member of the *ASSIREVI - Associazione Nazionale Revisori Contabili*.

At an annual general meeting held on 27 October 2007, the shareholders of Mediobanca appointed Reconta Ernst & Young S.p.A. to audit the Bank's individual and consolidated full-year and interim financial statements, to perform other activities provided for under Article 155 of Italian Legislative Decree 58/98, and to sign off the "Unico" and "770" tax declarations, up to and including the financial year ending 30 June 2012.

External supervisory bodies other than the external auditors

There are no external supervisory bodies other than the external auditors.

Information regarding resignations, dismissals or failures to renew the appointment of the external auditors or the auditors responsible for auditing the financial statements

No resignations, dismissals or failures to renew the appointment of the external auditors have occurred during the period under review.

Legal and arbitration proceedings

As at the date hereof, none of Mediobanca and its consolidated subsidiaries is or has been involved in any governmental, legal, arbitration or administrative proceedings relating to claims or amounts of money which may have, or have had in the recent past, a material impact on the Group's financial position or profitability, and as far as Mediobanca is aware, no such litigation, arbitration or administrative proceedings has either been announced or is pending.

Events which characterized the financial year included:

- 1) A total of thirteen claims against Mediobanca, jointly with the other parties in their alleged failure to launch a full takeover bid for La Fondiaria in 2002, are still pending for damages amounting to approximately €100m. The present status of the trials in respect of these claims is as follows:
 - (ii) the court of cassation has ruled against Mediobanca on three claims, which have now reverted to the court of appeals for the rulings to be prosecuted; two claims, in which the court of appeals has ruled in favour of Mediobanca, are pending at the court of cassation; for a further three claims where again the ruling has gone in favour of Mediobanca, the term for presenting appeals to the court of cassation is now pending;

- (iii) three claims, in which the ruling went against Mediobanca, are pending before the court of appeals in Milan; one claim, in which the court of Florence ruled in favour of Mediobanca, has been appealed by the plaintiff; and
 - (iv) a new claim has been submitted to the court of Milan.
- 2) Subsequent to Burani Designer Holding being declared bankrupt, the administrators have sued Centrobanca for unlawful granting of credit in relation to the takeover bid which the Burani Family Holding S.p.A. launched for Mariella Burani Fashion Group S.p.A. in 2008. On 16 March 2012, Centrobanca sued Mediobanca and various other parties which it alleges played a role in determining the price of the takeover; the next hearing for the procedure in which Mediobanca is involved has been scheduled for 29 January 2013.
- 3) In July 2012, the Chief Executive Officer of Mediobanca, Alberto Nagel, received notice from the public prosecutor's office of Milan that he was under investigation for the alleged crime of "obstructing the public supervisory authorities in the exercise of their duties" (under Article 2638 of the Italian Civil Code) in connection with the Unipol/Fondiaria-SAI merger, followed by questioning on 1 August 2012. The Board of Directors of Mediobanca then met on 5 September 2012 to hear the Chief Executive Officer's report on these events. At the end of the meeting the following press release was issued: "At a Board meeting held today, the Directors of Mediobanca expressed their satisfaction at the state of progress of the Unipol/Fondiaria-SAI merger project and the related recapitalization. In this connection, the Board also noted the report by the Chief Executive Officer on the events relating to the inquest being conducted by the Milan public prosecutor's office. Based on the information available, the Board unanimously agreed that it could wait for the outcome of the enquiries with confidence".

A "provision for risks and liabilities" has been made in the consolidated interim financial statement as at and for the year ended on 31 December 2012 in an amount of €160.8m to cover, inter alia, risks not necessarily linked to the failure to meet obligations or repay loans which could lead to charges in the future.

Material Agreements

Neither Mediobanca nor any of the companies controlled by Mediobanca has entered into or participates in agreements outside of their normal course of business which could result an obligation or entitlement for Group members that would impact significantly on the Issuer's ability to meet its obligations in respect of the holders of financial instruments issued or to be issued.

**FINANCIAL INFORMATION OF MEDIOBANCA – BANCA DI CREDITO FINANZIARIO
S.P.A.**

The consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2012, 2011 and 2010 were prepared in accordance with IFRS as adopted by the European Union.

All of the above annual consolidated financial statements have been audited by Reconta Ernst & Young S.p.A., whose reports thereon are attached to such annual financial statements.

The unaudited consolidated interim financial statements of Mediobanca as at and for the six months ended 31 December 2012, 2011 and 2010 have been prepared in accordance with IFRS as adopted by the European Union.

All of the above consolidated annual and interim financial statements, prepared in each case together with the notes thereto, are incorporated by reference in this Base Prospectus. See “Documents Incorporated by Reference”.

PricewaterhouseCoopers S.p.A. has reviewed the interim financial statements for the semi-annual period ended 31 December 2012 and will audit the consolidated financial statements of Mediobanca for the period 2013-2021.

INFORMATION ON MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

General Information

Name:	Mediobanca International (Luxembourg) S.A. (“ Mediobanca International ”).
Date of Incorporation:	Mediobanca International was incorporated on 13 September 1990 and its registered office was transferred to Luxembourg by a resolution of the Shareholders before a notary on December 21, 2005 and the articles of incorporation were published in the <i>Memorial Recueil des Sociétés et Associations</i> number 567 on 17 March 2006. The articles of association have been amended on 5 October 2007 and have been published in the <i>Memorial Recueil des Sociétés et Associations</i> number 2995 on 24 December 2007. Mediobanca International is incorporated for an unlimited period.
Legislation:	Mediobanca International is a <i>société anonyme</i> operating under Luxembourg law.
Registered Office and Telephone Number:	and 4, Boulevard Joseph II, L-1840 Luxembourg, Tel. no.: (00352) 267303-1.
Registration:	Registre de Commerce et des Sociétés Luxembourg number B 112885.
Financial Year:	Mediobanca International's financial year ends on 30th June of each year.
General Meetings:	General Meetings are held at least once a year.

Share Information

Authorised and Issued Capital:	EUR 10,000,000 divided into 1,000,000 ordinary shares of EUR 10.00 each.
Reserves:	EUR 192,623,000 as at 31 December 2013.
Controlling Shareholders:	Mediobanca - Banca di Credito Finanziario S.p.A.
Change of control:	Mediobanca International is not aware of any agreements aimed at bringing about future changes regarding the ownership structure of Mediobanca International.
Position within the Mediobanca Group:	Mediobanca International is 99% owned by Mediobanca and is part of the Mediobanca Group. The Mediobanca Group is registered as a banking group in the

register instituted by the Bank of Italy.

The Group's principal activities are currently segmented into three divisions: corporate and investment banking (CIB), which includes wholesale banking and leasing; principal investing (PI), which brings together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco and stakes taken as part of merchant banking and private equity activity; and retail and private banking (RPB), consisting of consumer credit activities, CheBanca! (retail banking) and private banking (CMB and Banca Esperia).]

Management

Board of Directors: The Articles of Association provide for a Board of Directors consisting of at least three members elected by the general meeting of shareholders for a term of office not to exceed six years.

Directors: The Board of Directors is responsible for setting authorisation levels, defining organisational structure, defining the system of internal control and reviewing it on a regular basis, and approving the bank's accounts and interim statements. The Board of Directors consists of the following eight Directors:

<i>Director</i>	<i>Place and date of birth</i>	<i>Principal activities performed by the Directors outside Mediobanca International</i>
Massimo Di Carlo (Chairman)	Rovereto on 25 June 1963	Deputy General Manager of Mediobanca
Luca Tiziano Maccari	Milano on 14 March 1971	-
Peter Gerrard	New York on 21 October 1947	International banking executive
Stefano Pellegrino	Cassino on 22 January 1966	Head of equity investment Mediobanca Group Unit
Silvio Perazzini	Gargnano on 27 June 1943	External advisor of Mediobanca
Federico Potsios	Rome on 17 July 1963	Lending division manager in Mediobanca

Alex Schmitt Luxembourg on 24 Attorney at law, member of
March 1953 Luxembourg bar, partner of
the law firm Bonn &
Schmitt

The business address of each of the directors is 4, Boulevard Joseph II, L-1840 Luxembourg, with the exception of Alex Schmitt whose business address is 22-24 Rives de Clausen, L-2165 Luxembourg.

There are no significant conflicts of interests between any of the Directors' duties to Mediobanca International and their private interests or other duties.

Managing Directors:

Day-to-day management is entrusted to two managing directors: Peter Gerrard (Board member) and Luca Tiziano Maccari (Board member).

Approved statutory auditors:

PricewaterhouseCoopers Société coopérative, a *société coopérative* incorporated under the laws of Luxembourg, with its registered office at 400, Route d'Esch, L-1014 Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B.65477, was designated, at the Board of Directors' meeting held on 11 September 2012, as the Company's independent auditor (*réviseur d'entreprises agréé*).

PricewaterhouseCoopers Société coopérative, will audit the non-consolidated financial statements of the Company as at, and for the three years ended 30 June 2013, 2014 and 2015.

PricewaterhouseCoopers Société coopérative, is registered as a corporate body with the public register of company auditors drawn up by the Luxembourg Ministry of Justice and is a member of the Institute of Auditors (*l'Institut des Réviseurs d'Enterprises*) and is approved by the Commission de Surveillance du Secteur Financier ("CSSF") in the context of the law dated 18 December 2009 relating to the audit profession, as amended.

Ernst & Young S.A., cabinet de revision agréé, Luxembourg, a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, with its registered office at 7, rue Gabriel Lippmann-Parc d'Activité Syrdall 2, 5365 Munsbach, Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B.47.771, audited the non-consolidated financial statements of the Company as at, and for the three years ended 30 June 2012, 2011 and 2010.

Ernst & Young S.A., is registered as a corporate body with the public register of company auditors drawn up by the Luxembourg

Ministry of Justice and is a member of the Institute of Auditors (*l'Institut des Réviseurs d'Enterprises*) and is approved by the Commission de Surveillance du Secteur Financier ("CSSF") in the context of the law dated 18 December 2009 relating to the audit profession, as amended.

Object and General Business Policy

Business Operations: Mediobanca International may carry out, either within or outside the Grand Duchy of Luxembourg, any banking or financial operations authorised by the law relating to the financial sector.

Mediobanca International's principal activity consists of raising funds on international markets, by issues of bonds chiefly under a short and medium term notes programme guaranteed by Mediobanca. Mediobanca International is also engaged in corporate lending operations.

Risk Management: All interest rate, currency, credit and other risks are managed within the Mediobanca Group.

Tax Treatment: See "*Taxation - (B) Tax Regime for Mediobanca International issues - Luxembourg*".

Shareholders Equity and Medium and Long Term Debt

The following table shows the capitalisation in Euro of Mediobanca International as at 30 June 2012, 2011 and 2010.

	As at 30 June		
	2012	2011	2010
	<i>(Euro)</i>		
Shareholders equity			
Share capital	10,000,000	10,000,000	10,000,000
Reserves	192,623,000	156,518,524	121,226,578
Retained earnings	--	--	--
Net profit	28,428,435	36,104,476	35,291,946
Total Shareholder's equity	231,051,435	202,623,000	166,518,524
Medium and long-term debt²			
1. Amounts owed to credit institutions	1,939,348,204	1,859,196,379	1,643,810,890

² Medium and Long-term debt consists of amounts owed to credit institutions and notes and bonds payable for which the original maturity, at the date of issuance, was 18-months or longer.

2. Notes and bonds payable	1,623,748,245	1,322,756,637	1,881,649,089
Total medium and long-term debt	3,563,096,449	3,181,953,016	3,525,459,979
Total capitalisation	3,794,147,884	3,384,576,016	3,691,978,503

	As at 31 December 2012		
	2012	2011	2010
	<i>(Euro)</i>		
Shareholders equity			
Share capital	10.000.000	10.000.000	10.000.000
Reserves	221.051.434	192.623.000	156.518.524
Retained earnings	–	–	–
Net profit	8.155.134	15.057.517	18.293.801
Total Shareholder's equity	239.206.568	217.680.517	184.812.325
Medium and long-term debt³			
1. Amounts owed to credit institutions	1.144.926.062	1.923.152.507	1.892.958.144
2. Notes and bonds payable	1.422.260.425	1.711.155.980	1.653.414.146
Total medium and long-term debt	2.567.186.487	3.634.308.487	3.546.372.290
Total capitalisation	2.806.393.055	3.851.989.004	3.731.184.615

³ Medium and Long-term debt consists of amounts owed to credit institutions and notes and bonds payable for which the original maturity, at the date of issuance, was 18-months or longer.

**FINANCIAL INFORMATION OF MEDIOBANCA INTERNATIONAL
(LUXEMBOURG) S.A.**

Mediobanca International only produces non-consolidated financial statements.

The audited non-consolidated financial statements of Mediobanca International as at and for the years ended 30 June 2012, 2011 and 2010, in each case together with the notes thereto, are incorporated by reference in this Base Prospectus. See “Documents Incorporated by Reference”.

The unaudited annual non-consolidated financial statements of Mediobanca International as at and for the years ended 30 June 2012, 2011 and 2010 have been prepared in accordance with IFRS as adopted by the European Union. All of the above annual non-consolidated financial statements of Mediobanca International have been audited by Ernst & Young S.A., cabinet de revision agréé, Luxembourg, whose reports thereon are attached to such annual financial statements.

The unaudited interim financial statements of Mediobanca International as at and for the semi-annual periods ended 31 December 2012, 31 December 2011 and 31 December 2010 have been prepared in accordance with IFRS as adopted by the European Union.

PricewaterhouseCoopers Société coopérative has reviewed the interim financial statements for the semi-annual period ended 31 December 2012 and will audit the non-consolidated financial statements of Mediobanca International as at, and for the three years ended 30 June 2013, 2014 and 2015.

PLAN OF DISTRIBUTION

References in this Base Prospectus to “**Permanent Dealers**” are to the persons listed in the paragraph headed “Dealers” in the section headed “Description of the Issuance Programme” above and to such additional persons which are appointed from time to time as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed from time to time as a dealer solely in respect of one or more Tranches.

Subject to the terms and conditions contained in a dealer agreement dated 12 March 2013 as further amended or supplemented from time to time (the “**Dealer Agreement**”) between the Issuers, the Guarantor, the Arrangers and the Permanent Dealers, the Securities will be offered on a continuous basis by each Issuer to the Permanent Dealers. However, the relevant Issuer has reserved the right to sell Securities directly on its own behalf to Dealers which are not Permanent Dealers. The relevant Issuer may also offer and sell Securities directly to investors without the involvement of any Dealer. The Securities may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Securities may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Securities to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers.

Pursuant to the terms and conditions of the Dealer Agreement, the relevant Issuer, failing whom, where applicable, the Guarantor, has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Securities. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by Mediobanca and Mediobanca International, acting together or, in relation to itself and Mediobanca and Mediobanca International only, by any Dealer, at any time on giving not less than ten Business Days' notice.

General

The selling restrictions described below may be modified by the agreement of the relevant Issuer, the Guarantor (where applicable) and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer and each further Dealer appointed under the Programme has agreed that it will comply with all relevant laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the relevant Issuer, the Guarantor (where applicable), nor any other Dealer shall have responsibility therefor.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of the Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive

provided that no such offer of Securities referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (v) an “**offer of Securities to the public**” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (vi) the “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State);
- (vii) the “**2010 Amending Directive**” means Directive 2010/73/EC.

United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Securities in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, subject to certain exemptions. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer sell or deliver the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Securities comprising the relevant Tranche as determined, and certified to the relevant Issuer or the Fiscal Agent by such Dealer (or, in the case of a sale of a Tranche of Securities to or through more than one Dealer, by each of such Dealers as to the Securities of such Tranche purchased by or through it in which case the Fiscal Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will have sent to each dealer to which it sells Securities during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act (if available).

United Kingdom

In relation to each Tranche of Securities, each Dealer subscribing for or purchasing such Securities represents to and agrees with the relevant Issuer, the Guarantor (where applicable) and each other such Dealer (if any) that:

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) *No deposit-taking*: in relation to any Securities having a maturity of less than one year from the date of issue:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Securities other than to persons:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the relevant Issuer;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor (where applicable); and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, save as set out below, it has not offered or sold, and will not make an offer of any Securities to the public in the Republic of Italy and that sales of the Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver any Securities or distribute copies of this Base Prospectus or any other document relating to the Securities in the Republic of Italy except:

1. that each Dealer may make an offer of Securities to the public if the final terms in relation to the Securities specify that a Non-exempt Offer may be made in the Republic of Italy, including without limitation, by means of an offer of Securities to the public following the date of publication of a prospectus in relation to such Securities and provided that such prospectus has been (i) approved in another Relevant Member State and notified to CONSOB and (ii) completed by final terms expressly contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, as implemented in the Republic of Italy under Legislative Decree No. 58 of 24 February 1998, as amended (“**Decree No. 58**”) and CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971/1999**”), in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
2. to “**qualified investors**” (*investitori qualificati*), as defined under Article 34-ter, first paragraph, letter b) of Regulation No. 11971/1999, implementing Article 100, paragraph 1(a) of Decree No. 58; or

3. in other circumstances which are exempted from the rules on public offerings, as provided under Decree No. 58 or Regulation 11971/1999.

Any such offer, sale or delivery of the Securities or distribution of copies of the Base Prospectus or any other document relating to the Securities in the Republic of Italy must be:

- (e) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended from time to time, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and any other applicable laws and regulations; and
- (f) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian regulatory authority.

Provisions relating to the secondary market

Potential Purchasers should also note that in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies under paragraphs (2) and (3) above, the subsequent distribution of the Securities on the secondary market in the Republic of Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971/1999. Failure to comply with such rules may result in the sale of such Securities being declared null and void and in the intermediaries transferring the Securities being liable for any damages suffered by investors or potential investors.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken and each further Dealer appointed under the Programme will be required to undertake that it will not offer or sell any Securities directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Securities will be in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Securities and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms

[MEDIOBANCA - Banca di Credito Finanziario S.p.A./

MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.]

**Issue of [currency] [aggregate principal amount] [number] [Certificates] [Warrants] due
[maturity]**

**[guaranteed in the case of Securities issued by
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. by**

MEDIOBANCA - Banca di Credito Finanziario S.p.A.]

under the

Issuance Programme

SERIES NO: []

TRANCHE NO: []

Issue Price: [] per cent.

[Dealer(s)]

The date of these Final Terms is []

[The Base Prospectus referred to below (as completed by [the supplement to the Base Prospectus dated [] and] these Final Terms) has been prepared on the basis that, except as provided in subparagraph (ii) below, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (as amended) (the “**Prospectus Directive**”) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in [Paragraph 9] (*Non-exempt offer*) of Part B below, provided such person is one of the persons mentioned in [Paragraph 9] (*Non-exempt offer*) of Part B below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.]⁴

⁴ Include where a non-exempt offer of Securities is anticipated.

[The Base Prospectus referred to below (as completed by [the supplement to the Base Prospectus dated [] and] these Final Terms) has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (as amended) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offer of the Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the Securities may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.⁵

[This document constitutes the Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities set forth in the Base Prospectus dated [] 2013 [and the supplement to the Base Prospectus dated [insert date] [delete if not applicable].] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended). This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as supplemented from time to time]. Full information on the Issuer [and the Guarantor] and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address]]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[This document constitutes the Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the “**Conditions**”) set forth in the Base Prospectus dated [date of original base prospectus]. This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (as amended) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [] 2013 [and the supplement to the Base Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] which is incorporated by reference to the Base Prospectus dated [] 2013. Full information on the Issuer [and the Guarantor] and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [date of original base prospectus] and [] 2013 [and the supplement to the Base Prospectus dated []]. The Base Prospectuses [and the supplement to the Base Prospectus] [is/are] available for viewing at the registered office[s] of the Issuer [and of the Guarantor] [at []].] The Base Prospectus and, in the case of Securities admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

⁵ Include where an exempt offer of Securities is anticipated.

[A summary of the individual issue is annexed to these Final Terms.]⁶

[Include whichever of the following apply or specify as “not applicable”. Note that the numbering should remain as set out below, even if individual items are deleted.]

[When completing any final terms, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

[If the Securities have a maturity of less than one year from the date of their issue, the minimum redemption value may need to be £100,000 or its equivalent in any other currency.]

PART A – GENERAL

GENERAL PROVISIONS

- 1 Series details:
- (i) Series Number: []
 - (ii) Tranche Number: []
 - (iii) No. of Securities issued: []
 - (iv) No. of Securities per Unit [Not applicable][] (*Only applicable for Warrants*)
 - (vi) Issue price per [Security][Unit] [] (*Issue Price per Unit only applicable for Warrants*)
 - (vii) Issue Date: []
 - (viii) Nominal Amount per Security: [] [Not Applicable]
 - (ix) [Date [Board] approval for issuance of Securities [and Guarantee] obtained: [Not applicable] [] [and []], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities or related guarantee of the Securities)
2. Consolidation: [Not applicable] [The Securities are to be consolidated and form a single series with the *[insert title of relevant series of Securities]* issued on *[insert issue date]* with effect from *[insert date on which the Securities become fungible].*] (*N.B. Only*

⁶ Include only where a non-exempt offer of Notes is anticipated.

applicable in relation to Securities which are fungible with an existing series of Securities)

3. Type of Securities and Reference Item:
- (i) Type of Securities: The Securities are [Certificates] [Warrants]. [The Securities [are European Style Warrants] [American Style Warrants]. The Securities are [Index Securities] [Share Securities] [Currency Securities] [Debt Securities] [Commodity Securities] [Fund Securities].
 - (ii) Reference Item: [] [*specify Reference Item*]
[Reference Item 1: []]
Reference Item 2: []]
[*specify Reference Item 1 and Reference Item 1 if Performance Differential applies*]
[The Components comprising the Basket are:
[] [*specify Components*]
[The Component Weight(s) to be applied to each Component comprising the Basket are: [].]
4. Exercise:
- (i) Exercise Date: [Not applicable] [] (*Applicable in relation to Certificates and European Style Warrants*)
 - (ii) Renunciation Notice Cut-off Time [Not applicable] [] (*Only applicable for Italian Listed Securities*)
5. Barrier Event: [Not applicable] [applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Barrier Event: [] (*Applicable in relation to Certificates and European Style Warrants*)
 - (ii) Barrier Level: []

- (iii) Barrier Cash Settlement Amount: [Not applicable] [] [As specified in Condition [16(D)] [19(D)]]
- (iv) Barrier Entitlement: [Not applicable] [] [As specified in Condition [16(D)] [19(D)]]
- (v) Barrier Maximum Amount: [] [Not applicable]
- (vi) Barrier Minimum Amount: [] [Not applicable]
- (vii) Barrier Exercise Date: [] [and the Securities shall be automatically exercised on [] [such date]]
- (viii) Barrier Observation Date: [Not applicable] []
- (ix) Barrier Observation Period: [Not applicable] []
6. Settlement: Settlement will be by way of [cash payment (“**Cash Settled Securities**”)] [and/or] [physical delivery (“**Physical Delivery Securities**”)].
- (i) Issuer’s option to vary settlement: The Issuer [has] [does not have] the option to vary settlement in respect of the Securities.
- (ii) Settlement Date: [Not applicable] [The settlement date for the Securities is [].] (*N.B. Applicable for Physical Delivery Securities. Only applicable for Cash Settled Securities if Settlement Date is different from the definition in Condition 3*).
- (iii) Settlement Business Day Centre(s): [Not applicable] [The applicable Settlement Business Day Centre[s] for the purposes of the definition of “Settlement Business Day” in Condition 3 [is/are] [].] (*N.B. Only applicable in the case of Physical Delivery Securities*).
- (iv) Valuation Date: [Not applicable] [] (*N.B. Applicable for Cash Settled Securities that are Certificates*)
- (v) Averaging: Averaging [applies] [does not apply] to the Securities. [The Averaging Dates are [].]
- [In the event that an Averaging Date is a Disrupted Day, [Omission] [Postponement] [Modified Postponement] (as defined in

Condition 3) will apply.

7. Cash Settlement: [Applicable] [Not applicable]
- (N.B. Only applicable in relation to Cash Settled Securities.)*
- (i) Cash Settlement Amount: [Not applicable] [] [As specified in Condition 3]
- [Normal Performance is applicable]
- [Performance Differential is applicable]
- (ii) Participation Factor: [Not applicable] []
- (iii) Guaranteed Cash Settlement Amount: [Not applicable] [] [As specified in Condition 2]
- (iv) Maximum Amount [Not applicable] []
- (v) Minimum Amount [Not applicable] []
- (vi) Exchange Rate: The applicable rate of exchange for conversion of any amount into the relevant settlement currency for the purposes of determining the Settlement Price (as defined in Condition 3) or the Cash Settlement Amount (as defined in Condition 3) is *[insert rate of exchange and details of how and when such rate is to be ascertained]*.
- (vii) Settlement Currency: [Not applicable] [The settlement currency for the payment of the Cash Settlement Amount is [].]
8. Physical Settlement: [Applicable] [Not applicable]
- (N.B. Only applicable in relation to Physical Delivery Securities.)*
- (i) Entitlement: [Not applicable] [The Entitlement (as defined in Condition 3) in relation to each Security is [].]
- (N.B. Only applicable in relation to Physical Delivery Securities)*
- (ii) Relevant Asset(s): [Not applicable] [The Relevant Asset[s]

- [is/are] [].]
- (N.B. Only applicable in relation to Physical Delivery Securities. Complete for each Component, where applicable)*
- (iii) Entitlement Units [Not applicable]
- [[] unit[s] of the Relevant Asset[s] relating to the [Component which is []] [Reference Item] *(where the intention is to deliver a basket, insert details of the units of the Relevant Asset[s] relating to each Component)*
- []
- [Not applicable where Entitlement stated above and definition not required. Where Entitlement Units are included, insert Entitlement Multiplier below where relevant]*
- (iv) Entitlement Multiplier [Not applicable]
- [] [The quotient of [the Nominal Amount] [100] [] (as numerator) and the Initial Reference Level (as denominator)]
- [Not applicable where Entitlement stated above and definition not required. Where Entitlement Units are included, insert Entitlement Multiplier where relevant]*
- (iii) Evidence of Entitlement: [Not applicable] [The Entitlement will be evidenced by *[insert details of how the Entitlement will be evidenced].*]
- (iv) Delivery of Entitlement: [Not applicable] [The Entitlement will be delivered *[insert details of the method of delivery of the Entitlement].*]
- (v) Settlement Currency: [Not applicable] [The settlement currency for the payment of the Settlement Disruption Amount *(in the case of Physical Delivery Securities)* is [].]
- (vi) Failure to Deliver due to Illiquidity: Failure to Deliver due to Illiquidity [applies] [does not apply] to the Securities.

(N.B. (1) Only applicable in the case of Physical Delivery Securities. (2) Failure to Deliver due to Illiquidity is applicable to certain Share Securities. Careful consideration should be give to whether Failure to Deliver due to Illiquidity would apply to other Physical Delivery Securities)

9. Business Day Centre(s): The applicable Business Day Centre[s] for the purposes of the definition of “Business Day” in Condition 3 [is/are] [].
10. Name and address of Calculation Agent: The Calculation Agent is [] / (specify other).
[Insert address of Calculation Agent]

PROVISIONS RELATING TO THE TYPE OF SECURITIES

11. Index Securities Provisions: [Applicable] [Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(The following applicable in relation to Index Securities other than Index Securities relating to a Commodity Index. Insert the following for the Reference Item/each Component in a Basket):

- (i) Type of Index: [] [The Index] [is/are] not [a] Commodity [Index] [Indices].
- (ii) Index Sponsor: Not applicable] [The relevant Index Sponsor is [].]
- (iii) Exchange(s): [Not applicable] [As specified in Condition 3] [The relevant Exchange[s] [is/are] [].]
- (iv) Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] []/[All Exchanges]]
- (v) Index Currency: [Not applicable] [The relevant Index Currency is [].]
- (vi) Designated Multi-Exchange Indices: [Not applicable] [[] [The Index] is a Designated Multi-Exchange Index.] *(N.B. Designated Multi-Exchange Indices applies*

in relation to Euro Stoxx Indices).

(The following applicable in relation to Index Securities relating to a Commodity Index. Insert the following for the Reference Item/each Component in a Basket):

- | | | |
|--------|--|---|
| (i) | Type of Index: | [] [The Index] [is/are] [a] Commodity [Index] [Indices]. |
| (ii) | Index Sponsor: | [Not applicable] [The relevant Index Sponsor is [].] |
| (iii) | Exchange(s): | [Not applicable] [As specified in Condition 3] [The relevant Exchange[s] [is/are] [].] |
| (iv) | Related Exchange(s): | [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] []/[All Exchanges]] |
| (v) | Commodity Index Reference Price: | [Not applicable] [The Commodity Index Reference Price is [].] |
| (vi) | Commodity Index Cut-Off Date: | [Not applicable] [The Commodity Index Cut-Off Date is [].] <i>(N.B. Only applicable if different from Condition 13)</i>]. |
| (vii) | Index Currency: | [Not applicable] [The relevant Index Currency is [].] |
| (viii) | Designated Multi-Exchange Indices: | [Not applicable] [[] [The Index] is a Designated Multi-Exchange Index.] <i>(N.B. Designated Multi-Exchange Indices applies in relation to Euro Stoxx Indices).</i> |
| 12. | Share Securities Provisions: | [Applicable] [Not applicable] |
| | <i>(Insert the following for the Reference Item/each Component in a Basket):</i> | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Exchange(s): | [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] [].] |
| (ii) | Related Exchange(s): | [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [|

-]/[All Exchanges]]
- (iii) Tender Offer: [Applicable/Not applicable]
- (N.B. Only applicable in relation to Share Securities)*
- (v) Valuation Time: The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
- (Specify if Valuation Time is other than official closing price)*
13. Currency Securities Provisions: [Applicable] [Not applicable]
- (Insert the following for the Reference Item/each Component in a Basket):* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [].]
- (ii) Base Currency: [Not applicable] [The relevant base currency (the “**Base Currency**”) is [].]
- (iii) Subject Currency: [Not applicable] [The relevant subject [currency/currencies] (each a “**Subject Currency**”) [is/are] [].]
- (iv) Valuation Time: The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
14. Debt Securities Provisions: [Applicable] [Not applicable]
- (Insert the following for the Reference Item/each Component in a Basket):* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [].]
- (ii) Include Accrued Interest: [Not applicable] [Applicable - the bid price in respect of [the Reference Item] [the Component] shall include any accrued but unpaid interest.]
- (iii) Valuation Time: The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the

		calculation of the Settlement Price.
	(iv) Redemption of Debt Instruments:	Replacement of Debt Instruments is [applicable] [not applicable]
15.	Commodity Securities Provisions:	[Applicable] [Not applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	<i>(Insert the following for the Reference Item/each Component in a Basket):</i>	
	(i) Specified Futures Contract:	[Not applicable] [●]
	(ii) Commodity Reference Price:	[Not applicable] [●]
	(iii) Exchange Price:	[Not applicable] [Applicable]
	Exchange:	[Not applicable] [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] []].]
	Related Exchange(s):	[Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] []/[All Exchanges]]
	(iv) Screen Price:	[Not applicable] [Applicable]
	Specified Price:	[Not applicable] [●]
	Valuation Time:	The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.
	Price Source:	[Not applicable] [The relevant screen page (“ Price Source ”) is [].]
	(v) Delivery Dates:	[Not applicable] [●]
	(vi) Nearby Month:	[Not applicable] [●]
	(vii) Market Disruption Events:	[Price Source Disruption] [Trading Disruption] [Disappearance of Commodity Reference Price] [Tax Disruption] [Material Change in Content] [Material Change in Formula] [Early Closure].]
16.	Fund Securities:	[Applicable] [Not applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Exchange Price: [Not applicable] [Applicable]
- Exchange: [Not applicable] [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] []].]
- Related Exchange(s): [Not applicable] [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] []/[All Exchanges]]
- (ii) Screen Price: [Not applicable] [Applicable]
- Specified Price: [Not applicable] [●]
- Valuation Time: [Not applicable] [The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- Price Source: [Not applicable] [The relevant screen page (“**Price Source**”) is [].]
- (iii) NAV Price: [Not applicable] [Applicable]
- Valuation Time: [Not applicable] [The Valuation Time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- (iv) Substitution Events: [(a) The following Substitution Events apply to the Securities:
- (Specify each of the following which applies.*
- [Audit Event
- Charging Change
- Corporate Event
- Cross-contamination
- Currency Change

Distribution Inkind
Fund Accounting Event
Fund Constitution Breach
Fund Constitution Change
Fund Regulatory Event
Fund Rules Breach
Fund Strategy Breach
Fund Strategy Change
Fund Tax Event
Hedging Event
Investor Tax Event
Litigation Event
Management Change
Mandatory Disposal
Market Event
NAV Suspension
Performance Failure
Potential Regulatory Event
Redemption Failure
Regulatory Event
Subscription/Redemption Alteration
Subscription/Redemption Restriction
Transfer Restriction

17. Additional Disruption Events:

[(a)] The following Additional Disruption Events apply to the Securities:

(Specify each of the following which applies.)

[Change in Law

Hedging Disruption

Increased Cost of Hedging

Increased Cost of Stock Borrow

Insolvency Filing

Loss of Stock Borrow

Price Correction]

[(b)] *[The Trade Date is [insert [(i) Issue Date]; [(ii) the date on which the relevant Dealer has agreed to subscribe a particular tranche of Securities; or [(ii) such other date that may be specified]].*

(N.B. only applicable if Change in Law and/or Increased Cost of Hedging is applicable)

[(c)] *[The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is [].*

(N.B. Only applicable if Loss of Stock Borrow is applicable).]

[(d)] *[The Initial Stock Loan rate in respect of [specify in relation to each relevant Share] is [].*

(N.B. Only applicable if increased Cost of Stock Borrow is applicable).]

PROVISIONS RELATING TO WARRANTS ONLY

[The following provisions are only applicable to Warrants:]

18. Type of Warrants: [Not applicable]
- [(i) The Warrants are [European/American] Style Warrants.
- [(ii) The Warrants are [Call] [Put] Warrants.]
19. Exercise Price: [Not applicable] [The exercise price per [Warrant] [Unit] is []. (N.B. This should take into account any relevant Multiplier

and, in the case of an Index Security, must be expressed as a monetary value).]

20. Strike Level: [Not applicable] []
21. Exercise Period: [Not applicable] [] (*Only applicable for American Style Warrants*).
22. (i) Automatic Exercise: [Not applicable]
[Automatic Exercise [applies] [does not apply] to the Warrants.]
- (ii) Renouncement Notice Cut-off Time: [Not applicable] [] (*Only applicable for Italian Listed Securities*).
23. Minimum Exercise Number: [Not applicable] The minimum number of Warrants that may be exercised on any day by any Securityholder is [] [and Warrants may only be exercised in integral multiples of [] Warrants in excess thereof].
24. Maximum Exercise Number: [Not applicable] The maximum number of Warrants that must be exercised on any day by any Securityholder or group of Securityholders (whether or not acting in concert) is []. (*N.B. not applicable for European Style Warrants*).
25. Units: [Not applicable] [] (*N.B. This is in addition to any requirements relating to "Minimum Exercise Number" or "Maximum Exercise Number" set out above*).

PROVISIONS RELATING TO REMUNERATION IN RESPECT OF CERTIFICATES

[The following provisions are only applicable to Certificates:]

26. Notional Amount per Certificates: [Not applicable] []
27. Remuneration Rate Switch Date: [Not applicable] []
28. Remuneration Barrier Event: [Not applicable] []
- (i) No Further Interest Accrual: [Applicable] [Not applicable]
- (ii) No Interest Accrual for Remuneration Period: [Applicable] [Not applicable]
- (iii) Remuneration Barrier Level: []

- (iv) Barrier Observation Date: [Not applicable] []
- (v) Barrier Observation Period: [Not applicable] []
29. Fixed Rate Provisions: [Not applicable] [Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Remuneration Rate: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Remuneration Payment Dates: [[] in each year [adjusted in accordance with [specify Business Day Convention] and the Settlement Date]
- (iii) Fixed Remuneration Amount[(s)]: [] per Certificate
- (iv) Business Day Convention: [Following Business Day Convention [Modified Following Business Day Convention] [Preceding Business Day Convention]
- (v) Remuneration Rate Day Count Fraction: [Actual/360]
 [Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [30/360 (Floating) or 30/360 or Bond Basis] [30E/360 or Eurobond Basis]
 [30E/360 (ISDA)]
30. Floating Rate Provisions: [Not applicable] [Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Remuneration Payment Dates: [[] in each year [adjusted in accordance with [specify Business Day Convention] and the Settlement Date]
- (ii) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
- (iii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination] [ISDA Determination] [CMS Determination]

- (iv) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [] [Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (v) Screen Rate Determination: [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph (v))*
- Reference Rate: [EURIBOR] [LIBOR] [LIBID] [LIMEAN] [CMS] [specify relevant yield of Government securities]
 - Specified Duration: []
 - Rate Multiplier: [] [Not applicable]
 - Reference Rate Multiplier: [] [Not applicable]
 - Remuneration Determination Date(s): [The Remuneration Determination Date in respect of each Remuneration Period is [the first day of each Remuneration Period] [the second day on which TARGET2 is open prior to the first day of each Remuneration Period] [the day falling two Banking Days prior to the first day of each Remuneration Period] []] Typically second London business day prior to the start of each Remuneration Period if LIBOR (other than Sterling or euro LIBOR), first day of each Remuneration Period if Sterling LIBOR and the second TARGET Settlement Day prior to the start of each Remuneration Period if EURIBOR or euro LIBOR)
 - Relevant Rate Screen Page: [] [For example, Reuters page EURIBOR01/other (give details)]
 - Relevant Determination Time [] [For example, 11.00 a.m. [London / Brussels] time / other (give details)]
 - Relevant Financial Centre [] [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro/other (give details)]
 - Banking Days: [] [Not applicable]
- (vi) ISDA Determination: [Applicable/Not applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph (x) (ISDA Determination))

- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (vii) Margin(s): [+/-] [] per cent. per annum
- (viii) Minimum Remuneration Rate: []
- (ix) Maximum Remuneration Rate: []
- (x) Remuneration Rate Day Count Fraction: [Actual/360]
 [Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [30/360 (Floating) or 30/360 or Bond Basis] [30E/360 or Eurobond Basis]
 [30E/360 (ISDA)]
- (xi) Interest calculation method for short or long Interest Periods: [Linear Interpolation, in respect of the Remuneration Period beginning on (and including) [] and ending on (but excluding) []]
 [The applicable Relevant Rate on the Interest Determination Date]
 [Not applicable – there are no short or long Remuneration Periods]
31. Remuneration Provisions in respect of Securities relating to a Proprietary Index: Remuneration Amount – Component Cash Flows is [not applicable] [applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Remuneration Payment Dates: [[] in each year [adjusted in accordance with [specify Business Day Convention] and the Settlement Date]
- (ii) Business Day Convention: [Following Business Day Convention]
 [Modified Following Business Day Convention] [Preceding Business Day Convention]

Convention]

OTHER GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

32. Form of Securities:

[Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Security on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security.]

[Temporary Global Security exchangeable for Definitive Security on [] days' notice.]

[Permanent Global Security exchangeable for Definitive Securities on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security].

[TEFRA C shall apply.] [TEFRA D shall apply.]

[The Securities will be issued and held in book-entry form by *[Monte Titoli S.p.A/ include the name of any other custodian appointed by the Issuer]*, as Centralised Custodian.] *[N.B. applicable if the Governing Law is Italian law. See paragraph 28]*

32. Governing Law:

[English law applicable] [Italian law applicable]

RESPONSIBILITY

The information contained in these Final Terms [[] has been extracted from []. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:.....

By:

Duly authorised

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

By:

Duly authorised

Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Luxembourg Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [*specify relevant regulated market*] with effect from [] [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [*specify relevant regulated market*] with effect from [].] [Not applicable]
- (Where documenting a fungible issue need to indicate that original Securities are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [] [Not Applicable (*if the information in paragraph 5(iii) (Estimated total expenses) below is to be provided*)]

2. RATINGS

- Ratings: [The Securities to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].
- [Depending on the status of the credit rating agency with respect to the CRA Regulation, the wording below should be considered.]*
- [[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended). As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation – see www.esma.europa.eu/page/List-registered-and-certified-CRAs .]*
- [[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and it is not registered in*

accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation – see www.esma.europa.eu/page/List-registered-and-certified-CRAs.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”), but it [is]/[has applied to be] certified in accordance with such Regulation [and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation – see www.esma.europa.eu/page/List-registered-and-certified-CRAs]/[although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its

website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

3. **NOTIFICATION**

[Not applicable.] [The CSSF [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus [and the supplement thereto dated []] has been drawn up in accordance with the Prospectus Directive.]

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Not Applicable] [Save for the fees payable to the managers,] so far as the Issuer is aware, no person involved in the [issue/offer] of the Securities has an interest material to the offer.

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: [Not Applicable] []

(See [“Use of Proceeds”] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: [Not Applicable] []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]

(iii) Estimated total expenses: [Not Applicable] []

*[Include breakdown of expenses.]****

6. **YIELD [Certificates bearing remuneration at a fixed rate only]** [Not applicable]

Indication of yield: []

Calculated as *[include details of method of calculation in summary form]* on the Issue Date using *[the ICMA Method]* [].

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price[,] [and] the Fixed Coupon [and the Broken Amount]. It is not an indication of future yield.

7. **HISTORIC INTEREST RATES [floating rate Certificates only]**

[Not Applicable] [Details of historic [EURIBOR/LIBOR/LIBID/LIMEAN/ *relevant yield of Government securities/relevant swap rate*] can be obtained from [Reuters].]

8. **FURTHER INFORMATION PUBLISHED BY THE ISSUER**

[The Issuer does not intend to provide any further information on the past and future

*** It is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.

performance and/or volatility of the Reference Item. [The Issuer will provide further information relating to the past and future performance and/or volatility of the Reference Item on [*insert source []*] [and update the information on an ongoing basis following issuance of the Securities]. Such information will include [describe information: []]

9. **INFORMATION RELATING TO THE REFERENCE ITEM**

[Information on the past and future performance of the Reference Item and its volatility can be obtained [on the public website on www. [] [] [and on the [Bloomberg] or [Reuters] page as provided for each Component composing the Reference Item. [NB ensure such page is given there] [*If no public information exists, insert: in a physical form at the offices of [insert address/telephone number]*]

[If the Reference Item is an index or basket of indices, insert:

The sponsor of the, or each, index composing the Reference Item also maintains an Internet Site at the following address where further information may be available in respect of the Reference Item.

Name of Index Sponsor Website

[Insert relevant disclaimer for each index:]

10. **OPERATIONAL INFORMATION**

ISIN: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Initial Paying Agents:

Names and addresses of additional Paying Agent(s) (if any): []

10. **DISTRIBUTION**

- (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not applicable/give names and addresses and underwriting commitments]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis

and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

(ii) Date of Subscription Agreement: [Not Applicable] []

(iii) Stabilising Manager(s) (if any): [Not applicable/give name]

If non-syndicated, name of Dealer: [Not applicable/give name]

Non-exempt offer: [Not applicable] [An offer of the Securities may be made by the Managers and [specify if applicable] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] (“**Public Offer Jurisdictions**”) during the period from [specify date] until [specify date] (“**Offer Period**”). See further Paragraph 11 (*Terms and Conditions of the Offer*) of Part B below.

11. **TERMS AND CONDITIONS OF THE OFFER*** [Not applicable]

Offer Period: [] to []

Offer Amount: [] [provided that, during the Offer Period, the Issuer will be entitled [(following consultation with the relevant Dealer(s))] to increase such Offer amount up to []] [provided [further] that, during the Offer Period the Issuer will be entitled [(following consultation with the relevant Dealer(s))] to extend the length of the Offer Period]. The Issuer [and the relevant Dealer(s)] shall forthwith give notice of any such [increase] [and/or] [extension] pursuant to Condition 8 (*Notices*) of the Terms and Conditions of the Securities and comply with any applicable laws and regulations.]

Offer Price: [Issue Price][specify]

Conditions to which the offer is [Not applicable/give details]

* Not relevant for an issue of Securities with an issue price of equal to or greater than Euro 100,000 (or its equivalent in another currency).

subject:

Description of the application process: [Not applicable/*give details*]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/*give details*]

Details of the minimum and/or maximum amount of application: [Not applicable/*give details*]

Details of the method and time limits for paying up and delivering the Securities: [Not applicable/*give details*]

Manner in and date on which results of the offer are to be made public: [Not applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/*give details*]

Consent to use of Base Prospectus [The Issuer consents to the use of the Base Prospectus by all financial intermediaries (general consent).]

[General consent for the subsequent resale or final placement of the Securities by the financial intermediary[y][ies] is given in relation to [].]

[The Issuer consents to the use of the Base Prospectus by the following financial intermediary[y][ies] (individual consent): *[insert names] and address[es]*.]

[Individual consent for the subsequent resale or final placement of the Securities by the financial intermediary[y][ies] is given in relation to [] to *[insert names] and address[es]*] and *[give details]*.]

[Such consent is also subject to and given under condition []]

[The subsequent resale or final placement of the Securities by financial intermediaries can be made [as long as the Base Prospectus is valid in accordance with article 9 of the Prospectus Directive] [].]

PART C – OTHER APPLICABLE TERMS

[Insert other relevant information and provisions in accordance with Annex XXI of Regulation 2004/809/EC, such as (i) additional provisions, not required by the relevant securities notes, relating to the underlying country(ies) where the offer(s) to the public takes place, (ii) country(ies) where admission to trading on the regulated market(s) is being sought, (iii) country(ies) into which the relevant base prospectus has been notified, (iv) series number, (v) tranche number. Delete if not required]

PART D – SUMMARY OF THE SPECIFIC ISSUE

[Insert Summary of the specific issue]

TAXATION

The following is a general summary of certain Italian and Luxembourg tax consequences of the purchase, the ownership and the disposal of the Securities. It does not purport to be a comprehensive description of all the tax aspects which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors and of Securities, some of which (such as dealers in securities or commodities and certain non-Italian resident Securityholders purchasing Securities convertible or exchangeable into shares) may be subject to special rules.

Prospective purchasers of the Securities are advised to consult in any case their own tax advisers concerning the overall tax consequences of their purchase, ownership and disposal of the Securities.

This summary assumes that Mediobanca and Mediobanca International are resident for tax purposes in the Republic of Italy and in Luxembourg respectively and are structured and conduct their business in the manner outlined in this Prospectus. Changes in Mediobanca and/or Mediobanca International's organisational structure, tax residence or the manner in which each of them conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Securities is at arm's length.

Where in this summary English terms and expressions are used to refer to Italian and Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian and Luxembourg concepts under Italian and Luxembourg tax laws.

This summary is based upon the laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Neither Mediobanca nor Mediobanca International will update this summary to reflect changes in law and/or practice. If any such change should occur, the information in this summary could become obsolete.

(A) Italian Taxation of the Securities issued by Mediobanca

Tax on income and capital gains

Provided the Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a Securityholder in respect of the periodic measurement of the Securities and/or in relation to the net proceeds received from a redemption or sale of the Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Securities received by a Securityholder which is (a) an Italian resident corporation or similar commercial entity, (b) an Italian individual engaged in entrepreneurial activities to which the Securities are effectively connected, or (c) a permanent establishment in Italy of a non-Italian resident to which the Securities are effectively connected, as well as unrealised gains reported in the statutory financial statements, may have to be included in the relevant holder's taxable income and are therefore

subject to the general Italian corporate tax regime (corporate income tax, IRES, is currently applicable at 27.5 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rules. In certain cases, depending on the *status* of the Securityholder, such proceeds may also have to be included in its taxable base for regional income tax on business activities (IRAP, currently applicable at a rate of 3.9 per cent. IRAP rate may be increased in certain Italian regions, also in accordance with the provisions of Law Decree No. 93 of 27 May 2008, which has been converted into Law No. 126 of 24 July 2008; IRAP rate has also been increased to 4.65 per cent. and 5.9 per cent. by article 23(5) of Law Decree no. 98 of 6 July 2011 for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree no. 446 of 15 December 1997);

- (ii) according to article 5 of Legislative Decree No. 461 of 21 November 1997 (“**Decree 461**”), capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Securities are effectively connected, and by certain other non commercial entities upon the sale for consideration or redemption of the Securities are subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 20 per cent..

In respect of the application of such substitute tax, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realised by the Italian resident individual Securityholder holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Securityholders holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities under the “*risparmio amministrato*” regime provided for by Article 6 of Decree 461 (the “**Risparmio Amministrato**”). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, “*società di intermediazione mobiliare*” (“SIMs”) or certain authorised financial intermediaries (or permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities, net of any incurred capital loss of the same nature, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholder or using funds provided by the Securityholder for this purpose. Under the *Risparmio*

Amministrato regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains of the same nature subsequently realised, within the same securities management relationship, in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Securityholder is not required to declare the capital gains in the annual tax return.

Any capital gains on Securities held by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (the “**Asset Management Option**”) pursuant to Article 7 of Decree 461, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. annual substitute tax, to be paid by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Securityholder is not required to declare the capital gains realised in the annual tax return.

- (iii) the increase or decrease in the fair market value of the Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident collective investment funds and hedge funds, with the exception of Italian real estate investment funds, are not subject to taxation at the fund’s level;
- (iv) the increase or decrease in the fair market value of the Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same Securities by Italian resident pension funds (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005) are included in the determination of the yearly NAV accrued appreciation or depreciation of the assets under management that is subject to a substitute tax currently at a rate of 11 per cent.;
- (v) capital gains realised by non-Italian-resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, regardless of whether the Securities are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities not traded on regulated markets issued by an Italian resident issuer may in certain circumstances be taxable in Italy, if the Securities are held in Italy.

However, non-Italian resident beneficial owners of Securities without a permanent establishment in Italy to which the Securities are effectively connected are not subject to the *imposta sostitutiva* on capital gains realised upon sale or redemption of the Securities, provided that the effective beneficiary: (i) is resident in a country which allows for an adequate exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is resident or established in a country which allows for an adequate exchange of information with Italy, even if it does not possess the *status* of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Securityholders who are institutional investors.

For the purposes of the above, the currently applicable “white list” of countries allowing for an adequate exchange of information with Italy is provided for by Italian Ministerial Decree 4 September 1996, as subsequently amended and supplemented. According to Budget Law 2008 (Law No. 244 of 24 December 2007), a decree still to be issued will introduce a new “white list” ordered to replace the current one.

Moreover, in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Securities are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Securities are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Securities. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the *Risparmio Amministrato* regime according to Article 6 of Decree 461, may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

Please note that for a non-Italian resident, the *Risparmio Amministrato* regime provided for by Article 6 of Decree 461 shall automatically apply, unless it expressly waives this regime, where the Securities are deposited in custody or administration with an Italian resident authorised financial intermediary or permanent establishment in Italy of a foreign intermediary.

Different rules may apply with respect to taxation of capital gains realised upon sale or exercise of Securities convertible or exchangeable into shares, where the sale or redemption of such Security by a Securityholder does qualify as disposal of a qualified participation in the relevant underlying entity⁷.

Certificates qualifying as atypical securities

Payments relating to Certificates issued by Mediobanca that are not deemed to fall within the category of (a) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) or of (b) shares or securities similar to shares (*azioni or titoli similari alle azioni*), but qualify as atypical securities (*titoli atipici*) for Italian tax purposes, may be subject to a withholding tax, levied at the rate of 20 per cent.. For this purpose, pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, securities similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

Where the Securityholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Certificates are connected, (ii) an Italian resident company or a similar Italian resident commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Certificates are effectively connected, (iv) an Italian resident commercial partnership or (v) an Italian resident commercial private or public institution, the above-mentioned 20 per cent. withholding tax is a provisional withholding tax. In all other cases, including when the Securityholder is a non-Italian resident, the withholding tax is a final withholding tax. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non Italian resident Securityholders, subject to proper compliance with relevant subjective and procedural requirements.

(B) Tax regime of the Securities issued by Mediobanca International

1. Tax treatment of the Securities in Luxembourg

Luxembourg tax residency of the holders of the Securities

A holder of the Securities will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Securities, or the execution, performance, delivery and/or

⁷ The disposal of a "qualified" participation in a corporation is deemed to occur when a beneficial owner:

- (i) owns shares (other than saving shares), securities and/or rights through which shares may be acquired representing, in the aggregate, a Qualified Participation, as defined below, and
- (ii) in any 12-month period following the date the ownership test under (i) is met, such beneficial owner engages in the disposal of shares, securities and/or rights through which shares may be acquired that individually or in the aggregate constitute a Qualified Participation.

For the purposes of the above, a participation is defined as qualified participation (“**Qualified Participation**”) if the shares (other than saving shares – *azioni di risparmio*), securities and/or rights through which shares may be acquired – including rights under notes convertible or exchangeable into shares - held by a person amount to/represent (i) more than 2% or 20% of the voting rights in the general shareholders' meeting or (ii) more than 5% or 25% of the share capital, depending on whether the participated company is listed or not on a regulated market.

enforcement of the Securities (holding of the Securities includes receipt of interest and repayment of the principal).

Withholding tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however:

- (i) with respect to Luxembourg non-resident investors and certain types of recipient entities established outside Luxembourg, to the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities established outside Luxembourg called "residual entities") by a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section "EU Savings Directive" below) or agreements unless such investor provides a certificate of exemption as defined in the above-mentioned directive or such investor or entity agrees to the exchange of information;
- (ii) with respect to Luxembourg resident investors, to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management their private wealth) on interest payments made by Luxembourg paying agents to Luxembourg individual residents on interest accrued since July 1st, 2005 but paid after January 1st, 2006. This withholding tax also applies on accrued interest received upon sale, redemption or repurchase of the Securities. The law of 17 July 2008 (amending the law of 23 December 2005) extended the possibility to benefit, under conditions, from such final 10% withholding tax for interest payments to Luxembourg resident individuals not holding the Securities as business assets, that are made through a paying agent established in another EU-Member State, in a Member State of the European Economic Area or in a jurisdiction that has concluded an international agreement in relation to the EU Savings Tax Directive.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws (which may be the Issuer).

Income taxation of the holders of the Securities

Taxation of Luxembourg non-residents

Holders of the Securities who are non-residents of Luxembourg and who do not have a permanent establishment in Luxembourg to which the Securities are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but

unpaid interest), payments received upon the redemption of the Securities, or realize capital gains on the sale of any Securities.

Taxation of Luxembourg residents

General

Holders of the Securities who are residents of Luxembourg, or non-resident holders of the Securities who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the Securities is connected, must, for income tax purposes, include any interest received in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

For individuals resident in Luxembourg, the 10% tax withheld at source constitutes a final taxation.

Capital Gains

Luxembourg resident individuals

Luxembourg resident individuals who are holders of the Securities and who are acting in the course of the management of their private wealth are not subject to taxation on capital gains upon the disposal of the Securities, unless the disposal of the Securities precedes the acquisition of the Securities or the Securities are disposed of within six months of the date of acquisition of these Securities. Upon redemption of the Securities, individual Luxembourg resident holders of the Securities must however include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income.

Luxembourg resident companies – Luxembourg permanent establishment of foreign enterprises

Luxembourg resident companies (sociétés de capitaux) that are holders of the Securities or foreign enterprises which have a permanent establishment in Luxembourg to which the Securities are attributed, must include in their taxable income the difference between the disposal price (including accrued but unpaid interest) and the book value of the Securities disposed of.

Luxembourg resident entities benefiting from a special tax regime

Holders of the Securities who are undertakings for collective investment governed by the law of 17 December 2010, as amended, specialized investment funds governed by the law of 13 February 2007, as amended, or family wealth management companies governed by the law of 11 May 2007, as amended are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e. corporate income tax, municipal business tax and net wealth tax) with respect to the Securities.

Companies subject to the law of 15 June 2004, as amended, on venture capital vehicles might enjoy an exemption on income and gains from the Securities in accordance with, and subject to, the requirements of such law.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of a Security unless: (i) such holder is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or (ii) such Security is attributable to an enterprise or part thereof which is carried on through a permanent establishment or

a permanent representative in Luxembourg. In respect of individuals, the Luxembourg law of 23 December 2005 has abolished the net wealth tax with effect from 1 January 2006. **Other Taxes**

1. Registration

It is not compulsory that the Securities are filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Securities, in accordance therewith, except that, in case of use of the Securities, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an ad valorem registration duty of 0.24% calculated on the amounts mentioned in the Securities. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money. In practice such kind of registration is rarely ordered.

2. VAT

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issuance of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of Securities, provided that Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value-added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from Luxembourg value-added tax does not apply with respect to such services.

3. Inheritance and gift tax

No Luxembourg inheritance tax is levied on the transfer of Securities upon the death of a Securities holder in cases where the death of a Securities holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary.

Physical settlement – holding of shares

In case of physical settlement of the Securities, the Securityholder will receive assets as described in the Final Terms. The holding of shares issued by the Issuer would lead to the following tax treatment.

Withholding Tax

Dividends paid by the Company to the holders of shares are as a rule subject to a 15% withholding tax in Luxembourg. However, subject to the provisions of an applicable double tax treaty, the rate of withholding tax may be reduced. Furthermore, a domestic withholding exemption may apply if, at the time the dividend is made available, (i) the receiving entity is an eligible company which (ii) has held or commits itself to hold for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the Issuer or a participation of an acquisition price of at least EUR 1.2 million. Eligible entities include either a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, or a Luxembourg permanent establishment thereof, or a company resident in a

State having concluded a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg corporate income tax (hereafter, “CIT”) or a Luxembourg permanent establishment thereof, or a company limited by shares (société de capitaux) or a cooperative society (société coopérative) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, or a Swiss company limited by share capital which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption.

Income Tax

(a) Luxembourg Resident Individual Holder of Shares

Dividends derived from the shares by resident individual holders, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the progressive ordinary rate. Such dividend may benefit from the 50% exemption set forth in Article 115.15 a) of the Luxembourg Income Tax Law, subject to the fulfillment of the conditions set out therein.

Capital gains realized on the disposal of the shares by resident individual holders, should not be subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains on the shares are deemed to be speculative gains and are subject to income tax at ordinary income tax rates if the shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual holder of shares has either alone or together with his spouse and/or underage children, held directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the Company. A holder of shares is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the transferor (or any of the successive transferor in case of successive transfers free of charge within the same 5-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shares.

(b) Luxembourg Resident Corporate Holders of Shares

Dividends and other payments derived from the shares and paid to a Luxembourg fully-taxable resident company are subject to income tax, unless the conditions of the participation exemption regime, as described below, are satisfied. If these conditions are not met, under current Luxembourg tax laws, 50% of the gross amount of dividends received on the shares may be exempt from income tax pursuant to article 115 15 a) of the Luxembourg Income Tax Law. A tax credit is further granted for Luxembourg withholding taxes, if any.

Under the participation exemption regime, dividends derived from the shares may be exempt from income tax at the level of the holder of shares, except for the amount of the expenses which directly relate to this shareholding and which have reduced the Luxembourg fully-taxable resident company’s taxable basis in the year of receipt of the dividend, if cumulatively, (i) the holder of shares is a Luxembourg resident fully-taxable company, or a Luxembourg permanent establishment of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, or a Luxembourg permanent

establishment of a company limited by share capital resident in a country having a tax treaty with Luxembourg, or a Luxembourg permanent establishment of a limited company or a cooperative company resident in the European Economic Area other than a EU Member State, (ii) the beneficiary has held or commits itself to hold the shares for an uninterrupted period of at least 12 months at the time of the distribution, (iii) during this whole period, the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1.2 million.

Capital gains realized by a Luxembourg fully-taxable resident company on the shares are subject to income tax at ordinary rates. However, under the participation exemption regime, capital gains realized on the shares may be exempt from income tax, except for the amount of the expenses which directly relate to this shareholding and which have reduced the Luxembourg fully-taxable resident company's taxable basis in the year of disposal and prior years, if the above mentioned conditions are met except that the acquisition price threshold is EUR 6 million for capital gains purposes. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the book value.

(c) Luxembourg Resident Companies benefiting from a Special Tax Regime

Holders of shares who are undertakings for collective investment governed by the law of 17 December 2010, as amended, specialized investment funds governed by the law of 13 February 2007, as amended, or family wealth management companies governed by the law of 11 May 2007, as amended, are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on the shares are thus not subject to income tax in their hands.

Companies subject to the law of 15 June 2004, as amended, on venture capital vehicles might enjoy an exemption on income and gains from the shares in accordance with, and subject to, the requirements of such law.

(d) Luxembourg Non-Resident Holders of Shares

Non-resident holders of shares who have neither a permanent establishment nor a permanent representative in Luxembourg to which the shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realize capital gains upon sale of shares, except for capital gains realized on a substantial participation (see above under section a) before the acquisition or within the first 6 months of the acquisition thereof that are subject to income tax in Luxembourg at ordinary rates (subject to applicable double tax treaties).

(e) Permanent Establishment of Luxembourg Non-Resident Holders of Shares

Dividends received by a Luxembourg permanent establishment or a permanent representative of a non-resident holders of shares to which the shares are attributable, as well as capital gains realized on such shares, are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied (see above under section a). Dividends deriving from shares that do not qualify for the 100% exemption and received by a Luxembourg permanent establishment or permanent representative may benefit from the 50% exemption of the gross amount as described above according to article 115.15 a) of the Luxembourg Income Tax Law. A tax credit is further granted for the Luxembourg withholding tax, if any.

2. Tax treatment of the Securities in Italy for Italian resident investors

Any gain obtained from the sale or the exercise of the Securities would be subject to the same tax regime as described under (A) “Italian Taxation of the Securities issued by Mediobanca”, above.

3. Payments made by the Guarantor under the Guarantee

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Securities made to Italian resident Securityholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 20 per cent. levied as a final tax or a provisional tax (“*a titolo d'imposta o a titolo di acconto*”) depending on the “*status*” of the Securityholder, pursuant to Decree 600/1973. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to proper compliance with relevant subjective and procedural requirements. In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant issuer and should thus be subject to the tax regime described in the previous paragraph 2 of this section.

(C) General Provisions applicable in Luxembourg to both Mediobanca and Mediobanca International Issues

1. Registration

It is not compulsory that the Securities are filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Securities, in accordance therewith, except that, in case of use of the Securities, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an ad valorem registration duty of 0.24% calculated on the amounts mentioned in the Securities. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money. In practice such kind of registration is rarely ordered.

2. VAT

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of Securities, *provided, however*, that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from Luxembourg value-added tax does not apply with respect to such services.

3. Net wealth tax

Luxembourg net wealth tax will not be levied on a Securityholder, unless such Securityholder is resident company in Luxembourg for the purpose of the relevant legal provisions; or the Securities are attributable to an enterprise or part thereof which is carried on through a permanent representative in Luxembourg.

4. Estate, inheritance and gift tax

No estate or inheritance taxes are levied on the transfer of the Securities, upon death of a Securityholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Securities, if the gift is recorded in a deed passed in front of a Luxembourg notary or registered in Luxembourg.

(D) General Provisions applicable in Italy to both Mediobanca and Mediobanca International Issues

Tax monitoring

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended ("***Decree 167/1990***"), individuals, non commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Securities held abroad and/or Securities issued by a non-Italian resident issuer) must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurred abroad, to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurred abroad carried out during the relevant fiscal year, does not exceed € 10,000.00, as well as (ii) in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

Inheritance and gift taxes

Transfers of any valuable asset (including the Securities) as a result of death or donation of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes Securities issued by Italian resident issuers), are generally taxed in Italy as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000.00 for each beneficiary;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift;
- (iii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000.00 for each beneficiary; and
- (iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary has a serious disability recognised by law, inheritance and gift taxes apply on its portion of the net asset value exceeding € 1,500,000.00.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Securities deposited therewith. The stamp duty applies at the current rate of 0.15 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Securities held. The stamp duty can be no lower than € 34.20.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Securities outside the Italian territory are required to pay an additional tax at the current rate of 0.15 per cent..

This tax is calculated on the market value of the Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Italian Financial Transaction Tax

Law No. 228 of 24 December 2012 (the "**Stability Law**") has introduced an Italian Financial Transaction Tax ("**FTT**").

There are three elements to the Italian FTT: a tax on transfers of shares and equity-like instruments; a fixed levy on equity derivatives; and a tax on high frequency trading.

In particular, Article 1(491) of the Stability Law introduces a stamp duty-like FTT of 0.2 per cent. on the transfer of shares and other equity-like instruments issued by Italian resident entities. This also encompass any financial instruments that have such shares or equity-like instruments as their underlying assets, irrespective of the issuer's residence. The FTT rate is reduced by half to 0.1 per cent. if the transfer takes place on a regulated market or multilateral trading systems. The FTT is even

levied on any transfer of shares deriving from the conversion of bonds and applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not be resident in Italy. However the FTT does not apply to (i) the transfer of shares or other equity-like instruments deriving from succession or donation, (ii) the issue or cancellation of shares or other equity-like instruments, (iii) the conversion into newly issued shares, (iv) the temporary purchase of securities provided under Article 2, No. 10) of the Commission Regulation (EC) No. 1287 of 10 August 2006 (such as securities lending transactions, repos transactions, buy-sell back and sell-buy back transactions) or (v) the transfer of shares listed on regulated markets or other multilateral trading systems issued by companies whose average market value – for the month of November in the year preceding the year when the transfer was carried out – was less than Euro 500 million.

In addition, Article 1(492) of the Stability Law introduces a fixed levy FTT that applies to all transactions involving equity derivatives with Italian shares, Italian equity-like instruments or Italian equity-related instruments as their underlying assets. The FTT applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not be resident in Italy. The amount of tax depends on the type of derivative instrument and on the contract's value, however with a maximum of € 200.00. The FTT is reduced to 1/5 of the relevant amount if the transfer takes place on a regulated market or multilateral trading systems.

The person liable for any FTT under Article 1(491) is the transferee of the shares or equity-like instruments; any FTT under Article 1(492) is due from each party involved in the relevant transaction.

FTT arising under either Article 1(491) or (492) must be paid and accounted for by any intermediaries involved in such transactions, eg banks, fiduciary companies or investment firms licensed to provide investment services on a professional basis to the public in accordance with Article 18 of the Italian Legislative Decree No. 58 of 24 February 1998 , including non-Italian resident intermediaries, but will ultimately be borne by the parties to the transaction. If no intermediary is involved in a transaction, then the FTT is payable directly by the transacting parties.

There are some exemptions, for example transactions with the following counterparties are exempted: the EU, the Central European Bank, a central bank of an EU Member State, a central bank or body that manages official reserves on behalf of other States or an international body set up in accordance with international agreements implemented in Italy.

A 0.02 per cent FTT has also been introduced on high frequency trading carried out on the Italian financial market.

The FTT under Article 1(491) applies to transactions carried out after 1 March 2013. The FTT under Article 1(492) applies to transactions carried out after 1 July 2013. With reference to 2013, the FTT rate under Article 1(491) is increased to 0.22 per cent. (0.12 per cent. for transfers carried out on a regulated market or multilateral trading systems).

The Ministry for Economics and Finance will be issuing a decree setting out more detailed terms for the application of the FTT.

(E) EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or

other similar income paid by a person within its jurisdiction to, or collected by such a person in favour of, a beneficial owner that is, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. The proposal foresees that the amended Directive will need to be transposed by the 1st of January of the third year of entry into force of the amended Directive. However, such Directive has not entered into force yet. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Implementation in Italy

Italy has implemented the Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree 84**”). Under Decree 84, subject to a number of important conditions being met, where interest is paid (including interest accrued on the Securities at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in a dependent or associated territory under the relevant International agreement (currently Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Turks and Caicos Islands, the Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, UCITS recognised in accordance with Directive 85/311/EEC.

Implementation in Luxembourg

The Savings Tax Directive was implemented in Luxembourg by the Law of 21 June 2005.

GENERAL INFORMATION

(1) Listing and Admission to Trading

Application has been made to the CSSF to approve this Base Prospectus as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Securities issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Securities may be issued pursuant to the Programme which will not be listed or admitted to trading on the Luxembourg Stock Exchange or any other stock exchange or which will be listed or admitted to trading on such stock exchange as the Issuers and the relevant Dealer(s) may agree.

The CSSF may, at the request of the relevant Issuer, send to the competent authority of another European Economic Area Member State: (i) a copy of this Base Prospectus; (ii) an Attestation Certificate; and (iii) if so required by such competent authority, a translation of the section of this Base Prospectus headed "*Summary of the Programme*".

- (2) Each Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in Luxembourg and the Republic of Italy in connection with the establishment and update of the Programme and the issue and performance of the Securities and the guarantee relating to them. The establishment of the Programme, including the giving of the Guarantee, was authorised by a circular resolution of the Board of Directors of Mediobanca International passed on 4 December 2012, a resolution adopted by the Executive Committee of Mediobanca passed on 20 November 2012 and the decision (*determina*) assumed by the Managing Director (*Direttore Generale*) of Mediobanca on 5 December 2012.
- (3) The price and amount of Securities to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
- (4) Save as disclosed in this Base Prospectus at page 221, Mediobanca International (where Mediobanca International is the Issuer) is not and none of Mediobanca and its consolidated subsidiaries (where Mediobanca is the Issuer or the Guarantor) is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability and, so far as Mediobanca or, as the case may be, Mediobanca International is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.
- (5) Neither Mediobanca nor Mediobanca International nor any of Mediobanca's subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to such Issuer's ability to meet its obligations to Securityholders.

- (6) In the case of Mediobanca (a) since 31 December 2012 (being the day on which the latest available interim financial statements have been prepared) there has been no significant change in the financial condition of Mediobanca or its subsidiaries, and (b) since 30 June 2012 (being the last day of the financial period in respect of which the most recent audited annual financial statements of Mediobanca have been prepared) there has been no material adverse change in the financial condition of Mediobanca or its subsidiaries.
- (7) In the case of Mediobanca International since 30 June 2012 (being the last day of the financial period in respect of which the most recent and available audited financial statements of Mediobanca International have been prepared) there has been no significant change, nor material adverse change, in the financial or other position or prospects of Mediobanca International.
- (8) For so long as the Programme remains in effect or any Securities remain outstanding, the following documents will be available, and in the case of paragraphs (vii), (viii), (ix), (x) and (xi) below, may be obtained free of charge during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent and the Paying Agent:
- (i) the Issue and Paying Agency Agreement;
 - (ii) the Dealer Agreement;
 - (iii) the Deeds of Covenant;
 - (iv) the Deed of Guarantee;
 - (v) the Programme Manual (being a manual signed for the purposes of identification by the Issuers and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Securities in global and definitive form);
 - (vi) the By-laws (*Statuto*) of Mediobanca and articles of incorporation of Mediobanca International;
 - (vii) the Mediobanca Registration Document;
 - (viii) the published annual financial statements of Mediobanca International as at and for the years ended 30 June 2012, 2011 and 2010;
 - (ix) the consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2012, 2011 and 2010 and the unaudited consolidated interim financial statements of Mediobanca as at and for the six months ended 31 December 2012, 2011 and 2010;
 - (x) Final Terms for Securities which are listed on the Luxembourg Stock Exchange or any other stock exchange;
 - (xi) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus.

- (9) Copies of the latest annual consolidated financial statements of Mediobanca and annual financial statements of Mediobanca International, unaudited consolidated interim financial statements of Mediobanca, unaudited consolidated semi-annual interim financial statements of Mediobanca and the latest semi-annual interim financial statements of Mediobanca International (if published), may be obtained at the specified office of the Paying Agent during normal business hours, so long as any of the Securities is outstanding.
- (10) The Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Securities constituting derivative securities, except if required by any applicable laws and regulations.
- (11) The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.
- (12) The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Monte Titoli S.p.A. is Piazza degli Affari 6, 20123 Milan, Italy.
- (13) With respect to Article 3 (2) of the Prospectus Directive the Issuers consent, to the extent and under the conditions, if any, indicated in the Final Terms, to the use of the Base Prospectus as long as the Base Prospectus is valid in accordance with Article 9 of the Prospectus Directive and accepts responsibility for the content of the Base Prospectus also with respect to subsequent resale or final placement of the Securities by any Dealer and/or financial intermediary which was given consent to use the prospectus.

Such consent may be given to all (general consent) or only one or more (individual consent) specified Dealers and/or financial intermediaries, as stated in the Final Terms, and for the member states in which the Base Prospectus has been passported and which will be indicated in the relevant Final Terms.

Such consent by the Issuers is subject to each Dealer and/or financial intermediary complying with the terms and conditions described in this Base Prospectus and the relevant Final Terms as well as any applicable selling restrictions. The distribution of this Base Prospectus, any supplement to this Base Prospectus, if any, and the relevant Final Terms as well as the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law.

Each Dealer and/or each financial intermediary, if any, and/or each person into whose possession this Base Prospectus, any supplement to this Base Prospectus, if any, and the relevant Final Terms come are required to inform themselves about and observe any such restrictions. The Issuers reserve the right to withdraw its consent to the use of this Base Prospectus in relation to certain Dealers and/or each financial intermediary.

In case of an offer being made by a Dealer or a financial intermediary, such Dealer or financial intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.

If the Final Terms state that the consent to use the Base Prospectus is given to all Dealers or financial intermediaries (general consent), any Dealer or financial intermediary using the Base Prospectus is required to state on its website that it uses the Base Prospectus in accordance with the consent and the conditions attached thereto.

If the Final Terms state that the consent to use the prospectus is given to one or more specified Dealers or financial intermediaries (individual consent), any new information with respect to Dealers or financial intermediaries unknown at the time of the approval of the Base Prospectus or the filing of the Final Terms will be published on the website www.mediobanca.it.

REGISTERED OFFICE

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

Piazzetta E. Cuccia, 1
20121 Milan
Italy

Mediobanca International (Luxembourg) S.A.

4, Boulevard Joseph II

L-1840 Luxembourg
Grand Duchy of Luxembourg

ARRANGER

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

Piazzetta E. Cuccia, 1
20121 Milan
Italy

DEALERS

Banca Aletti & C. S.p.A.

Via Roncaglia, 12
20146 Milan
Italy

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milan
Italy

Barclays Bank PLC

5 The North Colonnade
London E14 4BB
United Kingdom

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA
United Kingdom

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

Piazzetta E. Cuccia, 1
20121 Milan
Italy

Mediobanca International

(Luxembourg) S.A.
4, Boulevard Joseph II
L-1840 Luxembourg
Grand Duchy of Luxembourg

The Royal Bank of Scotland plc

135, Bishopsgate
London EC2M 3UR
United Kingdom

UniCredit Bank AG

Arabellastrasse 12
81925 Munich
Germany

LEGAL ADVISERS TO THE ISSUERS AND THE GUARANTOR

As to Italian law

d'Urso Gatti e Bianchi Studio Legale Associato

Piazza Borromeo, 8
20123 Milan
Italy

As to Luxembourg law

Bonn & Schmitt,

22-24 Rives de Clausen,
L-2165 Luxembourg
Grand Duchy of Luxembourg

TAX ADVISER TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A. AS ISSUER AND GUARANTOR

Simmons & Simmons

Corso Vittorio Emanuele, 1
20121 Milan
Italy

TAX ADVISER TO MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Bonn & Schmitt,

22-24 Rives de Clausen,
L-2165 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS TO THE DEALERS

As to English and Italian law

Simmons & Simmons

Via di San Basilio, 72

00187 Rome

Italy

AUDITORS TO MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.

Ernst & Young S.A. (as predecessor auditor)

7 rue Gabriel Lippmann

Parc d'Activité Syrdall 2

L-5365 Munsbach

Luxembourg

PricewaterhouseCoopers, Société coopérative (as successor auditor)

400, route d'Esch B.P. 1443

L-1014 Luxembourg

Luxembourg

AUDITORS TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.

Reconta Ernst & Young S.p.A.

Via della Chiusa, 2

20123 Milan

Italy

PricewaterhouseCoopers S.p.A

Via Monte Rosa, 91

20149 Milan

Italy

FISCAL AGENT AND PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch

33, Rue de Gasperich

Howald - Hesprange

L-2085 Luxembourg

LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch

33, Rue de Gasperich

Howald - Hesprange

L-2085 Luxembourg