MEDIOBANCA

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LIMITED COMPANY
SHARE CAPITAL FULLY PAID UP: €440,617,579
REGISTERED OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY
REGISTERED IN THE MILAN COMPANIES' REGISTER
TAX IDENTIFICATION CODE AND VAT NUMBER: 00714490158
REGISTERED AS A BANK AND A BANKING GROUP UNDER REGISTRATION NO. 10631.0.
PARENT COMPANY OF THE MEDIOBANCA S.P.A. BANKING GROUP

Registration document for the twelve months ended 30 June 2017

Drawn up in accordance with Consob resolution no. 11971 issued on 14 May 1999 and

EC commission regulations no. 809/2004 approved on 29 April 2004

enacting the methods of application for Directive 2003/71 EC as amended by

Directive 2010/73 EU and by Implementing Regulations (EU) no. 486/2012 and no. 862/2012

Issuer

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

Registration Document filed with Consob on 23 November 2017 following approval as notified by memo no. 129797/17 issued on 22 November 2017.

The Registration Document is valid for twelve months from the date of approval and is available both on the Bank's website at www.mediobanca.it and the head office of Mediobanca itself at Piazzetta Enrico Cuccia 1, 20121 Milan, Italy.

In order to have full disclosure on the Bank and its offerings and/or prices for financial instruments, the Registration Document should be read in conjunction with the Prospectus or Base Prospectus (including the Definitive Terms and Conditions, the Executive Summary for each individual offering and/or listing, and any Supplements and Additional Notices, and the documentation incorporated via reference as amended.

The investor is also invited to read carefully the section entitled "Risk factors" contained within the Registration Document and the individual Information Reports and Summaries approved from time to time, for a review of the Risk factors that must be taken into consideration with reference to the Issuer and the relevant types of financial instrument.

Publication of the Registration Document does not entail any judgement by Consob on the advisability of the investments proposed and the merits of the data and information relating thereto.

Notices for the investor

In order to be able to evaluate a potential investment correctly, investors are invited to assess the information contained in the Registration Document and its supplements, if any, carefully, including the risk factors specific to the Issuer and the sector in which it operates.

For detailed information on these risk factors, please see Section 3 of the Registration Document ("Risk factors"). Investors' attention is drawn to the following points in particular:

- In the period from 25 February 2016 to 18 May 2016 an inspection was carried out by the Bank of Italy – under the ECB's supervision - on the FINREP (financial reporting) and COREP (common reporting) processes, with reference in particular to the quality of the internal and external reporting flows to the supervisory authorities. The Bank of Italy/ECB inspection did not result in any disciplinary proceedings being initiated, and based on the recommendations formalized in a letter dated 2 December 2016, Mediobanca has finalized a working plan in order to deal rectify and improve on these issues (sent on 28 December 2016) virtually all of which has now been implemented and reported on to the ECB at regular intervals. For further details see Risk factor 3.1.7 "Judicial proceedings and inspections in course" of the Registration Document.

- On 29 July 2016, Mediobanca published, by means of a press release, the results of the stress test exercise carried out by the ECB. In the adverse scenario up to 2018, the test showed an impact of 94 bps on CET1. Thus the phase-in CET1 ratio would decline from 12.40% (as at December 2015) to 11.46% (as at December 2018), a level which is still comfortably above the SREP requirement currently set at 8.75%. For further details see Risk factor 3.2.2 of the Registration Document ("Risk linked to changes in banking sector regulation and amendments to regulations governing bank crisis resolution").

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Contents

1 Information regarding the persons responsible for this Registration Document

1.1. Persons responsible

Mediobanca – Banca di Credito Finanziario S.p.A. ("**Mediobanca**", the "**Issuer**" or the "**Company**"), with its registered office in Piazzetta Enrico Cuccia 1, Milan, in the persons of its representatives-at-law Massimo Bertolini (Head of Group Corporate Affairs) and Stefano Vincenzi (General Counsel), is responsible for the information provided in this Registration Document.

1.2. Declaration of responsibility

Mediobanca - Banca di Credito Finanziario S.p.A. hereby states that, having applied all reasonable diligence relevant for such purposes, the information contained in the Registration Document is, as far as Mediobanca is aware, in accordance with the facts and does not present any omissions such as would affect its meaning.

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2 Auditors of the financial statements

2.1. External and supervisory auditors

PricewaterhouseCoopers S.p.A. with registered offices in Via Monte Rosa 91, Milan, Italy – registered as an auditor in the register instituted by the Italian Ministry of Economics and Finance pursuant to Article 1, para. 1, letter g) of Italian Legislative Decree no. 39/10 and Article 1 of Italian Ministerial Decree no. 144 issued on 20 June 2012 - audited the consolidated and statutory financial statements of Mediobanca as at 30 June 2017 (see section 11.3.1 below), and also the statutory and consolidated financial statements of Mediobanca as at 30 June 2017 (see section 11.3.1 below).

At the annual general meeting held on 27 October 2012, the Statutory Audit Committee PricewaterhouseCoopers S.p.A. were appointed to audit the statutory 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 for the years until the financial year ending 30 June 2021.

2.2. Information regarding resignations, dismissals or failures to renew the appointment of the external auditors or the auditors responsible for auditing the financial statements

As at the date on which this document was published, there is no information regarding any resignations, dismissals or failures to renew the appointment of the external auditors or the auditors responsible for auditing the financial statements.

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3 Risk factors

3.1. Risks attributable to the Issuer and the Mediobanca Group

3.1.1. Market risk

The issuer's earnings and business have been and may in the future be affected by a number of global factors including: political, economic and market conditions; the availability and cost of capital; the level and volatility of share and bond market prices; the prices of raw materials and interest rates; currency exchange rates and other market indexes; changes and developments in technology; the availability and cost of credit; inflation; and the perception and level of confidence held by investors in financial markets.

Mediobanca's exposure to price risk on the trading book is measured on a daily basis by calculating two main indicators: sensitivity (the so-called "Greeks") to minor changes in risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility); and value-at-risk, calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%. Such indicators are subject to operating limits at the overall level and also at the level of macro-areas and individual business, to prevent excessive risks from being taken and ensure operations are in line with the Bank's risk appetite.

In addition to these metrics, *ad hoc* indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market variables (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

The issuer's results are also impacted by the financial and economic situation, and are subject to fluctuation due to a range of factors beyond the issuer's control and which the issuer is unable to foresee. These include the extreme volatility which equity and credit markets experienced in the recent past, both in Italy and elsewhere, sharp changes in the performance of equities and bonds, and the lack of liquidity of domestic and international markets. Fluctuations may themselves be impacted by the reduced levels of market activity worldwide, the effects of which may be reflected in the size, number and timing of mandates awarded in the investment banking sector, in brokering activity and intermediation fees.

3.1.2. Risk linked to sovereign exposures

A further market risk is the possibility of reductions in the credit standing of third parties in which the Issuer holds investments in the form of equities or bonds issued by such parties. Such reductions in credit standing could lead to losses and/or adversely impact on the Issuer's ability to commit such shares or bonds or to use them differently for liquidity purposes. The Issuer is 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. As at 30 June 2017, the Bank's exposure to government securities was equal to 33.7%, of its total assets, with Italian government securities accounting for 25.9% and German bonds 4.8%. For further information, please see the relevant table in section 3.3, "Select financial information".

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3.1.3. Market competition risk

The issuer faces intense competition, in particular on the Italian market, form other businesses operating in the financial services sector. This is a fiercely competitive sector on the domestic market, where the issuer's business is most highly concentrated. The issuer is also in competition with commercial banks, investment banks and other companies, both Italian and non-Italian, which provide financial services in Italy and this could impact on the Issuer's competitiveness.

3.1.4. Issuer liquidity risk

The Issuer's liquidity may be affected if the extreme volatility experienced by domestic and international markets in recent months is to continue in the future.

Liquidity risk is defined as the risk of the Bank not being able to meet its own certain and predictable payment commitments when they become payable, either because of the inability to raise funds on the market (funding liquidity risk), or because of being unable to cash in its financial assets without incurring capital losses (market liquidity risk).

The Group is able to meet its cash outflows from inflows of cash, assets which may be cashed in quickly, and its own ability to obtain credit, but in general terms a deterioration in the general macro-economic situation, the market scenario and/or the Issuer's credit standing could impact negatively on its liquidity profile.

As for the liquidity indicators, as at 30 June 2017, the loan-to-deposit ratio was 96%.

Since 30 June 2014, the supervisory reporting in respect of short-term and medium-/long-term liquidity has been operative, in the form of the liquidity coverage ratio (LCR) for the former and the stable funding ratio ("SF") for the latter, with no problems emerging. Since the 30 September 2016 report, a new reporting system has been been adopted for the liquidity coverage indicator introduced by Commission Delegated Regulation EU 61/2015. Accordingly, since April 2016 the Mediobanca Group has reported the additional liquidity monitoring metrics ("ALMM").

As at 30 June 2017 both the indicators instituted under the Basel III regulations were above the limit set (LCR and NSFR >100%), at 245% and 113% respectively.

For further details please see section 3.3 "Select financial information" of the Registration Document.

3.1.5. Credit risk

The Issuer is exposed to the risks traditionally associated with credit activity. Accordingly, breach by its customers of contracts entered into and their own obligations, or the possible failure to provide information or the provisions of incorrect information by them regarding their respective financial and credit situation, could impact negatively on the earnings, capital and/or financial situation of the Issuer. For further details on capital ratios and credit risk indicators, please see section 3.3 "Select financial information" of the Registration Document.

More generally, counterparties may fail to meet their respective obligations versus the Issuer due to bankruptcy, lack of liquidity, operating malfunctions or for other reasons. The bankruptcy of a major market participant, or fears that it might not meet its commitments, can cause huge liquidity problems, losses, or breaches by other institutions which in turn could impact negatively on the Issuer. The Issuer is also subject to the risk that in some

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circumstances, some of its receivables from third parties, including sovereign states, may not be collectable. Moreover, a reduction in the credit standing of third parties in which the Issuer holds securities or bonds could lead to losses and/or impact negatively on the Issuer's capability to restrict again or use differently such securities and bonds for purposes of liquidity. A significant reduction in the credit standing of the Issuer's counterparties could therefore have a negative impact on the Issuer's own results. While in many cases the Issuer can require further guarantees from counterparties in financial difficulty, disputes may arise regarding the amount of the guarantee which the Issuer is entitled to receive and the value of the asset forming the guarantee. Breach levels, reductions in credit standing and disputes over the value of guarantees increase significantly during periods of market tension and illiquidity. The Mediobanca Group has adopted every procedure to manage its risk positions with a view to ensuring that the value of the credits is not impaired, by constantly monitoring the exposures and in particular through a rigorous process of managing credits which show irregular performances, using all recovery instruments available in the retail area in particular.

The following table shows the Issuer's credit risk indicators on a consolidated basis for the financial years ended 30 June 2017 and 30 June 2016 compared with the average system data as at 31 December 2016 and 31 December 2015 published by the Bank of Italy (the Issuer's financial year ends on 30 June).

Table 2.

Credit risk indicators*

Indicators	30/6/16	System data as at	System data as at	30/6/17	Avg. system data as at
	(%)	31/12/15 (%)**	30/6/16 (%)*****	(%)	31/12/16 (%)**
Gross bad debts/gross loans	1.70%	9.5%	10.8%	1.66%	10.9%
Net bad debts/net loans	0.70%	4.8%***	4.9%-	0.76%	4.4%
Gross NPLs/gross loans	5.90%	17.7%	17.9%	5.55%	17.6%
Net NPLs/net loans	2.90%	10.8%***	10.5%-	2.82%	9.4%
Bad debts coverage ratio	66.60%	58.6%	58.8%	70.24%	63.1%
NPL coverage ratio	54.30%	43.4%	46.6%	51.28%	51.7%
Net bad debts/net equity	3.10%	-	-	3.49%	4.4
Cost of risk*****	1.24%	-	-	0.87%	-

* Data refer to the entire statutory area of consolidation used to prepare the Review of Operations. For purposes of completeness, please note that the same indicators calculated for the prudential consolidation area are shown in part E "Credit risk: credit quality" of the Notes to the Accounts.

** Data taken for reports of financial stability published by the Bank of Italy (no. 1: April 2016, table 4.1 p. 34, and no. 1: April 2017, table 2.1 p. 21) and refer to figures for large banks (2015) /significant banks (2016).

*** Data taken from annex to Bank of Italy annual reports and refer to figures for the total system as at 31 December 2015 (table 13.13, page 118).

**** Cost of risk obtained from the ratio between total net loan loss provisions for the period and average net customer loans.

***** Data taken from the report on financial stability published by the Bank of Italy (no. 2: November 2016, table 4.1, p. 35), and refer to figures for significant banks (2016).

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3.1.6. Operational risk

Operational risk is the risk of incurring losses due to errors, breaches, interruptions, damage caused by internal processes, staff or systems or caused by external events.

The Issuer is exposed to many kinds of operational risk, including the risk of fraud on the part of staff or externals, the risk of unauthorized transactions being executed by employees, and the risk of errors in the operating systems, including those due to flaws or malfunctions in the computer or telecommunications systems. The systems and methods adopted to manage operational risk have been designed to ensure that such risks linked to the above activities are kept adequately under control. Any obstruction or flaw in such systems could impact negatively on the Issuer's financial system or operating results.

The Mediobanca Group has implemented a series of measures aimed at mitigating such risks; in particular, in the course of formalizing company processes the most significant risk sources and the respective measures to control them have been identified; a disaster recovery procedure has been implemented; access to IT systems is constantly monitored; and insurance policies have been executed to cover staff, the most valuable assets and to cover cash management.

3.1.7. Judicial proceedings and inspections in course

As at the date hereof, Mediobanca and its Group companies are not, or have not been, involved in proceedings initiated by the public authorities, legal disputes, arbitrations or administrative procedures involving claims for damages or cash payments which could have or which have, in the recent past, had significant consequences for the Group's financial position or profitability, nor are there, so far as Mediobanca is aware, any disputes, arbitrations or administrative procedures either imminent or already announced.

It is felt that the provision for risks and charges (which at 30 June 2017 amounted to €225,850m) comfortably covers any charges that may be payable as a result of the claims made against Mediobanca and the Group companies.

In the period from 25 February 2016 to 18 May 2016 an inspection was carried out by the Bank of Italy – as part of the ECB's supervision - on the FINREP (financial reporting) and COREP (common reporting) processes, with reference in particular to the quality of the internal and external reporting flows to the supervisory authorities.

The Bank of Italy/ECB inspection did not result in any disciplinary proceedings being initiated, and based on the recommendations formalized in a letter dated 2 December 2016, Mediobanca has finalized a working plan in order to deal rectify and improve on these issues (sent on 28 December 2016) virtually all of which has now been implemented and reported on to the ECB at regular intervals.

A description of the main tax and legal disputes still outstanding is provided in section 11.6 "Legal and arbitration proceedings" purely for information purposes.

3.1.8. Risks related to Strategic Plan for 2016-19 three-year plan

On 16 November 2016, the Board of Directors of the Issuer approved its Strategic Plan 2016-19 (the "**Strategic Plan**") – illustrated to the financial community on 17 November 2016 – which provides, *inter* alia, for a strategic reshaping of the Group to enable it to upgrade definitively to become a long-term value player.
The Strategic Plan contains given objectives to be reached by end-June 2019 (the "**Plan Objectives**") based on growth in high-profitability banking activities, development of the new Wealth Management division, acquisition of 100% of Banca Esperia, and in general a capital

use and allocation optimization process. The Issuer's capability to implement the actions and to meet the Plan Objectives depends on a number of circumstances, some of which are beyond the Issuer's control, such as assumptions regarding the macroeconomic scenario and changes in the regulatory framework, and regarding the effects of specific actions or actions concerning future events which the Issuer is only partially able to influence.
Given the fact that, as of the date of the Registration Document, there is no certainty that the actions provided for in the Strategic Plan will be implemented in full, in the absence of the benefits expected to derive from meeting the Plan Objectives referred to above, the Issuer's expected results may differ even significantly from those envisaged in the Strategic Plan.

3.2. Risks attributable to the sector in which the Issuer and the Mediobanca Group operate

3.2.1. System risks linked to the economic/financial crisis and to uncertainties in the macroeconomic scenario

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, as well as the solidity and growth prospects of the Eurozone as a whole.

The Issuer's performance is also influenced by the general economic situation, both national and for the Eurozone as a whole, and by the trend on financial markets, in particular by the solidity and growth prospects of the geographical areas in which the Issuer operates. The macroeconomic scenario currently reflects considerable areas of uncertainty, in relation to: (a) the UK leaving the European Union, given that the impact which Brexit will produce on the economy of the United Kingdom, the international economy as a whole, financial markets, and the situation regarding the Italian state and that of the Issuer is at present hard to predict; (b) the trends in the real economy with reference to the prospects of recovery and growth in the national economy and/or resilience of growth in the economies of those countries, such as the United States and China, which have delivered growth, even substantial, in recent years; (c) future developments in the monetary policy of the ECB for the Eurozone area, and the Fed for the US dollar area, and the policies implemented by various countries to devalue their own currencies for competitive reasons; (d) the sustainability of the sovereign debt of certain countries, and the tensions noted more or less frequently on financial markets.

There is therefore the risk that the future development of these scenarios could impact adversely on the Issuer's capital, earnings and financial situation.

3.2.2. Risk linked to changes in banking sector regulation and regulations governing bank crisis resolution

The Issuer is subject to extensive European and national regulation, and in particular to supervision by the ECB/Bank of Italy and Consob. The regulations applicable to banks, to which the Issuer is subject, governs the sectors in which banks may operate, in order to safeguard their stability and solidity, limiting the exposure to risk. In particular, the Issuer and the banking companies which form part of the Issuer's group are bound to comply with the capital adequacy requirements instituted by the EU regulations and by Italian law.

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Furthermore, as the issuer of financial instruments which are distributed among the general public and/or listed, the Issuer is required to comply with additional provisions issued by Consob. In addition to the supranational and national regulations and to primary or regulatory norms in the financial and banking area, the Issuer is subject to specific regulations on subjects such as, *inter alia*, anti-money-laundering, usury and protection of customer (consumer) rights.

The sharp and prolonged crisis on financial markets has led to more rigorous regulations being adopted by international authorities. As from 1 January 2014, part of the supervisory regulations have been amended based on the guidelines emerging from the Basel III agreements, with a view chiefly to strengthening the minimum capital requirements, controlling the degree of financial leverage, and introducing policies and quantitative rules to mitigate liquidity risk among banking institutions.

In particular, as far as regards raising capital requirements, the Basel III agreements provide for a phase-in regime in which the minimum capital levels will increase gradually; when fully implemented, i.e. from 2019, these levels will require banks to have a Common Equity Tier 1 ratio equal to at least 7% of their risk-weighted assets, a Tier 1 Capital ratio of at least 8.5%, and a Total Capital ratio of at least 10.5% of RWAs (these minimum levels include the so-called capital conservation buffer).

On 14 September 2017, the ECB preliminarily notified the Mediobanca Group of the results of the Supervisory Review and Evaluation Process 2017 (SREP), setting the capital requirement which the Bank has to meet on a consolidated basis at a CET1 ratio of 7%. This level, which is unchanged from the requirement notified for 2016, was met comfortably at 30 June 2017 when the Group's phase-in CET1 stood at 13.31% (and its total capital ratio at 16.85%).

The next stress test exercise is scheduled to take place during 1H 2018 based on data as at 31 December 2017. The most recent stress test exercise, carried out on the data as at 31 December 2015, in the adverse scenario up to 2018 reflected an impact on CET1 of 94 bps.

Furthermore, under the Basel III agreements banks are required to monitor their leverage ratios, i.e. the ratio between their tier 1 capital and overall exposure, pursuant to Article 429 of EU regulation 575/13. This indicator has been subject to disclosure by banks since 2015; however, as at the date hereof, the minimum threshold and start-date for monitoring this indicator have still not been finalized. The Mediobanca Group's leverage ratio as at 30 June 2017 was 9.68% (fully-phased) and 9.48% (phase-in regime).

As far as regards liquidity, the Basel III regulations provide, among other things, for the introduction of a short-term indicator (the "Liquidity Coverage Ratio", or "LCR"), the purpose of which is to establish and maintain a liquidity buffer to allow the Bank to survive for a period of thirty days in the event of grave stress, and a structural liquidity indicator (the "Net Stable Funding Ratio", or "NSFR") with a time horizon of over twelve months, to ensure that asset/liability maturity structure is sustainable.

With reference to these indicators, it should be noted that:

- For the LCR indicator, a minimum level of 60% has been set from 1 October 2015, a minimum level of 70% in 2016, and a minimum level of 80% in 2017, with this minimum

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increasing gradually to reach 100% as from 1 January 2018 in accordance with EU regulation no. 575/2013 (the "CRR") – for further details see section 3.3, "Select financial information";

- For the NSFR indicator, although the Basel Committee's proposal involved a minimum level of 113% to be met starting from 1 January 2018, at present no provision has been made in the CRR for a regulatory limit on structural liquidity.

As at 30 June 2017 these regulatory indicator stood at 245% and 109%. Even though the new prudential requirements are to be phased in gradually under the new regulatory framework, the impact on the Issuer's operating performance could be significant.

Further information and details on these indicators is provided in section 3.3, "Select financial information" of this Registration Document.

In the regulatory framework applicable to the Issuer, attention should be drawn in particular to Directive 2014/59/EU issued by the European Parliament and Council, enacted at national level through Italian Legislative Decree nos. 180 and 181 issued on 16 November 2015, to provide a framework for the recovery and resolution of banks and investment companies (the "Bank Recovery and Resolution Directive" or the "BRRD", or the "Directive"), as part of the attempt to define a Single Resolution Mechanism and a Single Resolution Fund.

The new features introduced by the BRRD include the introduction of instruments and powers which the national authorities responsible for banking crisis resolution (the "Authorities") can adopt to resolve a situation of crisis or failure for a bank. This is to guarantee continuity of the entity's essential functions, thus minimizing the impact of the failure on the economy and the financial system, and keeping the cost for tax-payers down to a minimum as well, while ensuring that the shareholders are the first to incur losses and that creditors bear them after the shareholders, with the proviso that no creditor should incur losses in excess of those which they would have incurred if the bank had been placed in liquidation under normal insolvency proceedings. In particular, the directive provides for a transition from a crisis resolution system which is based on public resources (a bail-out system) to one in which losses are transferred to shareholders, to holders of subordinated debt securities, to holders of non-subordinated and unguaranteed debt securities, and finally to depositors for the share in excess of the guaranteed share, i.e. in excess of €100,000.00 ("bail-in"). Hence, in the event of the bail-in tool being applied, investors may have the value of their investments written down, even to a nominal value of zero, or bonds converted to equity, even without formal declaration of insolvency on the part of the Issuer.

Furthermore, where they have grounds to do so, the authorities may request use of the Single Resolution Fund provided for under EU regulation no. 806/2014 issued by the European Parliament and Council, to be financed with grants paid in by banks at the national level.

Although the Issuer has undertaken to comply with this complex system of rules and regulations, failure to do so, or possible changes in the regulations themselves and/or in the methods of interpreting and/or applying them by the relevant authorities, could entail significant adverse effects to the operating results and the earnings, capital and financial situation of the Issuer.

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Furthermore, it should be noted that with the introduction of Directive 2014/49/EU (on deposit guarantee systems) on 16 April 2014, the BRRD referred to above (Directive 2014/59/EU) and the institution of the Single Resolution Mechanism (EU regulation no. 806/14 issued on 15 July 2014), credit institutions are obliged to establish specific provisions to protect deposits and to contribute to the Bank Resolution Fund. In this connection it should be noted that the profit and loss account for the 2016/17 financial year includes:

- A one-off contribution of €49.6m to the Bank Resolution Fund for Banca Marche, Banca Popolare Etruria, Cassa di Risparmio di Chieti and Cassa di Risparmio di Ferrara;
- €25.3m in ordinary contributions to the European Bank Resolution Fund; and
- €13m set aside to the new Deposit Guarantee Scheme (DGS) for FY 2016 and 1H 2017.

3.2.3. Risk related to IFRS 9 on "Financial Instruments" coming into force

On 24 July 2014, the International Accounting Standard Board (IASB) released the final version of the new IFRS 9, which replaces the previous versions of the standard published in 2009 and 2010 on classification and measurement, and in 2013 on hedge accounting, thus completing the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" previously issued by the IASB.

IFRS 9 introduces significant changes with regard to:

I. The rules for classifying and measuring financial assets, which will be based on business model and the cash flow characteristics of the instrument (the "Solely Payments of Principal and Interest", or SPPI, test);

II. The new model to be used in accounting for impairment based on the "expected losses" approach, rather than "incurred losses" as in IAS 39, which requires application of the notion of expected loss over the asset's "lifetime" which could generate an advance on or structural increase in the writedowns to be charged, with reference in particular to loans and receivables;

III. Hedge accounting, in the setting of new rules on the assignment of financial hedges and review of their efficacy in order to pursue increased alignment between how hedges are booked in accounting terms and the operational rationale underlying them.

IFRS 9 also modifies the accounting treatment for "own credit" in the sense of changes to the fair value of liabilities designated as fair value options attributable to fluctuations in the company's own credit rating. Under the new standard, such changes must be recognized in a net equity reserve rather than taken through the profit and loss account as is the case under IAS 39, thus removing a source of volatility for earnings.

As from the date on which IFRS 9 comes into force, which has been set at 1 January 2018, there is also likely to be a revision of the prudential rules for calculating the capital absorbed as a result of expected losses on the receivables. The terms of this revision have not been disclosed at the time when this document was written.

The new standard coming into force impact on the Issuer and the Group as a result of application of the new model for accounting for impairment based on the expected losses approach, generating an increase in the writedowns charged to unimpaired assets, in particular loans and advances to customers.

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The Mediobanca Group will apply the new standard starting from 1 July 2018. For further information on the IFRS 9 implementation project, reference is made to section 3.3 "Select Financial Information" of the Registration Document and to the Annual Report for the twelve months ended 30 June 2017 (pp. 93ff).

3.3. Select financial information

Some consolidated earnings and financial indicators as at 30 June 2017 (taken from the consolidated financial statements of Mediobanca as at 30 June 2017 approved by the Board of Directors on 15 September 2017) are set forth below, along with comparative data for the year ended 30 June 2016.

Annual consolidated data as at 30 June 2017

Table 1

Regulatory capital and solvency margins

Indicators and own funds (regulations in force since 1/1/14)	30 June 2017 (€m or %)	30 June 2016 (€m or %)	Minimum levels set by regulations**
Common equity Tier 1 – CET1	7,017.3	6,504.8	
Additional Tier 1 – AT1	_	_	
Tier 2 – T2	1,861.7	1,722.4	
Own funds	8,879.0	8,227.2	
Risk-weighted assets (RWAs*)	52,708.2	53,861.5	
Common equity tier 1/RWA (CET1 ratio)	13.31%	12.08%	7%
Tier 1/RWAs (T1 ratio)	13.31%	12.08%	8.5%
Total capital ratio	16.85%	15.27%	10.5%
Risk-weighted assets/total assets	74.8%	77.1%	
Leverage ratio*** (temporary)	9.5%	9.5	

* Risk-weighted assets (RWAs) have been calculated using the standardized methodology for credit and market risks and the base methodology for operational risks.

** Limits include the capital conservation buffer (2.5%) for the minimum levels set by the regulations.

*** The leverage ratio is the Group's regulatory and tier 1 capital expressed as a percentage of its total exposure (i.e. the sum of its assets and off-balance-sheet exposures). This indicator was introduced by the Basel Committee to keep down debt and contain excessive use of financial leverage in the banking sector.

The capital ratios as at 30 June 2017 have been calculated in accordance with the new supervisory regulations consisting of a directive ("Capital Requirements Directive IV – CRD IV") and a regulation ("Capital Requirements Regulation – CRR") issued by the European Parliament in July 2013 and incorporated into the Italian regulatory framework under Bank of Italy circular no. 285 issued in December 2013.[1]

The Common Equity Tier 1 ratio and Tier 1 Ratio stood at 13.31% and the Tier 1 ratio at 16.85% compared with a minimum requirement of 7% for the CET1 ratio, 8.5% for the Tier 1 ratio and 10.5% for the Total Capital Ratio. [2]

The fully-phased ratios as at 30 June 2017 (i.e. with full application of the CRR/CRD IV rules, in particular the possibility of including the entire AFS reserve within CET1 and weighting a share of the Assicurazioni Generali investment at 370% compared to the phased-in capital ratios as

1 The new, EU-wide regime (enacted also in Italy) governing capital requirements for the banking system known as CRD IV (the Capital Requirements Directive), consisting in particular of:
- Directive 2013/36/EU issued by the European Parliament and Council on 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;
- Regulation EU 575/2013 issued by the European Parliament and Council on 26 June 2013 on prudential requirements for credit institutions and investment firms.

2 Mediobanca has received notification from the ECB of its preliminary decision on the SREP profess for FY 2017; the definitive decision will probably be notified by the year-end. The overall assessment expressed by the ECB in the SREP 2017 process bears out Mediobanca's healthy positioning relative to the assessment scale adopted with reference to "the entity's ability to survive in the future". In terms of capital adequacy, in view of the risk profile and current governance system, the ECB has confirmed that the Mediobanca Group's capital is adequate to cover the Pillar I and Pillar II risks to which it is exposed.

at the same date (and shown in Table 1) rise from 13.31% to 13.54% (for the CET1 and T1 ratio) and from 16.85% to 17.11% (for the total capital ratio). Please refer to the Issuer's consolidated financial statements for further details (p.248); see www.mediobanca.com.

Mediobanca continues to have capital ratios which above those required by the regulatory guidelines as shown by the Internal Capital Adequacy Assessment Process (ICAAP) and confirmed by the Supervisory Review and Evaluation Process (SREP), which for 2017 set the minimum CET1 level at 7% phased-in (8.25% fully-phased).

Table 2

Credit risk indicators*

Indicators	30/6/16	System data as at	System data as at	30/6/17	Avg. system data as at
	(%)	31/12/15 (%)**	30/6/16 (%)*****	(%)	31/12/16 (%)**
Gross bad debts/gross loans	1.70%	9.5%	10.8%	1.66%	10.9%
Net bad debts/net loans	0.70%	4.8%***	4.9%-	0.76%	4.4%
Gross NPLs/gross loans	5.90%	17.7%	17.9%	5.55%	17.6%
Net NPLs/net loans	2.90%	10.8%***	10.5%-	2.82%	9.4%
Bad debts coverage ratio	66.60%	58.6%	58.8%	70.24%	63.1%
NPL coverage ratio	54.30%	43.4%	46.6%	51.28%	51.7%
Net bad debts/net equity	3.10%	-	-	3.49%	4.4
Cost of risk*****	1.24%	-	-	0.87%	-

* Data refer to the entire statutory area of consolidation used to prepare the Review of Operations. For purposes of completeness, please note that the same indicators calculated for the prudential consolidation area are shown in part E "Credit risk: credit quality" of the Notes to the Accounts.

** Data taken for reports of financial stability published by the Bank of Italy (no. 1: April 2016, table 4.1 p. 34, and no. 1: April 2017, table 2.1 p. 21) and refer to figures for large banks (2015) /significant banks (2016).

*** Data taken from annex to Bank of Italy annual reports and refer to figures for the total system as at 31 December 2015 (table 13.13, page 118).

**** Cost of risk obtained from the ratio between total net loan loss provisions for the period and average net customer loans.

***** Data taken from the report on financial stability published by the Bank of Italy (no. 2: November 2016, table 4.1, p. 35), and refer to figures for significant banks (2016).

The cost of risk was virtually eliminated during the year under review for the corporate segment, and declined from 332 bps to 243 bps for consumer business, from 34 bps to 31 bps for retail business, and from 51 bps to 50 bps for leasing. The coverage ratio for NPLs improved further at the consolidated level (up from 54% to 55%), while the coverage ratio for performing consumer loans increased from 1% to 1.1%.

Table 3

Large risks

	30/6/16	30/6/17
Large risks /total loans	18.50%	15.90%
No. of large risks*	6	7
Book value**	7,303 (€m)	10,647 (€m)
Weighted value	5,298 (€m)	7,422 (€m)
Large risks indicator based on book value	88.80%	119.91%
Large risks indicator based on weighted value	64.40%	83.59%

* Groups with exposures of more than 10% of regulatory capital (excluding the Republic of Italy).

** Exposure net of writedowns.

The term "Large risks", under the regulations on risk concentration currently in force, is defined as the sum of risk-weighted assets by cash and off-balance-sheet transactions versus an individual client or group of related clients, equal to or higher than 10% of the Group's own net equity.

Table 4

NPLs: composition

	30/6/16 Net values €m	30/6/16 Gross values €m	30/6/17 Net values €m	30/6/17 Gross values €m
Bad debts	255.02	622.62	291.60	661.67
Likely default	710.65	1,373.94	727.69	1,394.04
Overdue NPLs	51.03	142.41	56.03	151.30
Total NPLs	**1,016.70**	**2,138.97**	**1,075.32**	**2,207.01**

* Data refer to the entire statutory area of consolidation used to prepare the Review of Operations. For purposes of completeness, please note that the same indicators calculated for the prudential consolidation area are shown in part E "Credit risk: credit quality" of the Notes to the Accounts.

New definitions of bad loans have been adopted in accordance with the provisions of Bank of Italy circular 272/08, seventh update (three different sub-categories: non-performing, likely default and past due), along with provision for exposures subject to tolerance measures, known as "forborne", which may be applied to all assets, performing or non-performing, totalling €1,194m (gross; €599m net) and €707m (gross; €643m net) respectively. The same figures as at 30 June 2016 were €1,203m for gross forborne bad loans, €596m for net forborne bad loans, €462m for gross forborne performing loans, and €427m for net forborne performing loans.

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Table 5

Main consolidated balance sheet items (pursuant to Bank of Italy circular no. 262/05)

	30/6/16 €m	30/6/17 €m
Assets		
Due from banks	5,386.60	7,959.93
Due from customers	37,881.48	38,763.12
Financial assets*	21,053.50	17,089.09
Total assets	**69,818.61**	**70,445.56**
Liabilities		
Debt securities in issue	21,813.13	20,108.72
Financial liabilities**	19,421.66	18,951.34
Direct funding (from customers)***	18,164.54	20,366.00
Total liabilities	**61.501,31**	**62,004.10**
Net equity	8,867.10	8,441.46
of which: share capital	435.51	440,606
Net interbank position ****	6,553.70	4,729.66

* Includes financial assets held for trading, AFS securities, financial assets held to maturity and hedge derivatives.

** Includes amounts due to banks, trading liabilities and hedge derivatives.

*** Includes amounts due to customers and financial liabilities recognized at fair value.

**** Net balance between amounts due to banks and amounts due from banks.

Table 5 shows the main consolidated balance-sheet items required by Bank of Italy circular no. 262/05 as amended, while Table 5-bis below shows the principal balance-sheet items restated according to a format considered to provide a more accurate reflection of the Mediobanca Group's operations. Both tables contain only the main items: the full balance sheets are shown on pp. 74-75 and p. 27 of the Bank's Annual Report.

Table 5-bis

Main balance sheet items (Mediobanca S.p.A.)

	30/6/16 €m	30/6/17 €m
Assets		
Financial assets held for trading	9,505.3	7,833.9
Net treasury assets	8,407.9	9,435.1
Banking book securities	9,890.3	8,357.7
Loans and advances to customers	34,738.7	38,190.9
Investment securities	3,193.3	3,036.5
Total assets	**69,818.6**	**70,445.5**
Liabilities		
Funding	46,658.4	49,120.6
of which: loans and other forms of funding	25,994.0	29,819.1
of which: debt securities in issue	20,664.4	19,301.5
Net equity	8,317.3	8,441.5
of which: share capital	435.5	440,6
Total liabilities	**69,818.6**	**70,445.5**

As Table 5-bis shows, the balance-sheet aggregates show that total assets increased from €69.8bn to €70.4bn, reflecting growth in loans and advances to customers, up 1.6% from €34.7bn to €38.2bn (in all business segments), while banking book securities declined from €9.9bn to €8.4bn), with treasury assets rising (from €5.5bn to €7.3bn, €1.3bn of which in ECB deposits). Funding rose from €46.7bn to €49.1bn, due to the contributions from the former Barclays operations (€2.9bn) and Banca Esperia (€1.5bn), which took retail and private deposits up to €13.4bn and €4.5bn respectively: together they account for 36% of the consolidated funding. Other technical forms showed a slight reduction except for use of ECB funds, which rose from €5bn to €5.9bn (including €250m attributable to the former Banca Esperia).

Table 6

Main consolidated profit and loss account items (pursuant to Bank of Italy circular no. 262/05)

	30/6/16 €m	30/6/17 €m	Y.o.Y. chg %
Net interest income	1,200.5	1,277.5	6.4%
Net fee and commission income	322.7	377.9	17.1%
Total income	1,747.0	1,943.3	11.2%
Net profit from financial and insurance operations	1,360.8	1,687.5	24.0%
Operating costs	-901.2	-1,035.7	14.9%
Profit before tax	**736.3**	**914.0**	**24.1%**
Net profit	**604.6**	**750.2**	**24.1%**

Table 6 shows the main consolidated profit-and-loss account items required by Bank of Italy circular no. 262/05 as amended, while Table 6-bis below shows the principal profit-and-loss account items restated according to a format considered to provide a more accurate reflection of the Mediobanca Group's operations. Both tables contain only the main items: the full profit-and-loss accounts are shown on p. 76 and p. 26 of the Bank's Annual Report.

Table 6-bis

Main consolidated profit and loss account items restated

	30/6/16 €m	30/6/17 €m	Y.o.Y. chg %
Net interest income	1,206.7	1,287.8	6.7%
Net fee and commission income	450.1	522.6	16.1%
Total income	2,046.6	2,195.6	7.3%
Operating costs	-891.9	-1,023.7	14.8%
Gross operating profit	736.3	914.0	24.1%
Net profit	**604.5**	**750.2**	**24.1%**

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In the twelve months ended 30 June 2017, the Mediobanca Group delivered **a 24% increase in net profit,** from €605m to €750m, and **a 16% increase in gross operating profit** (from €736m to €855m), **on a strong performance by revenues and an ongoing reduction in the cost of risk for all business lines.**

Group revenues rose by 7.3%, from €2,046.6m to €2,195.6m, despite the difficult market conditions with markedly declining credit spreads and short-term interest rates stable in negative territory. The main income items performing as follows:

- The increase in net interest income (up 6.7%, from €1,206.7m to €1,287.8m) reflects growth of 9.5% in Consumer (from €746.9m to €818.1m) and 31% in Wealth Management (from €186.4m to €244.1m, largely due to the former Barclays' business unit's operations being consolidated for ten months), and more than offsets the negative performance by Holding Functions (net interest expense of €76.3m, compared with €33.3m last year) which nonetheless showed an improvement in 4Q;

- Net treasury income declined from €133.1m to €121.3m, on lower AFS dividends of €17m (€29.2m, due to the smaller size of the portfolio), and a reduced contribution from CIB fixed-income trading of €48.9m (€64.7m);

- Net fee and commission income rose by 16.1%, from €450.1m to €522.6m, as a result of higher contributions from CheBanca! (from €43.4m to €68.9m, including €22.5m from Barclays), Specialty Finance (from €20m to €42.5m), Cairn Capital (from €8.9m to €27.5m), and Banca Esperia (up €18m, the company being fully consolidated as from 4Q); Wholesale Banking was flat at €207.4m, while Consumer fees were down slightly at €118.1m (€126.1m), due to commissions of €23m being charged in respect of certain Consumer products distributed by third-party networks;

- The profit earned by the equity-accounted companies, now almost entirely accounted for by Assicurazioni Generali, rose from €256.7m to €263.9m.

Operating costs rose by 14.8%, from €891.9m to €1,023.7m, almost entirely due to the newly-consolidated entities; on a like-for-like basis overheads would have increased by some 2%, mainly labour costs.

Loan loss provisions fell by 24.4%, from €418.9m to €316.7m, reflecting the widespread improvement in the loan book risk profile, in Consumer in particular (where provisioning declined from €354.4m to €276.2m) and Wholesale Banking (where €15m was written back, compared with €28.5m in adjustments taken last year. The cost of risk thus fell from 124 bps to 87 bps, with coverage ratios remaining at high levels: for non-performing assets at 54.6% and for performing assets at 1.1%.

Net gains on the securities portfolio rose from €124.2m to €168.6m, and include gains realized on the sale of half the Bank's investment in Atlantia (€110.4m) and the Koening & Bauer shares (€28m), along with a gain on disposal of 2.8% of Italmobiliare realized in acceptance of the terms of the public tender offer (€22.2m); provisions for other financial assets more than halved, from €19.4m to €7.9m, split equally between banking book securities and equities.

Other items of €101.9m (€104.3m) refer chiefly to a €49.6m one-off contribution to the Single Resolution Fund to support Banca delle Marche, Banca Popolare dell'Etruria, Cassa di Risparmio di Chieti, and Cassa di Risparmio di Ferrara; €25.3m in ordinary contributions to the Single Resolution Fund; €13m as the compulsory contribution to the Deposit Guarantee Scheme (DGS) for 2016 and 1H 2017; €24.9m in expenses booked in settlement of the yacht leading tax dispute (the provision has now been reduced to virtually zero, following a withdrawal from the parent company's risks provision of €15m and the share attributable to third parties); €19m in integration/restructuring costs (€14.9m of which in respect of the Banca Esperia integration and €2.7m for the SelmaBipiemme reorganization). The acquisition of the Barclays business unit generated a net gain of €15.2m.

The five divisions posted the following results for the twelve months under review.

- Corporate and Investment Banking reported a net profit of €253.9m (30/6/16: €222.8m), on a 1.7% increase in revenues, with the cost/income ratio virtually stable and lower loan loss provisions and writedowns to securities totalling €11m (compared with €34.5m last year). Both segments showed an improvement in profits: Wholesale Banking from €206.8m to €232.3m, and Specialty Finance from €16m to €21.6m.

- A record net profit was earned by the Consumer Banking division, up from €153.8m to €258.2m, on 7.2% growth in revenues, from €873m to €936.2m, costs virtually unchanged and loan loss provisions declining from €354.4m to €276.2m, with the cost of risk at 243 bps (30/6/16: 332 bps).

- Wealth Management reported a net profit of €55m, higher than last year (€38m) due to the expanded area of consolidation: the higher total revenues of €459.5m (€334.1m) reflect the contribution of the Barclays business unit (€83.8m), Cairn's operations being consolidated for the full twelve months rather than six, and Banca Esperia being 100%-consolidated rather than 50% for 4Q. Costs reflect the same trend, totalling €376.3m (€75.2m attributable to the former Barclays' operations), compared with €268.4m. The bottom line includes the €15.2m gain which emerged on the Barclays' acquisition, almost entirely offset by the Banca Esperia integration expenses of €14.9m. CheBanca! reported a net profit of €26.9m (€8.5m), whereas private banking saw profits reduce from €29.5m to €28.1m, reflecting the charges mentioned above.

- Principal Investing delivered a net profit of €422.1m, higher than the €373.2m reported last year due to a higher contribution form Assicurazioni Generali (up from €255m to €263.6m) and gains on disposals of AFS shares totalling €161.6m (€119.8m).

- The Holding Functions division reported a loss of €241.8m, compared with €189.3m the previous year, reflecting the higher treasury management costs represented by net interest expense deteriorating from €33.3m to €76.3m and revenues declining from €23.3m to €16.5m. Leasing, net of the expenses payable in connection with settlement of the tax disputes, reported a net profit of €3.1m (€4.6m).

Table 7

Liquidity indicators

	30/6/16	30/6/17
Loan to deposit ratio[1]	95%	96%

1) Ratio between amounts due to customers and the sum of direct funding and debt securities in issue.

Since 30 June 2014 the new supervisory reporting requirements have been active with reference to the indicators of short-term liquidity (Liquidity Coverage Ratio - LCR) and medium-/long-term (Stable Funding - SF) indicator, with no particular criticalities noted. As at 30 June 2015 both the supervisory indicators required under Basel III were above the set limit (LCR and NSFR >100%).[3] With reference to these indicators, it should be noted that:

- For the LCR indicator, a minimum level of 60% has been set from 1 October 2015, a minimum level of 70% in 2016, and a minimum level of 80% in 2017, with this minimum increasing gradually to reach 100% as from 1 January 2018 in accordance with EU regulation no. 575/2013 (the "CRR");

- For the NSFR indicator, although the Basel Committee's proposal involved a minimum level of 100% to be met starting from 1 January 2018, at present no provision has been made in the CRR for a regulatory limit on structural liquidity.

As at 30 June 2017, these indicators stood at 245% and 113% respectively.

The Mediobanca Group monitors and manages liquidity risk in accordance with the provisions of internal documents approved in accordance with Bank of Italy circular no. 263/06 (as amended): the Liquidity risk management policy (the "Policy") and the Contingency funding plan ("CFP").

The objectives and metrics described above are addressed through the preparation of the Group Funding Plan, involving sustainable analysis of sources and applications, short-term and structural, and through definition of the Group Risk Appetite Framework, which involves defining the Group's appetite for risk. Throughout the twelve months under review, the regulatory indicators (the liquidity coverage ratio and net stable funding ratio) and the other indicators established in the Group Risk Appetite Framework remained within the set limits at all times.

The Group's objective is to maintain a level of liquidity that will allow it to meet the payment obligations it has undertaken, ordinary and extraordinary, at the present maturities, while at the same time keeping the costs involved to a minimum and hence without incurring non-recurring losses. Specifically, monitoring operating liquidity is intended to ensure that the mismatch between cash inflows and outflows, expected and not expected, remains sustainable in the short term.

[3] Liquidity coverage ratio (LCR) for short-term liquidity: it is calculated as the ratio between: (i) the value of the stock of high-quality liquid assets (HQLAs) and (ii) the total net cash outflows calculated using the scenario parameters set by the regulations in force.
NSFR (Net stable funding ratio), for medium-/long-term liquidity: it establishes a minimum "acceptable" amount of funding for more than one year relative to the needs originated by the liquidity characteristics and outstanding duration of the assets and off-balance-sheet exposures.

Throughout the entire twelve months under review, both indicators, short- and long-term, were at all times above the limits set in the Policy.

Funding raised from monetary authorities continued to be stable at approx. €5.9bn, through the Targeted Long Term Refinancing Operations (TLTROs). The fact that the balance of funding raised from this source was basically unchanged did not prevent the efficiency of the use of this source from being improved, as the older and more costly deals were gradually replaced with the more recent TLTRO2 transactions.

ECB loans	TLTRO I September 2018 (€m)	TLTRO II June 2020 (€m)
Targeted Long Term Refinancing Operation	1,500	4,111

The contribution of funding deriving from CheBanca! retail clients remained stable and in line with expectations, given the deposits acquired from the former Barclays' operations in the course of the financial year.

As at 30 June 2017 the counterbalancing capacity stood at €11.1bn, €9.6bn of which in the form of bonds deliverable in exchange for cash from the ECB (30/6/16: €11.2bn); while the balance of liquidity reserves established at the European Central bank amounted to approx. €7.2bn (€6.8bn), approx. €1.3bn of which in the form of cash not used and hence qualifying as part of the counterbalancing capacity.

Table 8

Exposure to central government/government entity debt securities

Portfolios/quality	Rating	Trading book		Banking book		
		Nominal value	Book value	Nominal value	Book value	Fair value
Italy	BBB	143,935	138.081	3.210.252	3.318.960	3.331.825
Germany	AAA	-39,848	-40,561	925,000	980,690	980,867
Spain	BBB	0	0	350,000	354,050	356,121
United States	AA+	0	0	280,407	274,528	274,528
Others		-612,343	-259,717	676,768	674,670	687,232
Total at 30/6/17		**-508,256**	**-162,197**	**5,442,427**	**5,602,898**	**5,630,573**
% of total financial assets*			**-1.0%**		**33.7%**	

* "Total financial assets" are defined as the aggregate of financial assets held for trading, AFS and HTM assets.

Portfolios/quality	Rating	Trading book		banking Book		
		Nominal value	Book value	Nominal value	Book value	Fair value
Italy	BBB	232,137	263,179	4,989,825	5,180,503	5,202,289
Germany	AAA	156,719	160,436	775,000	853,457	854,136

Spain	BBB	50,000	51,377	263,584	283,584	284,884
United States	AA+	180	181	225,297	229,297	229,297
Others		-105,867	-135,844	652,673	655,627	671,682
Total at 30/6/16		**333,169**	**339,329**	**6,906,379**	**7,202,468**	**7,242,288**
% of total financial assets *			**1.7%**		**35,8%**	

* "Total financial assets" are defined as the aggregate of financial assets held for trading, AFS and HTM assets.

As at 30 June 2017, the Issuer held no structured sovereign debt securities on its books.

Exposure of the Issuer's books to market risks

Market risks are is measured on a daily basis by calculating two main indicators: sensitivity (the so-called "Greeks") to minor changes in risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility); and value-at-risk, calculated on the basis of expected volatilities and the correlations between the risk factors concerned, updated daily, assuming a disposal period of a single trading day and a confidence level of 99%. Such indicators are subject to operating limits at the overall level and also at the level of macro-areas and individual business, to prevent excessive risks from being taken and ensure operations are in line with the Bank's risk appetite.

In addition to these metrics, *ad hoc* indicators are compiled to capture tail risks not measured by VaR, and stress tests carried out on the main risk factors, to show the impact which significant movements in the main market variables (such as share prices and interest or exchange rates) might have, calibrated on the basis of the most pronounced historical oscillations.

The VaR reading on the trading portfolio from a low of €1.3m (May 2017) and a high of approx. €5.7m (September 2016). The average reading for the twelve months was €3m, down sharply on the average figure for last year (€6.2m).

The high volatility levels which affected markets following the Brexit vote began to be mitigated as from autumn 2016, in part due to a policy of gradually reducing or hedging the directional risks on the trading portfolio, bringing VaR into a range between €2m and €4m before falling to the lows recorded in May 2017.

The point-in-time figure observed at the reporting date was up again to approx. €4.5m, solely as a result of the addition of one major directional equity position.

The expected shortfall on the combined trading portfolio also showed a sharp reduction in the average reading, from €7.5m to €4m, as a result of the lower volatility on markets which gradually reduced the impact of the historically extreme scenarios, along with the reduction in the weight of directional positions during the twelve months already mentioned.

The results of the daily back-testing based on calculations of theoretical profits and losses, show no days on which losses in excess of the VaR were observed.

Apart from the overall VaR limit for the trading book and General Manager's HFT portfolio, a system of granular VaR sub-limits is also in place for the individual trading portfolios, and there are also limits in terms of the sensitivities to movements in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and volatility). The equity desks structurally show long delta and short vega positions. The exposure to interest rates ranged from minus €206,000 to €171,000, with a low average reading of approx. €36,000, reflecting the trading book's negligible exposure to swap and Euribor interest rates. The exchange rate showed just a few spikes for brief periods of time, while the average readings were very low.

IFRS 9 "Financial Instruments"

In July 2014, the International Accounting Standards Board (IASB) issued the new IFRS 9, "Financial Instruments", with the aim of introducing new regulations on the classification and measurement of financial instruments, the criteria and methods for calculating value adjustments, and the hedge accounting model.

The new standard replaces IAS 39 and will be applicable as from the first day of the financial year starting on 1 January 2018 or of the first financial year starting thereafter.

The Mediobanca Group will adopt the new standard starting from 1 July 2018. An internal project was launched in spring 2015 led jointly by the Risk Management and Group Financial Reporting areas, with the involvement of all other areas affected (in particular the front office teams, Group Technology and Operations, Group ALM, Group Treasury). The initiative has been carried on in accordance with the three areas identified by the new standard (Classification & Measurement, Impairment and Hedge Accounting) and has been split into two phases, namely Assessment (already complete) and Design and Implementation.

With reference to the new criteria for classifying and measuring financial instruments, the analysis has been conducted across the entire product portfolio with no particular impact noted. In the last six months the definition of the methodological framework for implementing the organizational and applications processes, for the IT systems in particular, which will come into operation by 31 December 2017.

In the last six months the activities for developing the new impairment models have been completed, with the internal means for calculating the expected loss being finalized (chiefly with reference to staging, the introduction of macroeconomic scenarios, and forward-looking elements); the activities involved the Group's main portfolios, in line with the results of the classification project, with no particular impact in quantities terms emerging, and with minimal revisions to the monitoring processes to be implemented. This activity too should be completed by 31 December 2017, in particular the IT implementation.

As far as regards hedge accounting, no significant impact is expected from the application of the new criteria, hence the Bank expects to avail itself of the opt-in option.

The design and implementation activity has also been completed, hence a new phase of testing the new IFRS 9 systems and processes has been embarked on with a view to launching a period during which IAS 39 and IFRS 9 will be run in parallel from the start of 2018 (six months prior to its effective application).

The ECB has also launched a Thematic Review on implementation of IFRS 9 by the main banks under the supervision of the SSM (Single Supervisory Mechanism), including Mediobanca which has been sending the templates and impact simulations required. This activity was completed at end-October, slightly later than other banks because the Mediobanca Group will be applying the new standard starting from 1 July 2018.

***

Shareholder remuneration

At an Annual General Meeting held on 28 October 2017, the shareholders of Mediobanca approved the distribution of a gross dividend of €0.37 per share. The amount will be payable as from 22 November 2017 with record date 21 November 2017 and the coupon detached on 20 November 2017.

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<u>Consolidated quarterly results for the three months ended 30 September 2017</u>

The information and tables from the quarterly report for the three months ended 30 September 2017 are shown below, as approved by the Board of Directors of Mediobanca on 26 October 2017.

In the three months ended 30 September 2017, the Mediobanca Group delivered an 11% increase in net profit, from €271m to €301m and a 27% increase in gross operating profit, from €227m to €288m, driven by strong top-line performances by all the business lines and the ongoing reduction in the cost of risk. The main income items performed as follows:

- Revenues were up 13% to €598m, with all items posting growth. Net interest income rose by 6% (to €332m), on the back of good performances in Consumer Banking (up 6%) and Specialty Finance (up 36%), plus the growth in size at Wealth Management (up 28%); net fee and commission income was up 30%, to €138m, as a result of the higher contribution from Wealth Management (up 49%, to €56m) and growth in CIB (up 13%, to €53m); net trading income also rose 22%, to €39m;

- Loan loss provisions fell by 40%, from €91m to €55m, and the cost of risk halved to 57 bps (101 bps); asset quality performance was positive in all divisions, in particular WB, which continues to benefit from writebacks (€22m), while Consumer Banking showed a residual increase in the cost of risk compared to the last quarter (at 213 bps, versus 201 bps); gross NPLs were down 4% Y.o.Y. and net NPLs down 5%, while the coverage ratios were higher (55% for NPLs and 71% for bad loans); the Texas ratio stood at 13%;

- Gross operating profit, net of the cost of risk, was up 27%, from €227m to €288m;

- Net profit rose by 11%, to €301m, reflecting:

  - €89m in net gains on the disposal of remaining shares in Atlantia still held (1.35%);

  - €7m in non-recurring charges in connection with the recapitalization of the Cesena, Rimini and San Miniato *casse di risparmio* ahead of their disposal.

- The capital ratios as at 30 September 2017 confirm the high values reported at end-June 2017, and are some 120 bps higher than one year previously. Pending introduction of the AIRB models for the corporate segment, the ratios are still calculated entirely with the standard method:

  - CET1: 13.3% phased-in, 13.5% fully phased;

  - Total capital: 16.7% phased-in, 17.0% fully phased.

In the three months all divisions have shown more intense levels of activity and the WM development process has seen sharp acceleration.

- Wealth Management: ready for growth, ROAC up from 9% to 11%

- Affluent/CheBanca!: the Barclays' integration process is now complete, with 32 branch closures and the planned reduction in headcount (117 in the last quarter and more than 200 in the last twelve months). The three months under review have seen the foundations laid for future growth, with the recruitment of the head of the FAs network and the addition of 43 new advisors (for a total of around 110 so far);

- MB Private Banking: the merger of Banca Esperia into Mediobanca S.p.A. should be complete by end-December 2017 and with it the launch of the new Mediobanca Private Banking brand, providing an integrated private banking-investment banking profit offering; so far the central and treasury functions have been integrated into the parent company;

- Asset management: relaunch of the product factory has begun with the addition of the new CEO of Duemme SGR.

- Consumer/Compass: record quarter with net profit up 35% to €80m, ROAC up from 23% to 30%; new business revitalized (up 9%) by enhancement of direct channels with margins resilient and asset quality strong. Opportunities are expected from the new ECB guidance on NPLs (potentially lower pressure on margins, and increased opportunities for distribution agreements).

- CIB: net profit €75m (up 12% Y.o.Y.), ROAC up from 11% to 14%: healthy growth in fee-based activities from a higher number of deals in the mid-ticket space, with asset quality improving further. Opportunities are expected to arise from the new ECB guidance on NPLs (for advisory, capital market and credit management services) and the introduction of advanced internal ratings-based models for the corporate segment. The positive momentum in Specialty Finance also continues.

- Principal Investing: high profits, NAV increasing, disposals ongoing; net profit for the three months totalled €171m, on a higher contribution from Assicurazioni Generali of €89m (up 17% Y.o.Y.) plus gains on disposals. The market value of the equity investments was 26% higher than the same time last year, at €3.6bn, chiefly due to the 45% Y.o.Y. increase in the market value of the Assicurazioni Generali stake (now worth €3.2bn at current prices).

Group revenues rose by 12.9% to €598.4m, with the main income items performing as follows:

- Net interest income rose again, by 5.6% (from €314.2m to €331.7m), driven by Consumer (up from €202.9m to €214.1m) and CheBanca! (up from €41.4m to €53.6m), which more than offset the reduction in Wholesale Banking (from €65.2m to €54.1m) and the negative, albeit improving, contribution from treasury operations of minus €27.3m (minus €31m);

- Net treasury income grew from €31.8m to €38.7m, on a higher contribution from Wholesale Banking and capital market solutions activity in particular;

- Net fee and commission income totalled €138.3m, reflecting a sharp improvement on the €106m posted last year, due to the healthier trend in Wholesale Banking and higher business volumes in Wealth Management (in both segments, i.e. Affluent/CheBanca! and High Net Worth Individual/Banca Esperia);

- The contribution from the Assicurazioni Generali stake and the other equity investments also improved, from €78.1m to €89.7m.

At the same time, the 20.3% rise in operating costs, to €255.7m, reflect the increased scope of consolidation and the related strengthening activities (integration of new acquisitions, new IT platforms, and new distribution channels).

Loan loss provisions fell by 39.7%, to €54.6m, reflecting the further improvement in the loan book's risk profile, in Consumer Banking in particular (where provisioning declined from €84.6m to €62.9m) and Wholesale Banking (where a net amount of €21.8m was written back, largely deriving from repayments). The cost of risk fell to 57 bps, representing a further improvement on last year (30/9/16: 101 bps) and the last quarter (30/6/17: 73 bps).

Net gains on the securities portfolio declined from €112m to €89.4m, and basically consist of the €89m gain realized on disposal of the remaining Atlantia shares still held.

Earnings for the three months also reflect a one-off charge referred to above, in an amount of €5.1m in connection with the voluntary scheme for recapitalization of the Rimini, Cesena and San Miniato *casse di risparmio* ahead of their sale to Crédit Agricole Italia. At the same time the Cassa di Risparmio di Cesena investment held as available for sale was written off, resulting in a €2.1m charge being taken through the profit and loss account.

Turning to the balance-sheet data, total assets were up slightly on the figure reported at end-June 2017, from €70.4bn to €70.8bn, and show a slight recovery by lending on the back of the liquidity and cost of funding optimization efforts:

- Loans and advances to customers rose by 1.4%, chiefly due to the recovery in Wholesale Banking (up 3.3%, from €12.8bn to €13.3bn), and the healthy performance by Consumer Banking (up 1.2%, from €11.8bn to €11.9bn). Mortgages and loans to private clients were basically flat. New loans posted strong growth in the three months under review, in part offset by the persistent trend in early repayments: Wholesale Banking reported new loans of €1,959.8m (up 32% on last year), Consumer Banking of €1,630m (up 9.1%), Specialty Finance of €976m (up 23.5%), and mortgage lending of €310.1m (up 33.4%). Asset quality continues to be excellent and indeed has improved further: net NPLs fell from €940.5m to €928.4m, and declined also in relative terms, from 2.5% of the total loan book to 2.4%, with the coverage ratio virtually unchanged at 54.7% (versus 54.6%). Net bad loans stood at €156.8m, and account for 0.40% (0.41%) of the total loan book. The item does not include the NPL portfolios acquired by MBCredit Solutions, for which the stock remained largely stable at €135.2m;

- Funding decreased from €49.1bn to €48.5bn, chiefly due to repayment of the first T-LTRO (€1.5bn). Wealth Management deposits were stable at €17.8bn, with the slight fall in CheBanca! deposits from €13.4bn to €13.2bn offset by the increase in those in private banking (up from €4.5bn to €4.6bn). Conversely, debt securities rose from €19.3bn to €20.2bn, as a result of a €750m benchmark issue and other placements totalling approx. €0.7bn, against redemptions and net buybacks totalling €0.6bn. During the three months under review the Group's cost of funding fell by approx. 10 bps, to 90 bps (in terms of spread vs Eur3M), due to lower charges on debts securities and CheBanca! deposits;

- Banking book bonds declined from €8.4bn to €8bn, due to the reduction in holdings in Italian sovereign debt (from €3.3bn to €3bn). Net treasury assets too reduced from €7.3bn to €6.8bn, due to lower deposits with the ECB (down from €1.3bn to €1bn);

- TFAs in Wealth Management, including retail funding, declined from €59.9bn to €57.2bn, due to certain low-margin AUC mandates granted to Cairn Capital being wound up; AUM/AUA rose slightly, from €30bn to €30.3bn, and are split between private banking (up from €22.9bn to €23.1bn) and the CheBanca! affluent & premier segment (from €7.1bn to €7.2bn).

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- The Group's capital ratios at 30 September 2017 continue to reflect the high levels reported at end-June, some 120 bps higher than one year previously, reflecting the slight increase in RWAs recorded during the three months (from €52.7bn to €52.8bn):
  - Phase in: Common Equity Tier 1 ratio 13.30%, total capital ratio 16.74%;
  - Fully phased: Common Equity Tier 1 ratio 13.47%, total capital ratio al 16.97%.

Table 9

Restated profit and loss account

Mediobanca (€m)	3 mths ended 30/9/16	3 mths ended 30/9/17	Y.o.Y. chg. (%)
Net interest income	314.2	331.7	5.6%
Net treasury income	31.8	38.7	21.7%
Net fee and commission income	106.0	138.3	30.5%
Equity-accounted companies	78.1	89.7	14.9%
Total income	**530.1**	**598.4**	**12.9%**
Labour costs	(107.3)	(129.9)	21.1%
Administrative expenses	(105.3)	(125.8)	19.5%
Operating costs	**(212.6)**	**(255.7)**	**20.3%**
Gains (losses) on AFS shares	112.0	89.4	-20.2%
Loan loss provisions	(90.6)	(54.6)	-39.7%
Provisions for other financial assets	(5.9)	(1.3)	-78.0%
Other income (losses)	(4.8)	(5.1)	6.3%
Profit before tax	**328.2**	**371.1**	**13.1%**
Income tax for the period	(56.7)	(69.1)	21.9%
Minority interest	(0.8)	(1.1)	37.5%
Net profit	**270.7**	**300.9**	**11.2%**

Table 10

Restated balance sheet

Mediobanca Group (€m)	30/9/16	30/6/17	30/9/17
Assets			
Financial assets held for trading	9,937.2	7,833.9	8,304.5
Treasury funds	10,238.3	9,435.1	9,459.9
AFS equities	693.5	786.1	506.9
Banking book securities	9,076.5	8,357.7	8,005.1
Loans and advances to customers	36,768.3	38,190.9	38,716.0
Corporate	13,669.2	12,840.0	13,262.3
Specialty finance	1,011.9	1,641.0	1,597.3
Consumer credit	*11,068.8*	*11,750.3*	*11,892.9*
Residential mortgages	*7,508.5*	*7,513.2*	*7,568.0*
Private banking *Leasing*	*1,058.3*	*2,172.9*	*2,177.4*
Investment securities	*2,451.5*	*2,273.5*	*2,218.1*
Tangible and intangible assets	3,294.0	3,036.5	3,120.2
Other assets	754.0	857.8	856.0

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Total assets	2,549.4	1,947.5	1,848.2
Liabilities			
Funding	50,173.7	49,120.6	48,519.7
MB bonds	*20,807.6*	*19,301.5*	*20,168.0*
Retail deposits	*13,779.9*	*13,353.3*	*13,173.5*
Private banking deposits	*3,014.4*	*4,482.0*	*4,594.6*
ECB funding	*5,512.0*	*5,854.1*	*4,349.3*
Interbank and other sources	*7,059.8*	*6,129.7*	*6,234.3*
Treasury funding	4,418.9	4,037.2	4,248.6
Financial trading liabilities	7,496.2	5,920.6	6,710.0
Other liabilities	2,118.1	1,919.9	1,998.4
Provisions	183.1	255.6	241.6
Net equity	8,921.2	9,191.6	9,098.5
Minority interest	*90.2*	*82.7*	*84.0*
Profit for the period	270.7	750.2	300.9
Total liabilities	**73,311.2**	**70,445.5**	**70,816.8**

Core tier 1 capital	6,561.2	7,017.3	7,029.7
Total capital	8,515.4	8,879.0	8,845.8
RWAs	54,247.3	52,708.2	52,839.7

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Table 11

Ratios (%) and per share data (€)

Mediobanca Group	30/9/16	30/6/17	30/9/17
Total assets/net equity	8.2	7.7	7.8
Loans/deposits	0.7	0.8	0.8
Core tier 1 capital/RWAs	12.1	13.3	13.3
Regulatory capital/RWAs	15.7	16.9	16.7
S&P rating	BBB-	BBB-	BBB-
Fitch rating	BBB+	BBB	BBB
Cost/income ratio	40.1	46.6	42.7
Bad loans (*sofferenze*)/loans	0.5	0.4	0.4
EPS (€)	0.31	0.85	0.34
BVPS (€)	10.2	10.0	10.2
DPS (€)		0.37	
No. of shares in issue (millions)	871.0	881.2	881.2

* This item does not include the amount of bad loans acquired by MBCredit Solutions S.p.A., the Mediobanca Group company which performs credit recovery activity, as specified in the notes to the consolidated financial statements on p. 213

4 Information on the Issuer

4.1. History and development of the issuer

4.1.1. Name

Mediobanca – Banca di Credito Finanziario S.p.A..

4.1.2. Details of registration in Companies' Register and place of registration

Mediobanca is registered in the Milan Companies' Register under Registration no. 00714490158.

4.1.3. Issuer's date of incorporation and duration

Mediobanca was set up on 10 April 1946 by virtue of a notarial deed drawn up by Notary public Arturo Lovato, file no. 3041/52378. The duration of Mediobanca is until 30 June 2050.

4.1.4. Issuer's registered office and legal status, legislation under which it operates, country of incorporation, address and telephone number of registered office

Mediobanca is a company limited by shares under Italian law, incorporated in Italy with 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 is subject to the supervision of the ECB/Bank of Italy as part of the Single Supervisory Mechanism (SSM).

4.1.5. Recent facts for evaluating the Issuer's solvency

Since 30 June 2017, there have been no negative changes either to the financial position or prospects of either Mediobanca or the Group headed up by it.

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5 Overview of activities

5.1. Principal activities

5.1.1. Mediobanca Group activities

The Mediobanca Group's operations are segmented as follows:

- **Corporate & Investment Banking (CIB):** this division brings together all services provided to corporate clients:
  - Wholesale Banking: Client Business (lending, advisory, capital markets activity) and proprietary trading;
  - Specialty Finance, which comprises factoring (MBFacta) and credit management (Creditech).

- **Consumer Banking (CB):** this division provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass and Futuro);

- **Wealth Management (WM):** this new division brings together all asset management services offered to the following client segments:
  - Affluent & Premier, addressed by CheBanca!;
  - Private & HNWI, addressed in Italy by Banca Esperia (now 100%-owned) and Spafid, and in the Principality of Monaco by Compagnie Monégasque de Banque.

  This division also comprises Mediobanca Asset Management, the product factory which Mediobanca intends to set up to serve the MB Group sale networks by leveraging on existing capabilities: Cairn Capital (alternative AM), Duemme SGR (formerly Esperia), and Compagnie Monégasque de Gestion (CMG, formerly CMB).

- **Principal Investing (PI):** this division brings together the Group's portfolio of equity investments and holdings, including the stake in Ass.Generali

- **Holding Functions:** this division houses the Group's Treasury and ALM activities (which previously were included in the CIB division), with the objective of optimizing management of the funding and liquidity processes; it also includes all costs relating to Group staffing and management functions, most of which were also previously allocated to CIB; and continues to include the leasing operations.

This new segmentation, in force since , in force since 16 November 2016, was approved in conjunction with the guidelines for the 2016/19 strategic plan with a view to seizing opportunities deriving from the current competitive scenario and prioritizing development of the new Wealth Management division.

In addition, in the course of FY 2016/17 Mediobanca completed the acquisition of the other 50% of Banca Esperia which it did not already own from the Mediolanum group. The acquisition forms part of the Group's strategy to grow its presence in the private (WM) and MidCaps (CIB) segments, which represent the two main guidelines of the plan approved.

Integration of Banca Esperia will enable the Mediobanca Group to:

- Reshape its private banking service offering in Italy, by creating the new Mediobanca Private Banking brand;
- Empower its platform for services to Mid-Corporate clients as part of its CIB activities;
- Enhance the Group's integrated product offering: synergies to be achieved with Spafid in management of fiduciary services, with CheBanca! for traditional banking products, with Mediobanca AM in extending the services offered by Banca Esperia's product factory Duemme SGR to the whole Group;
- Deliver major cost synergies.

As at 30 June 2017, Mediobanca had a market capitalization of approx. €7.6bn.

Consolidated financial information as at 30/6/17

Profit and loss account (€m)	Corporate & Investment Banking	Consumer	Wealth Management	Principal investing	Holding Functions	Totale
Net interest income	292.6	818.1	244.1	(7.1)	(76.3)	1,287.8
Total income	635.9	936.2	459.5	273.2	(56.5)	2,195.6
Profit before tax	377.5	380.1	66.8	429.3	(341.7)	914.0
Net profit	253.9	258.2	55.0	422.1	(241.8)	750.2

Wholesale Banking

Mediobanca seeks to provide its corporate clients with advisory services and financial services they to help them grow and develop.

The wholesale banking division comprises three different units: Corporate finance, Lending and structured finance, Capital markets.

1. 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 London, Paris, Frankfurt, Madrid and Istanbul. A client-based approach is adopted, backed by indepth 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.

2. Lending & Structured Finance

The Financing teams serve Mediobanca's Italian and international customers, through the branch offices located in Paris, Frankfurt, London, Madrid and Istanbul, 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 principal Lending & Structured Finance area products 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.

- **Structured Finance** (acquisition finance, loans for LBO/MBOs, project finance, infrastructure finance, real estate finance): 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. 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.

- **Factoring** (with and without recourse, maturity, and supply credit): sale and discount of trade receivables to help refinance companies' working capital. As well as the financial benefits, factoring can also provide insurance (guarantee against insolvency or delays in payments) and facilitate operations (credit management, accounting, collection and recovery).

3. 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**: Mediobanca 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.

As for the **debt** market, the activity is divided into the following areas of operation:

- **Debt capital market**: 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. Advisory services and structuring *ad hoc* solutions for alternative investments targets institutional investors.

- **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 CheBanca! owned network, and via 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.

Specialty Finance

Our Specialty Finance activities include managing and financing credit and working capital. We have operations in factoring with MBFacta and in the credit management sector with MBCredit Solutions.

- **MBCredit Solutions** has for many years performed credit recovery activities (on behalf of the Group companies and third parties) and NPL portfolio acquisitions. The 2016-19 strategic plan envisages the company growing from niche operator to leading player in the credit management sector (servicing *inter alia* for third parties) and in the acquisition of non-performing loans (NPLs).

- **MBFacta** provides trade receivables sale and discount services (with and without recourse, maturity, supply credit) to refinance corporate working capital. As well as the financial benefits, this service can also include an insurance component (guarantee against insolvency or delays in payments) and/or a management component (portfolio management, accounting, collection and recovery). The factoring platform's factoring offering will be tailored specifically to developing the Mid Corporate segment in synergy with the other services offered by CIB to this category of firm.

Consumer Credit - Compass

Mediobanca has operated in the consumer credit sector since the 1960s through its subsidiary Compass.

Compass today is one of the leading consumer credit operators on the Italian market, with a market share of 10.5%.

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 166 own branches, distributing agreements with banking partners and retailers, and BancoPosta.

As at the balance-sheet date it had approx. €11.8bn in loans outstanding, plus a total of 1,405 staff on the books.

Affluent & Premier - CheBanca!

Mediobanca has been operative in retail banking through CheBanca!. This subsidiary, launched in 2008, effectively served as retail deposit gatherer for the Mediobanca Group throughout the financial crisis. In the last three years it has developed a distribution model which is innovative, transparent and with high technology content, while at the same time refocusing its mission from deposit gather to asset gatherer, raising €4bn in AUM (€7bn including the recent acquisition of Barclays' Italian retail activities[4]) and breaking even at the operating level.

Today CheBanca! is distinguished by its:

- High brand recognition;
- Effective, innovative multi-channel distribution (internet, 141 own branches, direct banking);
- Simple, transparent products;
- Substantial customer base (approx. 800,000 customers);

[4] For further details please see the press release issued on 30 August 2016 available at https://www.mediobanca.com/en/media-relations/press-releases/conclusa-l-acquisizione-dell-attivita-retail-di-barclays-in-italia.html.

- Strong commercial results: €13.4bn in deposits, €7.1bn in assets under management, and €7.5bn in mortgages disbursed.

At 30 June 2017 the company employs a total of 1,401 staff.

In the past next years, CheBanca! will leverage on its competitive advantage as first mover to seal its definitive transformation to wealth manager focused on the affluent and premier client bracket. In detail the bank will seek to:

- Valorize the business acquired from Barclays in Italy, starting with the 220,000 clients acquired, optimizing the distribution network and using the €240m in badwill received to cover restructuring costs and relaunch commercial activities;
- Strengthen its proprietary distribution network while maintaining its unique market position (advisory approach integrated with cutting-edge technology infrastructure in distribution via digital channels);
- Construct a new network of financial advisors, destined to increase assets under management further in the medium term.

Private & HNWI

The range of services offered to clients is split between.

- **Banca Esperia**, as from this year 100%-owned by the Group, will be merged into Mediobanca and will offer private banking services under the Mediobanca brand. The 75 bankers and eleven branches at the same time will work to develop their asset management activity and the mid-cap platform, acting as a bridge between corporate and private activities in conjunction with Spafid, the Mediobanca Group multi-family office. The Banca Esperia product offering for high net worth clients includes 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 approx. €19bn in assets under management at its branches in Bergamo, Bologna, Brescia, Cesena, Florence, Genoa, Milan, Padua, Parma, Rome, Turin and Treviso.

- **Compagnie Monégasque de Banque ("CMB")** is 100%-owned by Mediobanca. CMB is market leader in the Principality of Monaco, with total deposits of approx. €10bn. Its geographical position, indepth knowledge of markets and absolute independence make it a player of primary importance, able to provide exclusive services to its clientèle, ranging from loans to asset management.

- **Spafid**, 100%-owned by Mediobanca, this company provides fiduciary administration services in respect of equity investments, securities market investments and fiduciary services for issuers. Spafid currently has assets under administration worth some €4bn.

MB Asset Management

As part of the reorganization of the Wealth Management division, a new MB Asset Management product factory has been set up bringing together Cairn Capital, Duemme SGR (formerly Banca Esperia) and Compagnie Monégasque de Gestion (formerly CMB). In this division the individual companies' support units will be centralized (Human Resources, Legal and Compliance, etc.) and a dedicated sales force will be set up with responsibility for distribution of all product lines.

- **Cairn Capital**, a 51% stake having been acquired in this company in December 2015. Cairn Capital is the largest company in this division, and is an asset manager and advisor based in London specializing in credit products. Assets managed by the company total some €2.5bn, plus a further €3.9bn under long-term advice.

Principal investing

Mediobanca has an equity portfolio of investments made over time, consisting of minority stakes in leading Italian and international companies, most of which are listed. As a result of the recent introduction of tighter regulations on regulatory capital and the Bank's desire to concentrate more on highly-specialized banking activities, this portfolio of investments is in the process of being reduced. Disposals were completed during the course of FY 2016/17: stakes worth approx. €340m were sold, yielding gains of almost €160m. 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 Atlantia are assigned to the Principal investing division.

Company	Sector	% of share capital	Book value as at 30/6/17 €m
Assicurazioni Generali	Insurance	13.0%	2,997
RCS Mediagroup	Publishing – media	6.6%	42
Atlantia	Infrastructure	1.4%	276

Leasing

Mediobanca owns a direct 60% stake in the SelmaBipiemme Leasing group, with the other 40% held by the Banca Popolare di Milano. The group operates in financial leasing.

In the twelve months to 30 June 2017, the Group disbursed some €410m in leases, on leases outstanding totalling approx. €2.3bn.

As at 30 June 2017 the headcount numbered 144 staff.

5.1.2. Brief description of the Issuer'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.

Save as described in the foregoing section 5.1.1, there are no significant new products and/or services that have been introduced and no development of new products and services has been disclosed.

5.1.3. Principal markets

The Mediobanca Group's activities are principally focused on the domestic market (from a geographical standpoint Italy accounts for approx. 80% of the Group's loan book). In particular:

- Corporate & Investment Banking (CIB): half the revenues and loan book for this division is originated by the Italian market, the other half by other countries (notably France, Germany, Spain and the United Kingdom): the division employs some 590 staff, around 160 of whom are based outside Italy;

- Consumer banking: activities focus exclusively on the Italian market, and employ approx. 1,400 staff at more than 160 branches;

- Wealth Management (WM): this division's activity is focused primarily on the Italian market, with the exception of CMB (which operates in the Principality of Monaco) and Cairn Capital (which operates in the United Kingdom); and employs over 2,000 staff at over 140 branches;

- Leasing activities chiefly target the domestic market.

5.1.4. Basis of any statement made by the Issuer in the Registration Document regarding its competitive position

The Registration Document contains no statement by the Issuer regarding its competitive position..

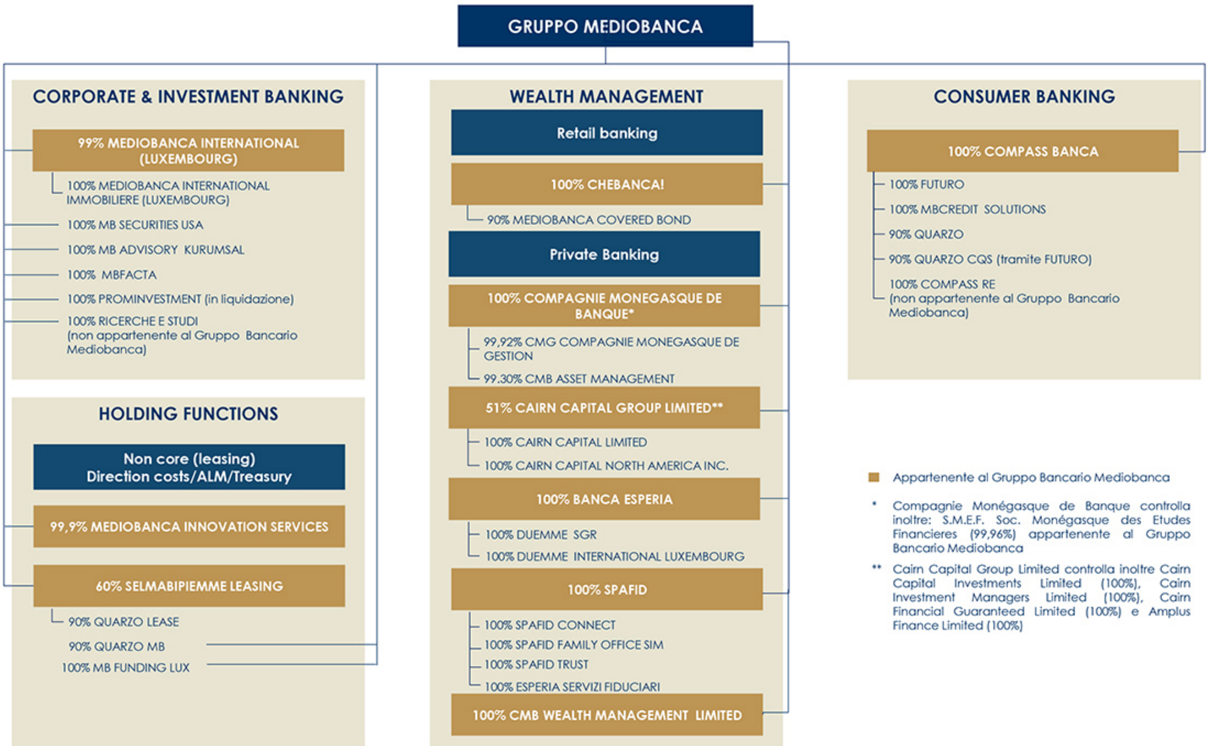
6 Organizational structure

6.1. Description of organizational structure of group headed up by the Issuer

Mediobanca Banking Group

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.



6.2. Subsidiaries and main investee companies

Mediobanca is parent company of the Mediobanca Banking Group. No individual or entity controls Mediobanca within the meaning of Article 93 of the Italian Consolidated Finance Act.

A list of the main Group companies included in the area of consolidation for the financial statements as at 30 September 2017 is shown below:

Group companies			
COMPASS Banca S.p.A.	Italy	100%	(dir)
CHEBANCA! S.p.A.	Italy	100%	(dir)
SELMABIPIEMME LEASING S.p.A.	Italy	60%	(dir)
Compagnie Monégasque de Banque S.A.M.	Principality of Monaco	100%	(dir)
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	100% [5]	(dir)
SPAFID S.p.A.	Italy	100%	(dir)
SPAFID TRUST S.R.L.	Italy	100%	(indir)
ESPERIA SERVIZI FIDUCIARI S.P.A.	Italy	100%	(indir)
SPAFID CONNECT S.p.A.	Italy	100%	(indir)
MEDIOBANCA SECURITIES USA LLC	United States	100%	(dir)
BANCA ESPERIA S.P.A.	Italy	100%	(dir)
DUEMME SGR S.P.A.	Italy	100%	(indir)
DUEMME INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	100%	(indir)
MBCREDIT SOLUTIONS S.p.A.	Italy	100%	(indir)
RICERCHE E STUDI S.p.A.	Italy	100%	(dir)
Mediobanca Innovation Services S.c.p.A	Italy	99.95%	(dir)
FUTURO S.p.A.	Italy	100%	(indir)
PROMINVESTMENT S.p.A. in liquidation	Italy	100%	(dir)
MBFACTA S.p.A.	Italy	100%	(dir)
QUARZO S.r.l.	Italy	90%	(indir)
QUARZO CQS S.r.l.	Italy	90%	(indir)
MB COVERED BOND S.r.l.	Italy	90%	(indir)
QUARZO LEASE S.r.l.	Italy	90%	(indir)
C.M.B. ASSET MANAGEMENT S.A.M.	Principality of Monaco	99.30%	(indir)
C.M.G. COMP. MONEG. D.G. S.A.M.	Principality of Monaco	99.92%	(indir)
S.M.E.F. SOC. MONEG. DE ET.FIN. S.A.M.	Principality of Monaco	99.96%	(indir)
CMB WEALTH MANAGEMENT	United Kingdom	100%	(indir)
QUARZO MB s.r.l.	Italy	90%	(dir,)
COMPASS RE S.A.	Luxembourg	100%	(indir)
MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI A.S.	Turkey	100%	(dir)
MEDIOBANCA INTERNATIONAL IMMOBILIERE S.à r.l.	Luxembourg	100%	(indir)
CAIRN CAPITAL GROUP Ltd	United Kingdom	51%	(dir.)
CAIRN CAPITAL Ltd	United Kingdom	51%	(indir.)

5) Of which 1% Compass shares.

CAIRN CAPITAL NORTH AMERICA Inc.	United States	51%	(indir.)
CAIRN FINANCIAL GUARANTEE Ltd	United Kingdom	51%	(indir.)
CAIRN CAPITAL INVESTMENTS Lts.	United Kingdom	51%	(indir.)
CAIRN INVESTMENTS MANAGERS Ltd.	United Kingdom	51%	(indir.)
AMPLUS FINANCE Ltd.	United Kingdom	51%	(indir.)
MB FUNDING LUX S.A.	Luxembourg	100%	(dir.)
SPAFID FAMILY OFFICE SIM S.p.A.	Italy	100%	(indir.)

In view of the size of the investment and the role played by the Bank in the companies' governance, as at 30 June 2017 the values reflected by the investment in Assicurazioni Generali were as follows:

Company	Sector	% of share capital	Book value as at 30/6/17 €m
Assicurazioni Generali	**Insurance**	**13%**	**2,997**

7 Forecasts or estimates of profits

7.1. Information on recent trends

No substantial adverse changes have taken place in Mediobanca's or the Group's prospects since 30 June 2017.

7.2. Information on trends, uncertainties, requests, commitments or known facts which could reasonably be expected to have material repercussions on the Issuer's prospects for at least the current financial year

Mediobanca is not aware of any information on trends, uncertainties, requests, commitments or facts known which could reasonably have significant repercussions on Mediobanca's prospects for the current financial year.

8 Profit estimates or projections

No forecast or estimates of profits are contained in the Registration Document.

9 Bodies responsible for governance, management and supervision

9.1. Information on governing bodies

Information on the Bank's governing bodies is provided below, as updated following the Annual General Meeting held on 28 October 2017.

Changes in the composition of the governing bodies and other information related to them will be published from time to time on the Issuer's website at www.mediobanca.it (https://www.mediobanca.com/it/governance/index.html).

Board of Directors

The Board of Directors appointed on 28 October 2017 for the 2018, 2019 and 2020 financial years, as at 28 October 2017 consisted of fifteen members, eleven of whom qualify as independent under Article 148, paragraph 3 of Italian Legislative Decree 58/98, nine of which eleven also qualify as independent under the Code of Conduct in respect of listed companies. Its composition also reflects the legal requirements in terms of gender balance.

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	28/10/20	-
Maurizia Angelo Comneno *	Deputy Chair	Rome,18/6/48	28/10/20	-
Alberto Pecci	Deputy Chair	Pistoia 18/9/43	28/10/20	Chairman, Pecci Filati Chairman, Tosco-Fin Director, El.En.
Alberto Nagel	Chief Executive Officer	Milan, 7/6/65	28/10/20	-
Francesco Saverio Vinci	General Manager	Milan, 10/11/62	28/10/20	-
Cesar Alierta	Director	Zaragoza (Spain) 5/5/45	28/10/20	Director, Telefònica Audiovisual Digital Director, Chino Unicom (Hong Kong)
Marie Bolloré	Director	Neully sur Seine, 8/5/88	28/10/20	Director, Bolloré Director, Financière de l'Odet Director, Bolloré Participations Director, Financiere V Director, Omnium Bolloré Director, Blue Solutions Director, Societé Industrielle et Financiere de l'Artois Member of Supervisory Board, Sofibol
Maurizio Carfagna	Director	Milan, 13/11/47	28/10/20	Chief Executive Officer, H-Invest Chief Executive Officer, H-Invest Director, Compagnia Immobiliare Azionaria Director, Duemme SGR Director, Futura Invest
Maurizio Costa	Director	Pavia, 29/10/48	28/10/20	Director, Amplifon

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies
Angela Gamba	Director	Palazzolo sull'Oglio (Brescia) 15/8/70	28/10/20	Director, Parmalat
Valérie Hortefeux	Director	Aulnay (France) 14/12/1967	28/10/20	Director, Blue Solutions Director, Ramsay – Generale de Santé
Alberto Lupoi	Director	Rome 21/3/70	28/10/20	-
Elisabetta Magistretti	Director	Busto Arsizio, 21/7/47	28/10/20	Director, Luxottica Group Director, Smeg
Massimo Tononi [2]	Director	Trento 22/8/64	28/10/20	Chairman, Prysmian Chairman, Istituto Atesino di Sviluppo Director,Italmobiliare Director,Il Sole 24 ore
Gabriele Villa [1,2]	Director	Milan, 18/6/64	28/10/20	Director, Space2 Chairman of Statutory Audit Committee, Westfield Milan Standing Auditor, Edison Standing Auditor, Otis Servizi Standing Auditor, Transalpina di Energia

1 Member of Executive Committee.
2 Qualifies as independent pursuant to Article 148, para. 3 of Italian Legislative Decree 58/98.
3 Member of Mediobanca senior management.

All Board members are in possession of the requisites to hold such office set by the regulations in force at the time.

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	Name	Place and date of birth	Term expires	Posts held in other companies
Chairman	Natale Freddi	Rho, 6/6/52	28/10/20	-
Standing Auditor,	Francesco di Carlo	Milan, 4/10/69	28/10/20	Director, Pitagora Director, Milano Investment Partners SGR Chairman of Statutory Audit Committee, Italmobiliare Standing Auditor, Equita SIM Standing Auditor, Equita Group Standing Auditor, Clessidra SGR Standing Auditor, Cerved Master Service Standing Auditor, Lauro 48 Alternate auditor, Assicurazioni Generali Alternate auditor, Generali Italia Alternate auditor, Telecom Italia Alternate auditor, Sace
Standing Auditor,	Laura Gualtieri	Reggio Emilia, 18/10/68	28/10/20	Standing Auditor, Prysmian
Alternate auditor	Alessandro Trotter	Vimercate, 9/6/40	28/10/20	-

Post	Name	Place and date of birth	Term expires	Posts held in other companies
Alternate auditor	Barbara Negri	Alessandria, 13/6/73	28/10/20	-
Alternate auditor	Stefano Sarubbi	Milan 6/12/65	28/10/20	Chairman of Statutory Audit Committee, Coca Cola Italia Chairman of Statutory Audit Committee, Comfactor

All Statutory Audit Committee members are in possession of the requisites to hold such office set by the regulations in force at the time, and are all registered as auditors in the list instituted by the Italian Ministry for the Economy and Finances.

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, Alexandra Young, Executive Director, Massimo Bertolini, Chief Group Governance & Treasury Officer, and Emanuele Flappini, Head of Company Financial Reporting.

9.2. Conflicts of interest among bodies responsible for governance, management and supervision

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. Each year the Board of Directors assesses 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, including in order to avoid potential conflicts of interest from arising, informs 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 controlled by such parties.

Members of the bodies responsible for governance, management and supervision are also required to comply with the following provisions:

- Article 53 of the Italian banking act and implementing regulations enacted by the Bank of Italy, in particular the supervisory provisions on links with related parties;
- Article 2391 of the Italian Civil Code (Directors' Interests);
- Article 2391-bis of the Italian Civil Code (Transactions with Related Parties). Transactions with "related parties" are described in part H of the financial statements for the twelve months ended 30 June 2017.

Mediobanca and its governing bodies have adopted internal measures and procedures to ensure compliance with the provisions referred to above.

10 Main shareholders

10.1. Information on ownership structure

As at the date hereof, the Issuer's fully subscribed and paid up share capital amounted to €440,617,579, made up of 881,235,158 ordinary par value €0.50 shares.

Individuals or entities who based on the shareholders' register and available information as at the date hereof, own directly or indirectly financial instruments representing share capital with voting rights in excess of 3% of the company's share capital, directly or indirectly, are listed below:

	Shareholder	% of share capital
1	Unicredit group	8.56
2	Bolloré group	8.00
3	Mediolanum group	3.43

No party controls Mediobanca according to the definition provided in Article 93 of the Italian banking act.

The information on the Issuer's main shareholders is updated from time to time on its website www.mediobanca.com (https://www.mediobanca.com/it/governance/azionisti/index.html).

10.2. Description of any agreements known to the Issuer which may subsequently give rise to a change in the control of the Issuer.

Mediobanca shareholders representing, as at 30 June 2017, approx. 31% of the Bank's shares have entered into a shareholders' agreement in respect of Mediobanca's share capital expiring on 31 December 2017 (the "Agreement").

At a meeting of parties to the Mediobanca Shareholders' Agreement held on 22 September 2017, the Parties to the Agreement acknowledged the withdrawal from the agreement of Pirelli S.p.A. (in respect of 15.8 million Mediobanca shares, or 1.79% of the company's share capital), effective as from the expiry date, namely 31 December 2017. The withdrawal of the Zannoni Group was also noted, in respect of 2,205,000 shares (0.25%), syndicated to the Agreement via Cinca S.A. as to 1,205,000 shares (0.14%) and Arca S.p.A. as to 1,000,000 shares (0.11%).

Finally, the Parties in general meeting adopted a resolution, in the event of renewal, allowing each Party to give advance notice of its intention to withdraw by 30 September 2018 with effect from 31 December 2018. In this case, the Agreement shall remain in force until its final expiry date of 31 December 2019 by and between Parties representing at least 25% of Mediobanca's share capital. The deadline for sending notice of withdrawal was 30 September 2017, hence the Agreement was automatically renewed until 31 December 2019 with 28.65% of the company's share capital syndicated.

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 www.mediobanca.it (https://www.mediobanca.com/it/governance/azionisti/patto-di-sindacato.html).

MEDIOBANCA

11 Information on the Issuer's assets and liabilities, earnings and losses

11.1. Financial information for previous years

At a Board meeting held on 15 September 2017, the Directors of Mediobanca approved the Group's consolidated financial statements as at 30 June 2017 (the results themselves were approved on 3 August 2017); the statutory financial statements for the year were adopted by shareholders at a general meeting held on 28 October 2017. See in particular section 3.3, "Select financial information".

11.2. Financial statements

The financial statements as at and for the years ended 30 June 2016 and 30 June 2017 and the annexes thereto including the reports by the external auditors, and Mediobanca's interim accounts and reports are available to the public at the company's registered office and published on its website at www.mediobanca.it (https://www.mediobanca.com/it/investor-relations/Financial_statements/index.html). The consolidated financial statements as at and for the years ended 30 June 2016 and 30 June 2017 are deemed to be incorporated by reference into this Registration Document as permitted under Article 11 of Directive 2003/71/CE (the "Prospectus Directive") and Article 7, paragraph 4 of Consob's Regulations for Issuers.

A breakdown of the information deemed to be incorporated by reference into this Registration Document is provided in the following table:

	Balance sheet	Profit and loss account	Cash flow statement	Notes to the accounts	External auditors' report	Comprehens-ive income statement	Statement of changes to consolidated net equity
Consolidated financial statements for year ended 30/6/16	pp. 66-67	p. 68	p. 72-73	p. 76-258	p. 61	p. 69	p. 70
Consolidated financial statements for year ended 30/6/17	pp. 66-67	p. 68	p. 72-73	p. 76-259	p. 61	p. 69	p. 70

11.3. Auditing of annual financial information for previous years

11.3.1. Statement confirming that financial information for previous financial years has been audited

At an annual general meeting held on 27 October 2012, the shareholders of Mediobanca appointed PricewaterhouseCoopers S.p.A. to audit the Bank's statutory 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 2021.

Notice is hereby given that:

- PricewaterhouseCoopers S.p.A., with registered office in Milan, the audit firm appointed to audit the statutory and consolidated full-year financial statements of Mediobanca for the financial year ended 30 June 2017, duly issued, with reference to the consolidated financial statements for the year ended 30 June 2017, the relevant report without qualifications;

- PricewaterhouseCoopers S.p.A., for the statutory and consolidated financial statements of Mediobanca as at 30 June 2016 and the interim financial statements, duly issued the relevant reports without qualifications.

11.3.2. Any other information contained in the Registration Document that has been reviewed by the auditors

With the exception of the statutory and consolidated financial information, no information reported in this Registration Document has been subject to review by the external auditors.

11.3.3. Financial information contained in the Registration Document not taken from the Issuer's audited financial statements

The financial information contained in this Registration Document has been taken from the Issuer's financial statements which have been subject to review by the external auditors.

11.4. Date of most recent financial information

The most recent audited financial information in respect of the Issuer consists of the consolidated financial statements for the period ended 30 June 2017.

11.5. Interim and other financial information

Subsequent to the balance-sheet date of 30 June 2017, the quarterly report of the Mediobanca Group for the three months ended 30 September 2017 was approved by the Board of Directors on 27 October 2017. The Mediobanca Group's quarterly financial statements for the three months ended 30 September 2017 have been incorporated by reference into this Registration Document and no full or partial audit thereof has been carried out.

The Mediobanca Group's quarterly financial statements for the three months ended 30 September 2017, along with all Mediobanca's quarterly and interim accounts (statutory and consolidated) and the auditors' reports where these have been prepared, may be consulted on the Issuer's website at www.mediobanca.it. This website is updated quarterly with the relevant financial information as approved from time to time (see https://www.mediobanca.com/it/investor-relations/Financial statements/index.html).

11.6. Judicial proceedings and inspections in course

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.

Mediobanca believes that the provisions for risks and charges, which at 30 June 2017 amounted to €225,850m, is sufficient to meet any charges due in connection with all the cases that have been brought against the Bank itself and the other Group companies (for which no other significant litigation is pending) and any other contingent liabilities, of which, as permitted by IAS 37, paragraph 92, no precise indication has been given.

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A description of the main litigation and inspections pending is provided below, purely for information purposes:

Litigation pending

The most significant litigation pending against Mediobanca is as follows:

- One case brought against Mediobanca and UnipolSai, with total damages claimed jointly from the defendants totalling €1m (known as the *petitum* in Italian law), of which Mediobanca's share is €0.3m, has been referred by the Court of Cassation to the Court of Appeal in Milan to establish the damage incurred by the shareholder as a result of the failure to launch a full takeover bid for La Fondiaria in 2002.

  The state of proceedings for the claims is as follows:

  - For one, the date of the hearing at the Court of Cassation has still to be set. The appeal was submitted by a former shareholder of Fondiaria S.p.A. against the ruling issued by the Court of Appeal in Milan which partly revised the first-degree ruling, reducing the amount of the damages to be refunded to the former shareholder; and

  - For the other, the terms for submission of an appeal against the Court of Appeal in Milan's ruling against Mediobanca and Unipol to the Court of Cassation are still pending; but an agreement has now been reached with the plaintiff for out-of-court settlement;

- Claim for damages by Monte dei Paschi di Siena ("FMPS") against – *inter alia* – Mediobanca, in respect of participation with criminal intent by virtue of an alleged non-contractual liability, jointly with the other twelve lender banks, for alleged damages to FMPS in connection with the execution of the Term Facility Agreement on 4 June 2011 and the consequent breach of FMPS's Articles of Association (20% limit on debt/equity ratio) in a total amount of €286m. The case is currently pending with the court of Florence. At the first hearing, the judge upheld the objection made by the former members of the administrative body and the former superintendent regarding the failure to obtain the necessary authorization from the Italian Ministry for the Economy and Finance to take action against them, and set a deadline of 15 November 2017 for the said authorization to be obtained. The judge's decision regarding the preliminary objection to non-Italian arbitration raised by the defendant banks is also still pending. The next hearing has been set for 30 November 2017.

Tax disputes

With reference to the disputes outstanding with the Italian revenue authorities, as at 30 June 2017 the Mediobanca Group had cases pending in respect of higher tax worth a notified amount of €24.5m plus interest and fines, down sharply on the notified amount last year (€43.2m), without prejudice to the disputes attributable to the Esperia group companies (€1.7m, in respect of a provision for risks and charges totalling €1.5m) with no new additions.

SelmaBipiemme has chosen to avail itself of the simplified procedure introduced pursuant to Italian decree law 193/16 to shorten the timescales for tax litigation, in respect of the yacht leasing disputes in which the company has been unsuccessful at both stages of the proceedings. This decision has enabled the company, in return for a payment of €24.9m, €17.4m of which by way of tax, to settle its debts with the Italian revenue authority in respect of all the positions involved which amounted to a total risk (including fines, interest and collection charges) of €61.2m.

Inspections

In the period from 25 February 2016 to 18 May 2016 an inspection was carried out by the Bank of Italy – as part of the ECB's supervision - on the FINREP (financial reporting) and COREP (common reporting) processes, with reference in particular to the quality of the internal and external reporting flows to the supervisory authorities. As for the Bank of Italy/ECB inspection, this has not resulted in any disciplinary proceedings being initiated, and based on the recommendations formalized in a letter dated 2 December 2016, Mediobanca has finalized a working plan in order to deal rectify and improve on these issues (sent on 28 December 2016) virtually all of which has now been implemented and reported on to the ECB at regular intervals

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11.7. Significant changes in the Issuer's financial position

There have been no significant changes to financial or commercial position of Mediobanca or the other companies forming part of the Group since the most recent financial information available was disclosed in the consolidated financial statements as at 30 June 2017.

12 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 versus holders of financial instruments issued or to be issued.

MEDIOBANCA

13 Information from third parties, expert opinions and expressions of interest

Standard & Poor's assigned Mediobanca a "BBB/A-2" rating (most recent confirmation 31 October 2017) and Fitch Ratings assigned Mediobanca a "BBB+/F2" rating (most recent confirmation 31 May 2017) – see website www.mediobanca.it for further details.

Rating agency	Short-term debt	Long-term	Outlook	Date of most recent verdict
S&P's	A-2	BBB	Stable	9 November 2017
Fitch Ratings	F2	BBB	Stable	31 May 2017

With reference in particular to the last rating action on 27 April 2017, Fitch Ratings specified that the downgrade to the long-term rating assigned to the Issuer (from BBB+ to the current BBB) was due primarily to the downgrade in the long-term rating of Italian sovereign debt, which too was cut from "BBB+" to "BBB" on 21 April 2017.

The most recent rating action by Standard & Poor's was taken on 31 October 2017 and regarded the Bank's long-term debt rating, which was downgraded from "BBB-" to "BBB" and the short-term debt rating, which was cut from "A-3" to "A-2" with outlook confirmed as stable. The Issuer confirms that the above information has been faithfully reproduced, and that as far as the Issuer is aware and is able to ascertain on the basis of information published by Standard & Poor's and Fitch Ratings, no facts have been omitted that might render the reproduced information imprecise or otherwise misleading. The rating scales used by the main rating agencies are summarized below.

Standard & Poor's rating scale:

Long-term Obligations with an original maturity of more than one year	Short-term Obligations with an original maturity of less than one year
Investment grade	**Investment grade**
AAA The obligor's capacity to meet its financial commitment on the obligation is extremely strong. AA The obligor's capacity to meet its financial commitment on the obligation is very strong. An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. A The obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. **BBB** **The obligation exhibits adequate protection**	A A-1 The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. A-2 The obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. **A-3** **The obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.**

parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Long-term Obligations with an original maturity of more than one year	Short-term Obligations with an original maturity of less than one year
Speculative grade	**Speculative grade**
BB The obligation is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.	B The obligation is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.
B The obligation is more vulnerable to non-payment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.	B -1 The obligation is regarded as having significant speculative characteristics, but the obligor has a relatively stronger capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.
CCC The obligation is currently vulnerable to non-payment, and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.	B -2 The obligation is regarded as having significant speculative characteristics, and the obligor has an average speculative-grade capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.
CC The obligation is currently highly vulnerable to non-payment.	B -3 The obligation is regarded as having significant speculative characteristics, and the obligor has a relatively weaker capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.
C A 'C' rating is assigned to obligations that are currently highly vulnerable to non-payment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default.	C The obligation is currently vulnerable to non-payment and is dependent upon favourable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.
D The obligation is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period.	D The obligation is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period.

NB: ratings from "AA" to "CCC" inclusive can be modified by adding the "+" or "-" minus sign to specify the position.

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Fitch Ratings' rating scale:

Long-term Debt securities with duration of over one year	Breve Termine Debt securities with duration of less than one year
Investment grade	**Investment grade**
AAA	F1+
Exceptionally strong capacity to meet obligations.	Highest quality, strongest intrinsic capacity for timely payment of financial commitments.
AA+	F1
High quality, very low risk but vulnerability to risk over the long term is higher than for the AAA category.	High quality, strong intrinsic capacity for timely payment of financial commitments.
AA/AA-	**F2**
Strong capacity to meet obligations. Minimal differences from the higher grade.	**Good quality, good intrinsic capacity for timely payment of financial commitments.**
A+/A/A-	
Good capacity to meet financial obligations, but more vulnerable to changes in circumstances and economic conditions than bonds with a higher rating.	
BBB+/BBB/BBB-	
Adequate capacity to meet financial obligations, although adverse economic conditions or changes in circumstances may lead to a reduced capacity to meet financial obligations.	

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Long-term Debt securities with duration of over one year	Short-term Debt securities with duration of less than one year
Speculative grade	**Speculative grade**
BB+/BB/BB- Less vulnerable in the near term than issuers with lower ratings, although uncertain economic, financial or administrative conditions could interfere with the capacity to meet obligations entered into.	F3 Fair quality, adequate intrinsic capacity for timely payment of financial commitments, although unforeseen circumstances could affect the borrower's repayment capabilities.
B+/B/B- More vulnerable than issuers rated 'BB', but still able to meet financial commitments. Unforeseen economic and/or financial conditions will likely reduce the issuer's will to meet its commitments.	B Speculative in nature, and the obligor has minimal capacity for timely payment of financial commitments. Vulnerable to near-term adverse changes in financial and economic conditions.
CCC+/CCC/CCC- Currently vulnerable, and capacity to meet obligations entered into is reliant upon a sustained favourable business and economic environment and favourable market conditions.	C Default is a real possibility, repayment of bonds issued is closely dependent upon favourable financial and economic conditions.
CC Currently highly vulnerable, and capacity to meet obligations entered into is reliant upon favourable economic and financial conditions.	D The issuer is in default.
C Extremely vulnerable, possibly bankrupt or in default on payments which are, however, still being made.	
D Default/insolvency on all or most obligations entered into.	
NR Unrated.	

MEDIOBANCA

14 Documents available to the public

The following documents are available for consultation at Mediobanca's registered offices in Piazzetta Enrico Cuccia 1, Milan: the Issuer's Articles of Association (https://www.mediobanca.com/it/governance/statuto.html); copies of the annual accounts and report (consolidated and statutory) as at and for the years ended 30 June 2016 and 2017, and a copy of this Registration Document.

Beginning with the 2001/2002 financial year, the annual, interim and quarterly accounts and reports of Mediobanca and the Mediobanca Group, plus the reports issued by the appointed external auditors, have been made available on the Issuer's website at www.mediobanca.it (see in particular https://www.mediobanca.com/it/investor-relations/Financial statements/index.html). This website will be updated on a quarterly basis with the relevant financial information as approved from time to time.

All information and press releases relating to the Issuer's corporate affairs are also available on the same website.