

PROSPECTUS

Dated 3 April 2018

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

(incorporated with limited liability in the Republic of Italy)

Issue of up to 20,000 Normal Performance Certificates linked to EURO STOXX[®] 50 Index due 9 May 2023

(the “Certificates” or the “Securities”)

(ISIN: XS1802242898)

Prospectus

This document constitutes a prospectus (this “Prospectus”) for the purposes of Article 5.3 of Directive 2003/71/EC as amended, including by Directive 2010/73/EU (the “Prospectus Directive”) relating to the above-referenced Securities issued by Mediobanca - Banca di Credito Finanziario S.p.A. (“Mediobanca” or the “Issuer”). This Prospectus should be read together with any documents incorporated by reference within it.

Programme

The Securities are being issued under the MEDIOBANCA - Banca di Credito Finanziario S.p.A. and MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. Issuance Programme guaranteed in the case of Certificates and Warrants issued by Mediobanca International (Luxembourg) S.A. by MEDIOBANCA - Banca di Credito Finanziario S.p.A. (the “Programme”).

Information incorporated by reference

This Prospectus incorporates by reference, inter alia, certain information from the base prospectus in relation to the Programme dated March 16, 2017 (the “Base Prospectus”). See the section entitled “Documents Incorporated by Reference” below. You should read this Prospectus together with such information from the Base Prospectus.

An investment in Securities issued under the Prospectus involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 32.

This Prospectus has been approved by the Central Bank of Ireland (the “Central Bank”) as competent authority under Directive 2003/71/EC as amended (the “Prospectus Directive”). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Securities which are to be admitted to trading on a

regulated market for the purposes of Directive 2014/65/EU as amended and/or which are to be offered to the public in any member state of the European Economic Area.

An application has been made to the Irish Stock Exchange for Securities to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"), a regulated market for the purposes of the Directive 2014/65/EU as amended ("**MiFID II**"), with effect from as practicable after the Issue Date. No assurances can be given that such application for listing and admission to trading will be granted. Application has been made for the Securities to be admitted to trading on the multilateral trading facility of EuroTLX managed by EuroTLX SIM S.p.A. ("**EuroTLX**").

The Prospectus and the supplements to this Prospectus (if any) are available for viewing at the Issuer's registered office at Piazzetta Enrico Cuccia 1, 20121 Milan, Italy, at the Issuer's representative office at Piazza di Spagna 15, 00187 Rome, Italy and at each office (filiale) of CheBanca! S.p.A. (acting as Distributor) and on the websites of the Issuer (www.mediobanca.com) and CheBanca! S.p.A. (www.chebanca.it) and copies may be obtained from the Issuer upon request at its registered address and from CheBanca! S.p.A. at each of its offices (filiale).

On the approval of this Prospectus as a prospectus for the purpose of Article 5.3 of the Prospectus Directive by the Central Bank, notification of such approval will be made to the Italian National Stock Exchange and Companies Commission (Commissione Nazionale per le Società e la Borsa) ("**CONSOB**") in its capacity as the competent authority of the Republic of Italy.

Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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

Amounts payable under the Certificates are calculated by reference to the EURO STOXX[®] 50Index. As at the date of this Prospectus, the administrators of EURO STOXX[®] 50Index are not included on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**").

As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the administrator of EURO STOXX[®] 50Index are not currently required to obtain recognition, endorsement or equivalence.

Other than the websites listed herein under "Documents incorporated by Reference", websites referred to in this Prospectus do not form part of this Prospectus.

Mandated Dealer and Dealer

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

IMPORTANT NOTICES

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

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

This Prospectus should be read and construed together with any supplement hereto and with any other documents incorporated by reference herein.

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

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

The distribution of this Prospectus and the offering or sale of Securities in certain jurisdictions may be restricted by law. The Issuer and the Dealer do not represent that this Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No Securities may be offered or sold, directly or indirectly including to the public, and neither this Prospectus nor any advertisement or other

offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Securities. In particular, the Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements.

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

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

For a description of additional restrictions on the distribution of this Prospectus and the offer or sale of Securities in the United States, the European Economic Area (including the United Kingdom and Italy) and other jurisdictions, see "Plan of Distribution" in the Base Prospectus incorporated by reference in this Prospectus (see "Documents Incorporated by Reference" below).

The Dealer and PricewaterhouseCoopers S.p.A, as auditors to Mediobanca have not separately verified the information contained in this Prospectus. The Dealer makes no representation express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, or the Dealer that any recipient of this Prospectus or any financial statements should subscribe for any Securities.

Each potential investor should determine for itself the relevance of the information contained in this Prospectus and its subscription of Securities should be based upon such investigation as it deems necessary. The Dealer does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Dealer.

References to "\$", "U.S.\$", "USD" and "US Dollars" are to the lawful currency of the United States of America; references to "Euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community.

MIFID II product governance / Retail investors, professional investors and ECPS target market - for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "MiFID

*Product Governance Rules”), Mediobanca is the manufacturer. Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate and (iii) the following channels for distribution of the Securities to retail clients are appropriate, including; investment advice, portfolio management, non-advised sales and pure execution services, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.*

IMPORTANT INFORMATION RELATING TO THE PUBLIC OFFER OF THE SECURITIES

*This Prospectus has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Securities in any member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:*

- (i) in circumstances in which no obligation arises for the Issuer or the Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or*
- (ii) in the Republic of Italy, provided such person is CheBanca! S.p.A with its registered office at Viale Bodio 37, Palazzo 4, 20158, Milan, Italy, being a financial intermediary authorised to make such offers under Directive 2014/65/EU as amended (the "**Distributor**" or the "**Offeror**") and that such offer is made during the Offer Period specified for such purpose in Paragraph 12 (Terms and Conditions of the Offer) of Part B the Contractual Terms below (the "**Non-exempt Offer**").*

Neither the Issuer nor the Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.

Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor the Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

Neither the Issuer nor the Dealer makes any representation as to the compliance by the Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to the Non-exempt Offer and neither the Issuer nor the Dealer has any responsibility or liability for the actions of that Offeror.

THE DISTRIBUTOR WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE OFFER

AN INVESTOR INTENDING TO SUBSCRIBE OR SUBSCRIBING THE SECURITIES IN THE NON-EXEMPT OFFER FROM THE DISTRIBUTOR WILL DO SO, AND OFFERS AND SALES OF THE SECURITIES TO AN INVESTOR BY SUCH DISTRIBUTORS WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN THE DISTRIBUTOR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE SECURITIES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS DOES NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE DISTRIBUTOR AT THE TIME OF THE OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE DISTRIBUTOR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER

NOR THE DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

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SUMMARY

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

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

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

Section A – Introduction and warnings

| Element | Description of Element | Disclosure requirement |
|---------|---|--|
| A.1 | Warnings | <p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Securities should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Securities.</p> |
| A.2 | Consent to the use of the Prospectus | <p>The Issuer consents to the use of the Prospectus in connection with a Non-exempt Offer of the Securities subject to the following conditions:</p> <ul style="list-style-type: none"> (i) the consent is only valid during the period from 4 April 2018 (included) up to 24 April 2018(included), subject to any early closing or extension of the Offer Period (the "Offer Period"); (ii) the only person ("Offeror") authorised to use the Prospectus to make the Non-exempt Offer of the Securities is the Distributor. The Distributor is CheBanca! S.p.A with its registered office at Viale Bodio 37, Palazzo 4, 20158, Milan, Italy; and (iii) the consent only extends to the use of the Prospectus to make Non-exempt Offers of the Securities in the Republic of Italy. <p>AN INVESTOR INTENDING TO SUBSCRIBE OR SUBSCRIBING THE SECURITIES IN THE NON-EXEMPT OFFER FROM THE DISTRIBUTOR WILL DO SO, AND OFFERS AND SALES OF THE</p> |

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| | | <p>SECURITIES TO AN INVESTOR BY SUCH DISTRIBUTORS WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN THE DISTRIBUTOR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE SECURITIES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS DOES NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE DISTRIBUTOR AT THE TIME OF THE OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE DISTRIBUTOR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR THE DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.</p> |
| | | |

Section B – Issuer

| Element | Description of Element | Disclosure requirement |
|----------------|--|--|
| B.1 | Legal and Commercial Name of the Issuer(s) | Mediobanca – Banca di Credito Finanziario S.p.A. (" Mediobanca ") |
| B.2 | Domicile /Legal Form /Legislation /Country of Incorporation | <p>Mediobanca was established in Italy.</p> <p>Mediobanca is a company limited by shares under Italian law with its registered office at Piazzetta E. Cuccia 1, Milan, Italy.</p> <p>Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in Italy.</p> <p>Mediobanca is a bank organised and existing under the laws of Italy, carrying out a wide range of banking, financial and related activities throughout Italy.</p> |
| B.4b | Description of trends | Not applicable. As at the date of this Prospectus, Mediobanca is not aware of any trends affecting it and the industries in which it operates. |
| B.5 | Description of the group of the Issuer(s) | <p>Mediobanca is the parent company of the Mediobanca Group.</p> <p>The Mediobanca Group is registered as a banking group registered in the register instituted by the Bank of Italy.</p> |
| B.9 | Profit forecast/estim | Not applicable. No forecast or estimates of profits are contained in the Prospectus. |

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|---|---|---|-----------------------------|--------------------------------------|---------|-----------------------------|--|-----------|--|--|----------------------------------|---------|---------|--|-------------------------------|---|---|--|------------------|---------|---------|--|----------------|-------|---------|--|-------------|----------|----------|--|---|--------|--------|----|-------------------------------|--------|--------|----|---------------------------|--------|--------|-------|--|-------|-------|--|-------------------------------------|------|------|--|-------------------------|---------|--------------------------------------|---------|--------------------------------------|--|-----|--|--|--|-----------------------------|------|------|------|-------|-------------------------|------|---------|------|---------|--|------|-------|------|-------|--------------------------------------|------|----------|------|---------|-------------------------|-------|-------|-------|-------|--------------------------------------|-------|-------|-------|-------|---------------------------|------|---|------|---|------------------------|-------|---|------|---|
| B.10 | Qualifications in the audit report | Not applicable. There are no qualifications in the audit report. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B.12 | Selected historical key information / no material adverse change / significant changes | <p>Selected annual financial information. The following tables show certain selected audited financial information of Mediobanca as at 30 June 2017, along with comparative data for the year ended 30 June 2016, plus a series of key financial indicators.</p> <p>Regulatory capital and solvency margins</p> <table border="1"> <thead> <tr> <th style="border-bottom: 1px solid black;">Indicators and own funds</th> <th style="border-bottom: 1px solid black;">30/6/17</th> <th style="border-bottom: 1px solid black;">30/6/16</th> <th style="border-bottom: 1px solid black;">Minimum levels set by law**</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3" style="text-align: center;">(€m) or %</td> </tr> <tr> <td>Common Equity Tier 1 – CET1.....</td> <td>7,017.3</td> <td>6,504.8</td> <td></td> </tr> <tr> <td>Additional Tier 1 – AT1</td> <td>-</td> <td>-</td> <td></td> </tr> <tr> <td>Tier 2 – T2.....</td> <td>1,861.7</td> <td>1,722.4</td> <td></td> </tr> <tr> <td>Own funds.....</td> <td>8,879</td> <td>8,227.2</td> <td></td> </tr> <tr> <td>RWAs*</td> <td>52,708.2</td> <td>53,861.5</td> <td></td> </tr> <tr> <td>Common Equity Tier 1 ratio – CET1 ratio</td> <td>13.31%</td> <td>12.08%</td> <td>7%</td> </tr> <tr> <td>Tier 1 ratio – T1 ratio</td> <td>13.31%</td> <td>12.08%</td> <td>8%</td> </tr> <tr> <td>Total capital ratio</td> <td>16.85%</td> <td>15.27%</td> <td>10.5%</td> </tr> <tr> <td>Risk-weighted assets/Total assets.....</td> <td>74.8%</td> <td>77.1%</td> <td></td> </tr> <tr> <td>Leverage Ratio (temporary)***</td> <td>9.5%</td> <td>9.5%</td> <td></td> </tr> </tbody> </table> <p>* Risk-weighted assets (RWAs) have been calculated using the standardised methodology for credit and market risks and the base methodology for operational risks.</p> <p>** Limits include the capital conservation buffer (2.5%) for the minimum levels set by regulations.</p> <p>*** The “leverage ratio” is the Group’s regulatory and tier 1 capital 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.</p> <table border="1"> <thead> <tr> <th style="border-bottom: 1px solid black;">CREDIT RISK INDICATORS*</th> <th style="border-bottom: 1px solid black;">30/6/16</th> <th style="border-bottom: 1px solid black;">Banking system data as at 31/12/15**</th> <th style="border-bottom: 1px solid black;">30/6/17</th> <th style="border-bottom: 1px solid black;">Banking system data as at 31/12/16**</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="4" style="text-align: center;">(%)</td> </tr> <tr> <td>Gross NPLs/gross loans.....</td> <td>1.7%</td> <td>9.5%</td> <td>1.7%</td> <td>10.9%</td> </tr> <tr> <td>Net NPLs/net loans.....</td> <td>0.7%</td> <td>4.8%***</td> <td>0.8%</td> <td>4.4%***</td> </tr> <tr> <td>Gross irregular items/gross loans.....</td> <td>5.9%</td> <td>17.7%</td> <td>5.5%</td> <td>17.6%</td> </tr> <tr> <td>Net irregular items/ net loans</td> <td>2.9%</td> <td>10.8%***</td> <td>2.8%</td> <td>9.4%***</td> </tr> <tr> <td>NPL coverage ratio.....</td> <td>66.6%</td> <td>58.6%</td> <td>70.2%</td> <td>63.1%</td> </tr> <tr> <td>Irregular items coverage ratio</td> <td>54.3%</td> <td>43.4%</td> <td>51.3%</td> <td>51.7%</td> </tr> <tr> <td>Net NPLs/net equity</td> <td>3.1%</td> <td>-</td> <td>3.5%</td> <td>-</td> </tr> <tr> <td>Cost of risk****</td> <td>1.24%</td> <td>-</td> <td>0.8%</td> <td>-</td> </tr> </tbody> </table> <p>* Data taken from information shown in Part B and Part E of the notes to the accounts and refer to the entire prudential consolidation area.</p> <p>** Data taken from reports of financial stability published on 1 April 2017, table 2.1, page 21, and 1 April 2016, table 4.1, page. 34 and refer to figures for large banks.</p> <p>*** Data taken from annex to Bank of Italy annual reports for 2015 and 2016 and refer to</p> | Indicators and own funds | 30/6/17 | 30/6/16 | Minimum levels set by law** | | (€m) or % | | | 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 | 8,227.2 | | RWAs* | 52,708.2 | 53,861.5 | | Common Equity Tier 1 ratio – CET1 ratio | 13.31% | 12.08% | 7% | Tier 1 ratio – T1 ratio | 13.31% | 12.08% | 8% | 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% | | CREDIT RISK INDICATORS* | 30/6/16 | Banking system data as at 31/12/15** | 30/6/17 | Banking system data as at 31/12/16** | | (%) | | | | Gross NPLs/gross loans..... | 1.7% | 9.5% | 1.7% | 10.9% | Net NPLs/net loans..... | 0.7% | 4.8%*** | 0.8% | 4.4%*** | Gross irregular items/gross loans..... | 5.9% | 17.7% | 5.5% | 17.6% | Net irregular items/ net loans | 2.9% | 10.8%*** | 2.8% | 9.4%*** | NPL coverage ratio..... | 66.6% | 58.6% | 70.2% | 63.1% | Irregular items coverage ratio | 54.3% | 43.4% | 51.3% | 51.7% | Net NPLs/net equity | 3.1% | - | 3.5% | - | Cost of risk**** | 1.24% | - | 0.8% | - |
| Indicators and own funds | 30/6/17 | 30/6/16 | Minimum levels set by law** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (€m) or % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 | 8,227.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| RWAs* | 52,708.2 | 53,861.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Common Equity Tier 1 ratio – CET1 ratio | 13.31% | 12.08% | 7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tier 1 ratio – T1 ratio | 13.31% | 12.08% | 8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CREDIT RISK INDICATORS* | 30/6/16 | Banking system data as at 31/12/15** | 30/6/17 | Banking system data as at 31/12/16** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross NPLs/gross loans..... | 1.7% | 9.5% | 1.7% | 10.9% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net NPLs/net loans..... | 0.7% | 4.8%*** | 0.8% | 4.4%*** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross irregular items/gross loans..... | 5.9% | 17.7% | 5.5% | 17.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net irregular items/ net loans | 2.9% | 10.8%*** | 2.8% | 9.4%*** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| NPL coverage ratio..... | 66.6% | 58.6% | 70.2% | 63.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Irregular items coverage ratio | 54.3% | 43.4% | 51.3% | 51.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net NPLs/net equity | 3.1% | - | 3.5% | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost of risk**** | 1.24% | - | 0.8% | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

figures for the total system as at 31 December 2015 and 31 December 2016, respectively.

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

| COMPOSITION OF THE IMPAIRED LOANS* | 30/6/17 | 30/6/16 |
|---|-----------------|-----------------|
| | €m | |
| NPLs..... | 291.60 | 255.92 |
| Sub-standard..... | 727.69 | 710.65 |
| Overdue impaired..... | 56.03 | 53.63 |
| TOTAL IMPAIRED..... | 1,075.32 | 1,020.20 |

* 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.

| MAIN CONSOLIDATED BALANCE SHEET ITEMS | 30/6/17 | 30/6/16 | CHANGES 2017/2016 % |
|--|-----------------|-----------------|----------------------------|
| | €m | | |
| Assets | | | |
| Due from banks | 7,959.9 | 5,386.6 | 47.8% |
| Due from clients | 38,763.1 | 37,881.5 | 2.3% |
| Financial assets* | 17,089.1 | 21,053.5 | -18.8% |
| Total Assets | 70,445.6 | 69,818.6 | 0.9% |
| Liabilities | | | |
| Debt securities in issue | 20,108.7 | 21,813.1 | -7.8% |
| Financial liabilities** | 18,951.4 | 19,421.7 | -2.4% |
| Direct funding (from customers)*** | 20,366.0 | 18,164.5 | 12.1% |
| Net interbank position**** | 4,729.7 | 6,553.70 | -27.8% |
| Net equity | 9,191.7 | 8,921.8 | 3% |
| of which: share capital | 457.2 | 452.1 | 1.1% |

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

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

*** Includes amounts due to clients and financial liabilities recognised at fair value.

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

| MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS | 30/6/17 | 30/6/16 | CHANGES 2017/2016 % |
|--|----------------|----------------|----------------------------|
| | €m | | |
| Net interest income* | 1,277.5 | 1,200.5 | 6.4% |
| Net fee and commission income | 377.9 | 322.7 | 17.1% |
| Total income* | 1,943.3 | 1,747.0 | 11.2% |
| Net profit from financial and insurance operations | 1,687.5 | 1,360.8 | 24.0% |
| Operating costs | -1,035.7 | -901.2 | 14.9% |
| Profit before Tax | 914.0 | 736.3 | 24.1% |
| Net Profit | 750.2 | 604.6 | 24.1% |

*Restated data (cfr. page. 24 of the consolidated financial statements as at 30 June 2016). Total income not restated comes to a total of 1,746.951 as at 30 June 2016 and to 1,776,681 as at 30 June 2015 (cfr. page 68 of the consolidated financial statements as at 30 June 2016).

Selected interim financial information. The following table shows certain selected unaudited financial information of Mediobanca as at 31 December 2017 and 31 December 2016, plus a series of key financial indicators.

PricewaterhouseCoopers S.p.A. has reviewed the consolidated interim financial statements of Mediobanca and its subsidiaries as at 31 December 2017 and 31 December 2016.

| Indicators and own funds (regulations in force since 1/1/14) | 31/12/17 (€m) or % | 31/12/16 (€m) or % | Minimum levels set by law** |
|--|-----------------------|-----------------------|-----------------------------|
| Common Equity Tier 1 – CET1 | 6,718.72 | 6,602.8 | |
| Additional Tier 1 – AT1 | - | - | |
| Tier 2 – T2 | 1,744.1 | 1,866.1 | |
| Own funds | 8,462.8 | 8,468.9 | |
| RWAs* | 52,109.2 | 53,791.5 | |
| Common Equity Tier 1 ratio – CET1 ratio | 12.89% | 12.27% | 7.00% |
| Tier 1 ratio – T1 ratio | 12.89% | 12.27% | 8.50% |
| Total capital ratio | 16.24% | 15.74% | 10.50% |
| Risk – weighted assets/Total assets | 72.28% | 73.21% | |
| Leverage ratio*** (temporary) | 8.88% | 8.91% | |

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

** Limits include the capital conservation buffer (which is 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.

| CREDIT RISK INDICATORS* | 31/12/16 (%) | Banking system data as at 30/06/16 (%)** | 31/12/17 (%) | Banking system data as at 30/06/17 (%)** |
|--|-----------------|---|-----------------|---|
| Gross bad loans/gross loans | 1.28% | 10.8% | 1.61% | 10.5% |
| Net bad loans/net loans | 0.53% | 4.9% | 0.86% | 3.8% |
| Gross irregular items/gross loans | 4.48% | 17.9% | 4.67% | 16.5% |
| Net irregular items/loans | 2.19% | 10.5% | 2.46% | 8.2% |
| NPL (<i>non-performing loans</i>) coverage ratio | 68.75% | 58.8% | 72.01% | 67.2% |
| Irregular items coverage ratio | 53.17% | 46.6% | 48.42% | 55.3% |
| Net bad loans/net equity | 2.84% | n/a | 4.65% | n/a |
| Cost of risk*** | 1.02% | n/a | 0.58% | n/a |

* Data taken from information shown in part E of the notes to the accounts and refer to the entire prudential consolidation area.

** Data taken from reports of financial stability published on 18 November 2016, table 4.1, page 32, and reports of financial stability No. 2 of 24 November 2017, table 2.1, page. 26 and refer to figures for large banks.

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

| COMPOSITION OF THE IMPAIRED LOANS | 31/12/16 |
|---|----------|
| | €m |
| Bad loans | 245.2 |
| Unlikely to pay | 716.0 |
| Past due NPLs (<i>non-performing loans</i>) | 56.3 |

| | |
|--|----------------|
| TOTAL NPLs (non-performing loans) | 1,017.4 |
|--|----------------|

| COMPOSITION OF THE IMPAIRED LOANS* | 31/12/17 |
|---|-----------------|
| | €m |
| Bad loans | 406.6 |
| Unlikely to pay | 688.8 |
| Past due NPLs (non-performing loans) | 64.5 |
| TOTAL NPLs (non-performing loans) | 1,159.9 |

*The figures take into account the new definition of impaired loans (crediti deteriorati) entered into force on 1 January 2015, which has been applied by Mediobanca as from 1 July 2015, being the beginning of the financial year ending on 30 June 2016

| MAIN CONSOLIDATED BALANCE SHEET ITEMS | 31/12/17 | 31/12/16 | CHANGES December 2017/2016 % |
|--|-----------------|-----------------|---|
| | €m | €m | |
| Assets | | | |
| Due from banks | 6,774.7 | 6,454.2 | 5.0% |
| Due from clients | 41,435.8 | 40,047.6 | 3.5% |
| Financial assets* | 18,218.97 | 19,717.33 | -7.6% |
| Total Assets | 72,089.7 | 73,474.9 | -1.9% |
| Liabilities | | | |
| Debt securities in issue | 19,899.5 | 20,350.4 | -2.2% |
| Financial liabilities** | 12,888.2 | 13,697.6 | -5.9% |
| Direct funding (from customers)*** | 21,721.9 | 21,249 | 2.2% |
| Net interbank position**** | 5,872.7 | 6,960.59 | -15.6% |
| Net equity | 9,308.32 | 9,142.98 | 1.8% |
| of which: share capital | 458.6 | 452.9 | 1.3% |

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

** Includes amounts due to banks and the hedge derivatives.

*** Includes amounts due to clients, and financial liabilities recognised at fair value.

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

| MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS | 31/12/17 | 31/12/16 | CHANGES December 2017/2016 % |
|--|-----------------|-----------------|---|
| | €m | €m | |
| Net interest income | 684.5 | 635.7 | 7.7% |
| Net fee and commission income | 204.8 | 165.4 | 23.8% |
| Total income | 1,055.5 | 990.1 | 6.6% |
| Net profit from financial and insurance operations | 982.8 | 821.9 | 19.6% |
| Operating costs | (497.4) | (444.9) | 11.8% |
| Profit before Tax | 606.7 | 512.8 | 18.3% |
| Net Profit | 478.1 | 419.9 | 13.9% |

| | | |
|-------------|--|---|
| | | <p><i>Material adverse change</i></p> <p>Since 30 June 2017 with respect to Mediobanca there has been no material adverse change in the prospects of either Mediobanca or the Group headed up by it.</p> <p><i>Significant changes</i></p> <p>Not applicable. There has been no significant changes in the financial or trading position of Mediobanca or the other companies forming part of the Group since the most recent financial information available, which was disclosed in the consolidated interim financial statements for the six month ended 31 December 2017.</p> |
| B.13 | Recent events | Not applicable. Neither Mediobanca nor any company in the Mediobanca Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect Mediobanca's ability to meet its obligations under the Securities. |
| B.14 | Issuer dependent upon other entities within the group | <p>Not applicable. Mediobanca is the parent company of the Mediobanca Group and is not dependent upon other entities within the Mediobanca Group.</p> <p>See also item B.5 above.</p> |
| B.15 | Principal activities | <p>As stated in Article 3 of its Articles of Association, Mediobanca's corporate purpose is to raise funds and provide credit in any of the forms permitted by applicable law, particularly medium- and long-term credit to corporates.</p> <p>Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca's corporate purpose.</p> |
| B.16 | Control of Issuer | Not applicable. No individual or entity controls Mediobanca within the meaning of Article 93 of the Italian Legislative Decree No. 58 of 24th February, 1998 as amended from time to time (the " Italian Financial Services Act "). |

Section C – Securities

| Element | Description of Element | Disclosure requirement |
|----------------|---|---|
| C.1 | Type, class and security identification number of securities being offered | <p>The Securities are Certificates.</p> <p>The Securities are Index Securities.</p> <p>The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>paripassu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated</p> |

| | | |
|------------|---|--|
| | | <p>obligations, if any, of the Issuer from time to time outstanding.</p> <p>The Securities have ISIN XS1802242898 and Common Code 180224289.</p> |
| C.2 | Currency | Subject to compliance with all relevant laws, regulations and directives, the Securities are issued in U.S. Dollars (“USD”). |
| C.5 | Restrictions on free transferability | There are restrictions on sales of the Securities into, amongst other jurisdictions, the United States, the European Economic Area (including the United Kingdom and Italy) and Japan. |
| C.8 | Description of rights and ranking | <p>The Securities have terms and conditions relating to, among other matters:</p> <p>Status</p> <p>The Securities are issued by the Issuer on an unsubordinated basis.</p> <p>The Securities will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>paripassu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than unsubordinated obligations, if any, of the Issuer from time to time outstanding.</p> <p>Payments in respect of Securities in global form</p> <p>All payments in respect of Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of that Global Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be <i>prima facie</i> evidence that such payment has been made in respect of the Securities.</p> <p>Payments in respect of Securities in definitive form</p> <p>All payments in respect of the Securities in definitive form shall be made against presentation and surrender of the Securities at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with a bank in the principal financial centre of that currency; provided that in the case of Euro, the transfer may be to a Euro account.</p> <p>Illegality and force majeure</p> <p>If the Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the Issuer's obligations under the Securities have become (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable the Issuer may cancel the</p> |

| | | |
|-------------|---|---|
| | | <p>Securities by giving notice to Securityholders in accordance with Base Condition 8 (<i>Notices</i>).</p> <p>Further issues and consolidation</p> <p>The Issuer may from time to time without the consent of the Securityholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) and so that the same shall be consolidated and form a single series with such Securities.</p> <p>Substitution</p> <p>Subject to the fulfilment of certain conditions, the Issuer may at any time (subject to certain conditions as provided in the Terms and Conditions) without the consent of the Securityholders, substitute Mediobanca International in place of Mediobanca.</p> |
| C.11 | Trading of securities | <p>Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on the regulated market of the Irish Stock Exchange with effect from the Issue Date.</p> <p>Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on the multilateral trading facility of EuroTLX which is not a regulated market for the purpose of Directive 2014/65/EU with effect from the Issue Date.</p> <p>Mediobanca – Banca di Credito Finanziario S.p.A. will act as liquidity provider with reference to the Securities traded on EuroTLX.</p> |
| C.15 | How the value of the investment is affected by the value of the underlying instrument(s) | <p>General</p> <p>The Securities enable investors to participate in a percentage of the positive performance of the Reference Item from the Issue Date until the Valuation Date subject to a cap. Such positive performance is added to a Protection Level.</p> <p style="text-align: center;">*****</p> <p>Each Security entitles its holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid. The amount of the Cash Settlement Amount will depend on the relative level of the Reference Item on the Valuation Dates.</p> |
| C.16 | Expiration or maturity date – exercise date or final reference date | <p>Exercise Date</p> <p>The Exercise Date of the Securities is 2 May 2023 as adjusted in accordance with the Following Business Day Convention.</p> |

| | | |
|------|---|---|
| | | <p>Valuation Dates</p> <p>The Valuation Dates of the Securities are the Digital Observation Dates and the Exercise Date, subject to certain adjustment provisions which will apply if the Valuation Dates are not scheduled trading days on which (i) the Index Sponsor fails to publish the level of the Index, (ii) any relevant stock exchange fails to open for trading during its regular trading session or (iii) certain market disruption events have occurred.</p> <p>Settlement Date</p> <p>The Settlement Date of the Securities is 9 May 2023 as adjusted in accordance with the Following Business Day Convention.</p> |
| C.17 | A description of the settlement procedure of the derivative securities | <p>Subject as provided in Element C.18 below, the Issuer shall pay or cause to be paid the Cash Settlement Amount (if any) for each Security by credit or transfer to the Securityholder's account with Euroclear or Clearstream, Luxembourg, as the case may be, for value on the Settlement Date, less any Expenses not already paid, such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg, as the case may be.</p> <p>The Issuer's obligations will be discharged by payment to, or to the order of, Euroclear or Clearstream, Luxembourg (as the case may be) of the amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular amount of the Securities must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each such payment.</p> |
| C.18 | Return on the derivative securities | <p>The return on the Securities takes place by the payment by the Issuer on the Settlement Date of the Cash Settlement Amount, less any Expenses not already paid, to each Securityholder.</p> <p>Exercise of Securities</p> <p>Each Security shall be automatically exercised on the Exercise Date</p> <p>Cash Settlement</p> <p>Each Security entitles its holder to receive from the relevant Issuer on the Settlement Date the Cash Settlement Amount, less any Expenses not already paid.</p> <p>Cash Settlement Amount</p> <p>The Cash Settlement Amount shall be the amount which the Securityholder is entitled to receive on the Settlement Date in the Settlement Currency in respect of each such Security, which is calculated in accordance with the following:</p> <p>Notional Amount * {Protection Level + Min [Cap; Participation Factor * $\text{Max} \left(\left(\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1; 0\% \right) \right) \}$</p> |

| | | |
|------|---|--|
| | | <p>Where:</p> <p>Participation Factor: 95 per cent.</p> <p>Protection Level: 95 per cent.</p> <p>Cap: 15 per cent.</p> <p>Initial Reference Level: The amount (which shall be deemed to be a monetary amount in the Index Currency) equal to the 95 per cent. of the official closing value of the Reference Item, as determined by the Calculation Agent at the Valuation Time on the Issue Date.</p> <p>Remuneration and Remuneration Periods</p> <p><u>Digital Remuneration</u></p> <p>Each Certificate entitles its holder to receive from the Issuer, on each Digital Payment Date, the Digital Amount, less any Expenses not already paid, if a Digital Event has occurred.</p> <p>"Digital Amount" means 5.75 per cent per Notional Amount per Certificate;</p> <p>"Digital Event" means that the Settlement Price is equal to or exceeds the Digital Level on the Digital Observation Date;</p> <p>"Digital Level" means 100 per cent. of the Initial Reference Level;</p> <p>"Digital Observation Date" means 30 April 2019, 30 April 2020, 30 April 2021, 3 May 2022, and 2 May 2023, each adjusted according to the Following Business Day Convention;</p> <p>"Digital Payment Date" means, the third Business Day following the relevant Digital Observation Date, provided that the last Digital Payment Date shall fall on the Settlement Date. The Digital Payment Dates shall be each adjusted in accordance with the Following Business Day Convention;</p> |
| C.19 | Exercise price or final reference price of the underlying | The Final Reference Level is the Settlement Price on the Valuation Date (Exercise Date) ascertained by the Calculation Agent on such date. |
| C.20 | Description of the type of the underlying and the | <p>Type: Index</p> <p>Name of Reference Item: EURO STOXX® 50.</p> |

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| | <p>relevant source of information</p> | <p>Sponsor: STOXX Limited.</p> <p>Price Source: Bloomberg Page: SX5E <Index></p> <p>Information on the historical and ongoing performance of the Reference Item can be obtained on the Bloomberg page “SX5E Index”.</p> <p>Information about the Index may be found at the website of the Index Sponsor www.stoxx.com</p> <p>DISCLAIMER</p> <p><i>“The EURO STOXX® 50 index is the intellectual property (including registered trademarks) of STOXX Limited, Zurich, Switzerland (“STOXX”), Deutsche Börse Group or their licensors, which is used under license. “MEDIOBANCA - Banca di Credito Finanziario S.p.A.- Issue of up to 20,000 Normal Performance Certificates linked to EURO STOXX® 50 Index due 9 May 2023” is neither sponsored nor promoted, distributed or in any other manner supported by STOXX, Deutsche Börse Group or their licensors, research partners or data providers and STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not give any warranty, and exclude any liability (whether in negligence or otherwise) with respect thereto generally or specifically in relation to any errors, omissions or interruptions in the EURO STOXX® 50 or its data”</i></p> |
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Section D – Risks

| Element | Description of Element | Disclosure requirement |
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| D.2 | Key risks specific to the Issuer | <p>There are certain factors that may affect Issuer's ability to fulfil its obligations under Securities issued under the Programme. These include the following risk factors related to the Mediobanca Group, its operations and its industry:</p> <ul style="list-style-type: none"> (i) The general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios. (ii) The European sovereign debt crisis has adversely affected, and may continue to adversely affect the Issuer's results of operations, business and financial conditions. (iii) The Mediobanca Group has exposure to Eurozone sovereign debt. |

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| | | <ul style="list-style-type: none"> (iv) Fluctuations in interest and exchange rates may affect Issuer's results. (v) The financial results of the Issuer may be affected by general economic, financial and other business conditions. (vi) The credit and capital markets have been experiencing extreme volatility and disruption in recent months. (vii) The Issuer's investment banking revenues, in the form of financial advisory and debt and equity underwriting fees, are directly related to the number and size of the transactions in which the Issuer participates and may be impacted by continued or further credit market dislocations or sustained market downturns. (viii) In some of the businesses of the Issuer, protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. (ix) In the event that the extreme volatility and disruption experienced by international and domestic markets in recent months continue in the future, the Issuer's liquidity can be adversely affected. (x) If the Issuer is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Issuer, it may lose market share in important areas of its business or incur losses on some or all of its activities. (xi) If existing or potential customers believe that the Issuer' risk management policies and procedures are inadequate, the Issuer's reputation, and to a certain extent its revenues and profits, may be negatively affected. (xii) The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunication systems. (xiii) Systemic risk could adversely affect the businesses of the Issuer. (xiv) The investors should note that the portfolio of the Issuer contains so-called "over the counter" (OTC) derivatives. If the financial condition of market counterparties or their perceived creditworthiness deteriorates further, the Mediobanca Group may record further credit valuation adjustments on the underlying instruments insured by such parties. |
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| | | <p>(xv) A downgrade of Mediobanca’s rating may limit Mediobanca’s opportunities to extend mortgage loans and may have a particularly adverse effect on Mediobanca’s image as a participant in the capital markets, as well as in the eyes of its clients.</p> <p>(xvi) Changes in the Italian and European regulatory framework could adversely affect the business of the Issuer.</p> <p>(xvii) The Issuer’s operations are dependent on the correct functioning of our IT systems, which exposes the Issuer to risk.</p> |
| D.6 | Key risks specific to the securities | <p>In addition, there are certain factors which are material for the purpose of assessing the risks related to the Securities.</p> <p>General</p> <p>(i) The Securities may not be a suitable investment for all investors. Investors should be aware that they may lose the value of their entire investment or part of it, as the case may be.</p> <p>(ii) An investment in the Securities, which are linked to the Index, may entail significant risks not associated with investments in conventional securities such as debt or equity securities. Set out below is a description of the most common risks.</p> <p>Risks related to the structure of the Securities</p> <p>(i) The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Investors should be prepared to sustain a partial or total loss of the subscription price of the Securities.</p> <p>(ii) Certain general risk factors related to the Securities referencing the Reference Item, including that the market price of the Securities may be volatile; that investors may receive no remuneration; that investors may lose all or a substantial portion of their investment; that the Reference Item may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices; that the timing of changes in the Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations; and Securities are of limited maturity and, unlike direct investments in an index, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the Reference Item.</p> <p>(iii) The Cash Settlement Amount at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price</p> |

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| | | <p>and the Cash Settlement Amount will reflect, among other things, a "time value" for the Securities.</p> <p>(iv) Prospective investors intending to subscribe for the Securities to hedge against the market risk associated with investing in the Index should recognise the complexities of utilising Securities in this manner.</p> <p>(v) Factors affecting the performance of the Index may adversely affect the value of the Securities. If the Index does not perform as expected, this will materially and adversely affect the value of the Securities. The return payable on the Securities may not reflect the return a potential investor would realise if it actually owned the relevant assets comprising the components of the Index or owned a different form of interest in the Index. A change in the composition or discontinuance of the Index could adversely affect the market value of the Securities. The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original Index with another and/or to cause early redemption/settlement of the Securities, any of which may be adverse to Securityholders.</p> <p>Risks related to the specific pay-out applicable to the Certificates</p> <p>(i) The lower the Protection Level the higher is the loss (if any) that the investor might suffer should the negative performance of the underlying asset make the value of the Cash Settlement Amount lower than the amount invested.</p> <p>(ii) the formula used to determine the Cash Settlement Amount payable is based on a multiplier or leverage factor which emphasize any positive and/or negative performance of the underlying assets to which the value of the Cash Settlement Amount payable is linked to.</p> <p>(iii) The Cash Settlement Amount payable to investors will be subject to the pre-determined maximum amount and any outperformance of the relevant underlying asset will not be taken into consideration when calculating the Cash Settlement Amount payable in respect of the Certificates.</p> <p>Risks related to Securities generally</p> <p>(i) The Base Terms and Conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to</p> |
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| | | <p>the majority.</p> <ul style="list-style-type: none"> <li data-bbox="592 271 1414 376">(ii) The Base Terms and Conditions of the Securities also provide that the Issuer may, without the consent of Securityholders, make certain modifications to the conditions of the Securities. <li data-bbox="592 416 1414 633">(iii) If the Calculation Agent determines that a market disruption event or a failure to open of an exchange or related exchange has occurred or exists on a Valuation Date, any consequential postponement of the Valuation Date or any alternative provisions for valuation provided in the Securities may have an adverse effect on the value of the Securities. <li data-bbox="592 674 1414 734">(iv) A holder of Securities must pay all Expenses relating to such Securities. <li data-bbox="592 775 1414 1032">(v) The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of any Security by any person and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. <li data-bbox="592 1072 1414 1178">(vi) It is not possible to predict whether the taxation regime applicable to Securities on the date of subscription will be amended during the term of the Securities. <li data-bbox="592 1218 1414 1509">(vii) If the Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the Issuer's obligations under any Securities have become, (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable, the Issuer may cancel such Securities. <li data-bbox="592 1550 1414 1731">(viii) The Terms and Conditions of the Securities are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus. <li data-bbox="592 1771 1414 1989">(ix) Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) will maintain records of the beneficial interests in the Global Security. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Security. <li data-bbox="592 2029 1414 2051">(x) Potential conflicts of interest may exist between Mediobanca, |
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| | | <p>which may act inter alia as Issuer, Calculation Agent and Dealer, on the one hand, and investors in the Securities on the other.</p> <p>(xi) The Securities may be issued and withheld by the Issuer for the progressive sale on the market in accordance with investors' demand. In this context an investor who acquires the Securities does not know at the moment of subscription how much of the issued Securities effectively are publicly traded, with the consequence that the amount in circulation could be meagre and may not guarantee successively adequate liquidity in the Securities.</p> <p>(xii) In the event the Issuer decides to issue further securities having the same terms and conditions as the Securities (or in all respects except for the Issue Price, the Issue Date) and so that the further securities shall be consolidated and form a single series with the Securities, the greater amount of Securities in circulation could lead to greater liquidity in the secondary market with a consequent negative impact on the price of the Securities.</p> <p>Risks related to the market generally</p> <p>(i) Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.</p> <p>(ii) The Issuer will pay amounts in respect of the Securities in the Settlement Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Settlement Currency.</p> <p>(iii) The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers.</p> <p>(iv) Implicit fees (i.e. structuring fees and placement fees) are components of the Issue Price of the Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Securities in the secondary market.</p> <p>(v) The Issuer, in agreement with the Distributor, has the right in certain circumstances, to withdraw the offer in relation to the Securities, which in such circumstances will be deemed to be null and void. In such cases, the investors will not receive any</p> |
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| | | <p>remuneration that may have accrued in the period between their payment or delivery of subscription monies and the reimbursement of such amounts. The Issuer, in agreement with the Distributor, has the right to early close the offer period even where the total amount of the Securities requested to be subscribed are not yet equal to the Aggregate Notional Amount. In such circumstances, the early closing of the offer may have an adverse effect on the liquidity of the Securities. Furthermore, the Issuer, in agreement with the Distributor, has the right to extend the offer period and/or to postpone the originally designated Issue Date and all the related dates. The effectiveness of the offer of the Securities is conditional upon their admission to listing on the Official List of the Irish Stock Exchange or their admission to trading on the multilateral trading facility of EuroTLX occurring by the Issue Date. If the offer is withdrawn as a consequence of the above, the potential investor will not receive any Securities, any subscription rights the potential investor has for the Securities will be cancelled and he/she will not be entitled to any compensation therefor.</p> <p>(vi) It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. No assurances can be given that applications for listing and admission to trading on the Irish Stock Exchange regulated market and on multilateral trading facility of EuroTLX managed by EuroTLX SIM S.p.A. will be granted. If the Securities are not listed or admitted to trading on any exchange or market or are delisted or that trading on such exchange or market will be suspended, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. The Issuer will act as liquidity provider for the Securities on EuroTLX. Even if the Issuer is a liquidity provider for the Securities, the secondary market for such Securities may be limited.</p> <p>(vii) Mediobanca will use all reasonable endeavours to maintain the listing and/or trading of the Securities, provided that if it becomes impracticable or unduly burdensome or unduly onerous to maintain such listing and/or trading, then Mediobanca may apply to de-list the relevant Securities.</p> |
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Section E – Offer

| Element | Description of Element | Disclosure requirement |
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| E.2b | Reasons for the offer and use of | The net proceeds of the issue of the Securities will be used for the general corporate purposes of the Issuer. |

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| | proceeds | |
| E.3 | Terms and conditions of the offer | <p>The Securities will be offered from and including 4 April 2018 up to and including 24 April 2018, subject to any early closing or extension of the Offer Period as described below.</p> <p>The Securities will be distributed through door-to-door selling by means of financial promoters (<i>consulenti finanziari abilitati all'offerta fuori sede</i>) pursuant to Article 30 of the Italian Legislative Decree No. 58 of 24 February 1998, as amended from time to time (the "Italian Financial Services Act") from and including 4 April 2018 to and including 17 April 2018, subject to any early closing or extension of the Offer Period as described below.</p> <p>The Securities will be distributed through long distance selling techniques (<i>tecniche di comunicazione a distanza</i>) pursuant to article 32 of the Italian Financial Services Act from and including 4 April 2018 to and including 10 April 2018, subject to any early closing or extension of the Offer Period as described below.</p> <p>The Issuer reserves the right, in agreement with the Distributor, to close the Offer Period early on the date (excluded) following the date on which the Certificates requested to be subscribed will be equal to the Aggregate Notional Amount of USD 20,000,000.</p> <p>The Issuer reserves the right, in agreement with the Distributor, to close the Offer Period early, also in circumstances where subscription requests of Securities are not yet equal to the Aggregate Notional Amount. The Issuer and the Distributor will inform the public of the early closure by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it</p> <p>The Issuer reserves the right, in agreement with the Distributor, to withdraw the offer of the Certificates and cancel the issuance of the Certificates at any time before the Issue Date in the event of any extraordinary changes in the economic and political situation or in the capital, currency and exchange rates markets, either at national or international level. The Issuer and the Distributor will inform the public of the withdrawal of the offer of the Certificates and the cancellation of the issuance of the Certificates by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it</p> <p>The Issuer reserves the right, in agreement with the Distributor, to extend the Offer Period. The Issuer and the Distributor will inform the public of the postponement of the closure of the Offer Period by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it</p> <p>The offer of the Certificates is conditional upon the Certificates having been admitted to listing on the Official List of the Irish Stock Exchange and/or</p> |

admitted to trading on the multilateral trading facility of EuroTLX by the Issue Date. In the event that the Certificates are not admitted to listing on the Official List of the Irish Stock Exchange and/or admitted to trading on the multilateral trading facility of EuroTLX by the Issue Date, the Issuer reserves the right, in agreement with the Distributor, to withdraw the offer of the Certificates and cancel the issuance of the Certificates. The Issuer and the Distributor will inform the public of the withdrawal of the offer of the Certificates and the cancellation of the relevant issue by means of a notice to be published, promptly, on the relevant websites www.mediobanca.com and www.chebanca.it.

For the avoidance of doubt, upon any revocation or withdrawal of the offer of the Certificates and cancellation of the relevant issue, all subscription applications will become void and have no effect without further notice and no potential investor will be entitled to receive the relevant Certificates.

During the Offer Period the investors may apply for the subscription of the Certificates during normal Italian banking hours at the offices (*filiali*) of the Distributor by filling in, duly executing (also by appropriate attorneys) and delivering a specific acceptance form (the “**Acceptance Form**” (*Scheda di Adesione*)). Acceptance Forms are available at each office (*filiali*) of the Distributor.

The Distributor intending to distribute Certificates through door-to-door selling (*offerta fuori sede*) pursuant to art. 30 of the Italian Financial Services Act will collect the Acceptance Forms, other than directly at their branches and offices, through financial advisors authorized to make off-premises offers (*consulenti finanziari abilitati all’offerta fuori sede*) pursuant to art. 31 of the Italian Financial Services Act.

In addition to what stated above, pursuant to art. 30, par. 6 of the Italian Financial Services Act, the validity and enforceability of contracts entered into through door-to-door selling is suspended for a period of 7 (seven) days beginning on the date of the subscription of the relevant Acceptance Form by the investor. Within such period investors may notify the relevant authorized office of the Distributor and/or financial advisors authorized to make off-premises offers (*consulenti finanziari abilitati all’offerta fuori sede*) of their withdrawal without payment of any charge or commission.

Investors may also subscribe the Certificates through long distance selling techniques (*tecniche di comunicazione a distanza*) pursuant to article 32 of the Italian Financial Services Act (*i.e.*, through the trading-online platform of the Distributor or recorded telephone orders).

Furthermore, pursuant to art. 67-*duodecies* of Italian Legislative Decree No. 206/2005 as amended (the so-called “*Codice del Consumo*”), the validity and enforceability of contracts subscribed through long distance selling techniques is suspended for a period of 14 (fourteen) days beginning on the date of the the acceptance of the offer by the relevant investor.

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| | | <p>Within such period investors may notify the Distributor of their withdrawal without payment of any charge or commission.</p> <p>In case the Certificates are placed through recorded telephone orders, the investor may subscribe for the Certificates after being identified using its identification codes and passwords.</p> <p>Subsequently, the investor will be requested to declare, among other things, that the same investor has received and ascertained the offering documentation and the risk factors contained therein, providing all personal and financial data required for the request in the Acceptance Form.</p> <p>The Distributor, during the telephone call, will summarise to the investor the personal details and the investor will then confirm the correctness of such details and will give the consent to the subscription of the Certificates.</p> <p>After this confirmation the investor will complete its request of adherence to the offer.</p> <p>The Distributor, in case of recorded telephone orders, guarantees the Lead Manager the appropriateness and suitability of its telecommunication procedures.</p> <p>The Certificates may be subscribed in a minimum subscription lot of no.1 Security (the “Minimum Lot”) equal to an amount of USD 1,000 or an integral number of Certificate greater than the Minimum Lot. There is no maximum subscription amount of the Certificate to be applied for by each investor within the Aggregate Notional Amount.</p> <p>The result of the offer of the Certificates will be made available to the public at the end of the Offer Period, through a notice to be published within 2 business days after the closure of the Offer Period on the Issuer and Distributor’s websites (www.mediobanca.com and www.chebanca.it).</p> |
| E.4 | Material interests in the offer | <p>Potential conflict of interests may arise, in respect of the Certificates, between the Issuer and the Distributor due to the fact they belong to the same Mediobanca Banking Group, whose parent company is Mediobanca - Banca di Credito Finanziario S.p.A. and the Distributor receives from the Issuer, Structuring Fees and Placement Fees. Mediobanca is the Issuer of the Certificates and acts also as Calculation Agent and liquidity provider for the Certificates traded on EuroTLX and, under certain circumstances, this role could give rise to conflicts of interest.</p> <p>In its capacity as Calculation Agent, Mediobanca is responsible, among the others, for determining the Cash Settlement Amount. Mediobanca is required to carry out its duties as Calculation Agent in good faith and using its reasonable judgment.</p> <p>Save as described above, so far as the Issuer is aware, no other person involved in the offer of the Securities has an interest material to the offer.</p> |

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| E.7 | Estimated expenses | <p>The Offer Price includes, per each Notional Amount per Certificate, Structuring Fees equal to 0.50 per cent. and Placement Fees, equal to 2.50 per cent. to be paid by the Issuer to the Distributor in respect of Certificates placed up to a Notional Amount of USD 10,000,000. For amounts of Certificates placed exceeding USD 10,000,000 and up to USD 20,000,000 the Structuring Fees and the Placement Fees will be determined according to prevailing market conditions at the closing of the Offer Period up to a maximum of respectively, of 0.55 per cent. and 3.00 per cent.. The final amount of the Structuring Fees and Placement Fees shall be announced by notice to be published, within 2 Business Days following the closure of the Offer Period, on the Issuer and Distributor’s website, respectively, www.mediobanca.com and www.chebanca.it.</p> <p>Investors should take into consideration that if the Certificates are sold on the secondary market after the Offer Period, the above mentioned fees included in the Offer Price are not taken into consideration in determining the price at which such Certificates may be sold in the secondary market.</p> |
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RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities, but the inability of the Issuer to pay any amount on or in connection with any Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to them or which they may not currently be able to anticipate.

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

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

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

By investing in the Securities each investor represents that:

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Securities and as to whether the investment in the Securities is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealer as investment advice or as a recommendation to invest in the Securities, it being understood that information and explanations related to the terms and conditions of the Securities shall not be considered to be investment advice or a recommendation to invest in the Securities. No communication (written or oral) received from the Issuer or the Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Securities.*
- (b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Securities. It is also capable of assuming, and assumes, the risks of the investment in the Securities.*
- (c) Status of Parties. Neither the Issuer nor the Dealer are acting as a fiduciary for or adviser to it in respect of the investment in the Securities.*

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

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

Words and expressions defined in "Contractual Terms", "Terms and Conditions" or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the entire Prospectus.

1) Risks relating to the Issuer and the Mediobanca Group

Factors that may affect the Issuer's ability to fulfil its obligations under the Securities.

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

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

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

Risks arising from the Eurozone sovereign debt crisis

The sovereign debt crisis has raised concerns about the long-term sustainability of the European Monetary Union (the "EMU"). In the last few years, several EMU countries have requested financial aid from European authorities and from the International Monetary Fund (the "IMF") and are currently pursuing an ambitious programme of reforms.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries. This, together with the risk that some countries (even if not very significant in terms of gross domestic product) might leave the euro area, would have a material and negative impact on the Group and/or on the Group's clients, with negative implications for the Group's business, results and financial position.

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

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

The possibility that the European Central Bank could halt or reconsider the current set up of unconventional measures would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the euro area, global markets remain characterized by high uncertainty and volatility particularly around the peripheral European countries. Any further acceleration of the European sovereign debt crisis could likely significantly affect, among other things, the inter-bank funding, which may become generally unavailable or available only at elevated interest rates, and might have an impact on the Mediobanca Group's access to, and cost of, funding. Should the Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Group's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

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

In carrying out its activities, the Group holds substantial volumes of public-sector bonds, including bonds issued by European countries. The Group's total exposure in this respect as at 30 June 2017 is set out in the tables A.1.2.a and A.1.2.b of Part E of the audited consolidated annual financial statements of Mediobanca as at and for the year ended 30 June 2017 incorporated by reference into this Prospectus. This could give rise to operational disruptions to the Group's business.

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

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

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

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

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

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

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

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

The credit and capital markets have been experiencing extreme volatility and disruption in recent months. To the extent that any of the instruments and strategies the Issuer uses to hedge or otherwise manage its exposure to credit or capital markets risk are not effective, the Issuer may not be able to mitigate effectively

the Issuer's risk exposures in particular market environments or against particular types of risk. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its credit risk and market risk concentration. In addition, due to market fluctuations, weak economic conditions and/or a decline in stock and bond prices, trading volumes or liquidity, the Issuer's financial results may also be affected by a downturn in the revenues deriving from its margin interests, principal transactions, investment banking and securities trading fees and brokerage activities.

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

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

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

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

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

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

In the event that the extreme volatility and disruption experienced by international and domestic markets in recent months continue in the future, the Issuer's liquidity can be adversely affected. The Issuer's funding activity relies, for more than 20 per cent., on retail deposits with the Group company CheBanca!, on

medium and long-term debt capital market issues offered to institutional investors and to the public. The placement to retail investors is made through public offerings (carried out by means of single banking networks – including that of Banco Posta – with exclusivity or through syndicated joined banking groups) and sold directly on the *Mercato Telematico delle Obbligazioni* managed by Borsa Italiana S.p.A. (MOT). Demand from institutional investors is met through public offerings on the Eurobond market and private placements of instruments tailored on the basis of the specific needs of the subscriber.

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

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

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

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

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

The Issuer is subject to operational risk

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

Systemic risks in connection with the economic/financial crisis

It should be noted that the earnings capacity and stability of the financial system in which the Issuer operates may be impacted by the general economic situation and the trends on financial markets, and, in particular, by the solidity and growth prospects of the economies of the country or countries in which the Issuer operates, including its/their credit standing, 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 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; (b) future developments in the monetary policy of the ECB for the Eurozone area, and the U.S. Federal Reserve Board for the US dollar area, and the policies implemented by various countries to devalue their own currencies for competitive reasons; (c) the sustainability of the sovereign debt of certain countries, and the tensions noted more or less frequently on financial markets. In this connection, attention should be drawn in particular to: (i) the recent developments in the Greek sovereign debt crisis, which raised considerable uncertainties (as yet not entirely dispelled) over the prospects of Greece remaining part of the Eurozone, not to mention, in an extreme scenario, the risk of contagion between the sovereign debt markets of the various countries, and indeed the very resilience of the European monetary system based on the single currency; (ii) the recent turbulence on the main Asian financial markets, in particular China. There is therefore the risk that the future development of these scenarios could impact adversely on the Issuer's capital, earnings and financial situation.

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

More generally, continuation of the adverse economic conditions, or a slower recovery in Italy, or the countries in which the Issuer principally operates, than the other Eurozone countries, could impact negatively on the operating results or financial conditions of Mediobanca.

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

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

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

Risks connected to the EMIR Regulation

Investors should also note that the OTC derivatives would be subject to the regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as the European Market Infrastructure Regulation ("EMIR") that came into force on 16 August 2012.

On 19 December 2012, the European Commission adopted nine of ESMA's Regulatory Technical Standards (the "Adopted RTS") and Implementing Technical Standards (the "Adopted ITS") on OTC Derivatives,

CCPs and Trade Repositories (the Adopted RTS and Adopted ITS together being the “**Adopted Technical Standards**”), which included technical standards on clearing, reporting and risk mitigation (see further below). The Adopted ITS were published in the Official Journal of the European Union on 21 December 2012 and entered into force on 10 January 2013 (although certain of the provisions thereof will only take effect once the associated regulatory technical standards enter into force). The Adopted RTS were published in the Official Journal of the European Union on 23 February 2013 and entered into force on 15 March 2013.

EMIR introduces certain requirements in respect of OTC derivative contracts applying to financial counterparties (“**FCPs**”), such as investment firms, credit institutions and insurance companies and certain non-financial counterparties (“**Non-FCPs**”). Such requirements include, amongst other things, the mandatory clearing of certain OTC derivative contracts (the “**Clearing Obligation**”) through an authorised central counterparty (a “**CCP**”), the reporting of OTC derivative contracts to a trade repository (the “**Reporting Obligation**”) and certain risk mitigation requirements in relation to derivative contracts which are not centrally cleared.

The Clearing Obligation applies to FCPs and certain Non-FCPs which have positions in OTC derivative contracts exceeding specified ‘clearing thresholds’. Such OTC derivative contracts also need to be of a class of derivative which has been designated by ESMA as being subject to the Clearing Obligation. On the basis of the Adopted Technical Standards, it is likely that the Issuer will be treated as a Non-FCP for the purposes of EMIR and the swap transactions to be entered into by it on the Closing Date will not exceed the “clearing threshold”.

A CCP will be used to meet the Clearing Obligation by interposing itself between the counterparties to the eligible OTC derivative contracts. For the purposes of satisfying the Clearing Obligation, EMIR requires derivative counterparties to become clearing members of a CCP, a client of a clearing member or to otherwise establish indirect clearing arrangements with a clearing member. Each derivative counterparty will be required to post both initial and variation margin to the clearing member (which in turn will itself be required to post margin to the CCP). EMIR requires CCPs to only accept highly liquid collateral with minimal credit and market risk, which is defined in the Adopted Technical Standards as cash, gold and highly rated government bonds.

The Reporting Obligation applies to all types of counterparties and covers the entry into, modification or termination of cleared and non-cleared derivative contracts which were entered into (i) before 16 August 2012 and which remain outstanding on 16 August 2012, or (ii) on or after 16 August 2012. The details of all such derivative contracts are required to be reported to a trade repository. It will therefore apply to the Swap Agreements and any replacement swap agreements.

FCPs and Non-FCPs which enter into non-cleared derivative contracts must ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational and counterparty credit risk. Such procedures and arrangements include, amongst other things, the timely confirmation of the terms of a derivative contract and formalised processes to reconcile trade portfolios, identify and resolve disputes and monitor the value of outstanding contracts. In addition, FCPs and those Non-FCP which exceed the specified clearing thresholds must also mark-to-market the value of their outstanding derivative contracts on a daily basis and have risk-management procedures that require the timely, accurate and appropriately segregated exchange of collateral.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the European Directive No 65/2014 (“**MiFID II**”) and the European Regulation No. 600/2014 (“**MiFIR**”), both of which came into force on 3 July 2014. MiFID II amends existing provisions on authorisation,

conduct of business and organizational requirements for providers of investment services. These rules aim at strengthening the protection of investors, through the introduction of new requirements on product governance, independent investment advice and cross-selling, the extension of existing rules to structured deposits and the improvement of requirements in several areas, including on the responsibility of management bodies, inducements, information and reporting to clients, remuneration of staff and best execution. MIFIR establishes, *inter alia*, uniform requirements in relation to disclosure of trade data to the public, reporting of transactions to the competent authorities, trading of derivatives on organised venues, benchmarks and intervention powers of competent authorities, ESMA and EBA.

MiFID II has come into force on 3 January 2018 and is implemented by the Member States by 3 January 2018 as officially proposed by the European Commission on 10 February 2016.

By the proposal for amending Directive 2014/65/EU come into force on 10 February 2016, the provisions of MiFID II and MIFIR - according to article 93, as amended - apply from 3 January 2018 except for the minor provisions which shall apply from 3 September 2019. In addition, many of the provisions of MiFID II and MiFIR will be implemented by means of technical standards that will be drafted by the ESMA.

In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer. Prospective investors should be aware that the regulatory changes arising from EMIR, MiFID II and MIFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware, however, that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, MiFID II and MiFIR, in making any investment decision in respect of the Securities. In addition, given that the date of application of some of the EMIR provisions and the EMIR technical standards remains uncertain and given that additional technical standard or amendments to the existing EMIR provisions may come into effect in due course, prospective investors should be aware that the relevant Transaction Documents may need to be amended during the course of the Transaction, without the consent of any Securityholder, to ensure that the terms thereof and the parties obligations thereunder are in compliance with EMIR and/or the then subsisting EMIR technical standards.

Risks connected to a potential rating downgrade

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

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

The Issuer is subject to extensive regulation and supervision by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (the Italian securities market regulator or "**CONSOB**"), the European Central Bank and the European System of Central Banks.

The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing the international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and could significantly alter the Issuer's capital requirements.

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

Basel III and CRD IV

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**"), on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards which were subsequently revised in 2013 in light of concerns raised by the banking industry. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013, the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019 as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio, the Basel Committee published the final rules in October 2014 which will take effect from 1st January 2018.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRD IV Regulation**" or "**CRR**" and together with the CRD IV Directive, the "**CRD IV Package**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed until after such date. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

The Basel III agreements provide for the introduction of a Liquidity Coverage Ratio or ("**LCR**"), in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress, and a Net Stable Funding Ratio or NSFR, with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. In the case of LCR, within the CRR framework, the LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61

technically specifies the calculation rules of the LCR and provides that it is to be phased in gradually, from 60% commencing on 1 October 2015 to 100% from 1 January 2018), In the case of NSFR, although the proposal of the Basel Committee foresaw that the 100% level is to be met as of 1 January 2018 without any phase in, the CRR does not provide for the regulatory limit on structural liquidity. On 17 December 2015, the European Banking Authority published its report recommending the introduction of the NSFR in the EU in order to ensure stable funding structures and outlining its impact assessment and proposed calibration. In November 2016, the European Commission announced the EU Banking Reform which proposed a binding 3% Leverage Ratio and a binding detailed Net Stable Funding Ratio (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, under the proposal, the binding 3% Leverage Ratio is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (“NCAs”) concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (i.e. less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies.

The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013, as subsequently amended and supplemented from time to time (the “**Circular No. 285**” – *Prudential Regulation for Banks*)) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules concerning matters not harmonised at EU level. According to Article 92 of the CRD IV Regulation, institutions shall at all times satisfy the following own funds requirements: (1) a CET1 Capital ratio of 4.5 per cent.; (ii) a Tier 1 Capital ratio of 6 per cent.; and (iii) a Total Capital ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: The capital conservation buffer has applied to the Issuer since 1 January 2014 pursuant to Part I, Title II, Chapter I, Section II of Circular No. 285. According to the 20th update to Circular No. 285 published on 21 November 2017, new transitional rules provide for a capital conservation buffer set for 1.875 per cent of the RWAs in 2018 and increasing to 2.5 per cent. of RWAs from 2019;
- *Counter-cyclical capital buffer*: set by the relevant competent authority between 0 per cent. - 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Articles 130 and 160 of the CRD IV Directive);
- *Capital buffers for global systemically important banks (G-SIBs)*: set as an “additional loss absorbency” buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (e.g., size, interconnectedness, lack of substitutes for the services provided, global activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive), becoming fully effective on 1 January 2019; and
- *Capital buffers for systemically important banks at a domestic level*: up to 2.0 per cent. as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016, to compensate for the higher risk that such banks represent to the domestic financial system (Article

131 of the CRD IV Directive). The capital buffer for important banks at domestic level belonging to a group which is a global systemically important bank is limited. This buffer shall not exceed the higher of 1 per cent. of the total risk exposure amount and the global systemically important bank buffer rate applicable to the group at consolidated level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks with the potential of serious negative consequence to the financial system and the real economy in a specific Member State. Until 2015, in case of buffer rates of more than 3 per cent., Member State will need prior approval from the Commission, which will take into account the assessments of the European Systemic Risk Board (“**ESRB**”) and the European Banking Authority (the “**EBA**”). From 2015 onwards and for buffer rates between 3 and 5 per cent. the Member States setting the buffer will have to notify the Commission, the EBA, and the ESRB. The Commission will provide an opinion on the measure decided and if this opinion is negative, the Member States will have to “comply or explain”. Buffer rates above 5 per cent. will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive).

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as “Tier I” and “Tier II capital” instruments under the framework which the CRD IV Package has replaced (CRD III) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 31 December 2012, their recognition is capped at 70 per cent. in 2015, with this cap decreasing by 10 per cent. in each subsequent year.

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio and the Net Stable Funding Ratio (the “**NSFR**”). The Liquidity Coverage Ratio Delegated Act has been adopted in October 2014 and published in the Official Journal of the European Union in January 2015. It is applicable from 1 October 2015, under a phase-in approach before it becomes fully applicable from 1 January 2018.

The CRD IV Package introduces a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution’s assets are in line with its capital. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission’s review in 2016. The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the “Single Rule Book”.

Therefore, should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer’s growth opportunities.

The Group may be subject to the provision of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the “**SRM**”) entered into force from 1 January 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the “**Board**”) with national resolution authorities, which entered into force on 1 January 2015.

The SRM, which will complement the ECB Single Supervisory Mechanism, will apply to all banks supervised by the ECB Single Supervisory Mechanism. It provides for the Board and a Single Resolution Fund (the “**Fund**”).

Decision-making will be centralised with the Board, and will involve the Commission and the Council (which will have the possibility to object to the Board’s decisions) as well as the ECB and national resolution authorities.

The Fund, which will back resolution decisions mainly taken by the Board, will be divided into national compartments during an eight year transition period, as envisaged by an Intergovernmental Treaty, whose ratification is a precondition for the entry into force of the SRM Regulation. Banks have started to pay contributions in 2015 to national Resolution Funds that are mutualising gradually into the Single Resolution Fund starting from 2016 (and on top of the contributions to the national Deposit Guarantee Schemes).

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The participating banks will be required to finance the Fund. The Issuer may therefore be required to pay contributions to the SRM in addition to contributions to the national Deposit Guarantee Scheme. The SRM is not operational yet and the manner in which it will be implemented is still evolving, so there remains some uncertainty as to how the SRM will affect the Group once implemented and fully operational.

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Council Regulation (EU) No. 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”) for the establishment of a single supervisory mechanism (the “**Single Supervisory Mechanism**” or the “**SSM**”). From 4 November 2014 the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over “banks of systemic importance” in the Eurozone.

In this respect, “banks of systemic importance” include, *inter alia*, any Eurozone bank that: (i) has assets greater than €30bn or - unless the total value of its assets is below €5bn - greater than 20 per cent. of national gross domestic product; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility of the European Stability Mechanism; or (iv) is considered by ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Notwithstanding the fulfillment of these criteria, the ECB, on its own initiative after consulting with national competent authorities or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards. The Regulation (EU) No. 468/2014 of the ECB, dated 16 April 2014, established the framework for co-operation within the

Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the “**SSM Framework Regulation**”).

The relevant national competent authorities for the purposes of the SSM Regulation and the SSM Framework Regulation continue to be responsible for supervisory functions not conferred on the ECB, such as consumer protection, money laundering, payment services, and supervision over branches of third country banks. The ECB, on the other hand, is exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, *inter alia*, the power to: (i) authorise and withdraw authorisation of all “banks of systemic importance” in the Eurozone and in the Member States participating to the SSM; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) impose robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

In order to foster consistency and efficiency of supervisory practices across the Eurozone, the EBA is continuing to develop a single supervisory handbook applicable to EU Member States (the “**EBA Supervisory Handbook**”).

The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Security

The directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) entered into force on 2 July 2014.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of an institution’s failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including senior notes and subordinated notes to equity (the “**general bail-in tool**”), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and availed itself of the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to

provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

When applying the bail-in, the resolution authority must first reduce or cancel common equity tier one, thereafter reduce, cancel or convert additional tier one instruments, then tier two instruments and other subordinated debts to the extent required and up to their capacity. If and if only this total reduction is less than the amount needed, the resolution authority will reduce or convert to the extent required the nominal amount or outstanding amount payable in respect of unsecured creditors in accordance with the hierarchy of claims in normal insolvency proceedings.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as subordinated notes at the point of non-viability and before any other resolution action is taken (“**non-viability loss absorption**”). Any shares issued to holders of subordinated notes upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution or group of institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or group of institution will no longer be viable unless the relevant capital instruments (such as subordinated notes) are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution or group of institution would no longer be viable.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government. In particular, Legislative Decrees No. 180/2015 and 181/2015 implementing the BRRD in Italy were published in the Italian Official Gazette (*Gazzetta Ufficiale*). Legislative Decree No. 180/2015 is a stand-alone law which implements the BRRD in Italy, while Legislative Decree No. 181/2015 amends the Legislative Decree No. 385 of 1 September 1993 and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The decrees of implementation entered into force on 16 November 2015, save for: (i) the bail-in tool, which applies from 1 January 2016; and (ii) the “depositor preference” to deposits other than those protected by the deposit guarantee scheme and those of individuals and small and medium enterprises, which will apply from 1 January 2019.

As of 2016 (or, if earlier, the date of national implementation of BRRD), European banks also have to comply with a “minimum requirements for own funds and eligible liabilities” (the “**MREL**”). The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the “**SRB**”) for banks being parts of the Banking Union. Differently to the current discussions on TLAC, MREL includes senior unsecured debt without ex-ante limitations. On 3 July 2015 the EBA has adopted and submitted to the Commission its Regulatory Technical Standards (the “**RTS**”) which further define the way in which resolution authorities or the SRB shall determine the MREL. In the introductory remarks to the RTS, it is stated that the EBA expects the RTS to be “broadly compatible with the proposed FSB term sheet for TLAC for G-SIBs”, adding that “while there are differences resulting from

the nature of the EBA's mandate under the BRRD, as well as the fact that the BRRD MREL requirement applies to banks which are not G-SIBs, these differences do not prevent resolution authorities from implementing the MREL for G-SIBs consistently with the international framework".

The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could affect the value of any Security.

On 23 November 2016, the European Commission presented the EU Banking Reform which introduced a number of proposed amendments to the BRRD and to the CRR. In particular, it proposed that the MREL - which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution - should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. The EU Banking Reform also introduces an external MREL requirement and an internal MREL requirement to apply to entities belonging to a banking group, in line with the approach underlying the TLAC standard.

The powers set out in the BRRD impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Following the implementation of the BRRD, holders of securities may be subject to write-down or conversion into equity on any application of the general bail-in and non-viability loss absorption, as the case may be, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of securityholders, the price or value of their investment in any security and/or ability of the Issuer to satisfy its obligations under any security.

The Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities

On 29 January 2014, the European Commission adopted a proposal for a new regulation on structural reform of the European banking sector following the recommendations released on 31 October 2012 by the High Level Expert Group (the "**Liikanen Group**") on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading and introduce powers for supervisors to separate certain trading activities from the relevant bank's deposit-taking business if the pursuit of such activities compromises financial stability. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

The proposed regulation will apply to European banks that will eventually be designated as global systemically important banks (G-SIBs) or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed €30 billion; b) total trading assets and liabilities are equal or exceed €70 billion or 10 per cent. of their total assets. The banks that meet either one of the aforementioned conditions will be automatically banned from engaging in proprietary trading defined narrowly as activities using a bank's own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account, and without connection to actual or anticipated client activity or for the purpose of hedging the entity's risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities – including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation,

sales and trading of derivatives – are not subject to the ban, subject to the discretion of the bank’s competent authority, however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

Should a mandatory separation be imposed, additional costs at Group level are not ruled out, in terms of higher funding costs, additional capital requirements and operational costs due to the separation, lack of diversification benefits. Due to a relatively limited trading activity, Italian banks could be penalised and put at a relative disadvantage in comparison with their main global and European competitors (e.g. French and German banking institutions). As a result, the proposal could lead to the creation of an oligopoly where only the biggest players will be able to support the separation of the trading activities and the costs that will be incurred. An additional layer of complexity, leading to uncertainty, is the high risk of diverging approaches throughout Europe on this issue.

The Group may be affected by a proposed EU Financial Transactions Tax

On 14 February 2013 the European Commission published a new legislative proposal on the Financial Transaction Tax (the “FTT”). The proposal followed the Council’s authorisation to proceed with the adoption of the FTT through enhanced cooperation, i.e. adoption limited to 10 countries - among which Italy, France, Germany and Austria are included.

The impact on the “real economy” of the FTT as currently envisaged – especially for corporations – could be severe as many financial transactions are made on behalf of businesses that would bear the additional costs of the tax. For example, a transaction tax would raise the cost of the sale and purchase of corporate bonds in a time where it is widely acknowledged that access to capital markets by corporate issuers has to be incentivised.

Moreover, it is a matter of concern for the Group that the proposal does not exempt the transfers of financial instruments within a group. Thus, if a financial instrument is not purchased for a client but only moved within a banking group, each transaction would be subject to taxation. Also, the inclusion of derivatives and repos/lending transactions in the taxation scope clashes with the efficiency of financial markets.

The Issuer may be affected by new accounting and regulatory standards

Following the entry into force and subsequent application of new accounting standards and/or regulatory rules and/or the amendment of existing standards and rules, the Issuer may have to revise the accounting and regulatory treatment of some operations and the related income and expense, with potentially negative effects on the estimates contained in the financial plans for future years and with the need to restate already published financial statements.

The European Commission endorsed the following accounting principles and interpretations that are applicable starting from the 2015 financial statements:

- Annual Improvements to IFRSs 2011-2013 Cycle (EU Regulation 1361/2014);
- Annual Improvements to IFRSs 2010-2012 Cycle (EU Regulation 28/2015); and
- Defined Benefit Plans: Employee Contributions (amendments to IAS 19) (EU Regulation 29/2015).

Risk related to IFRS 9 on “Financial Instruments” coming into force

The Issuer is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, in

future the Issuer may need to revise the accounting and regulatory treatment of some existing assets and liabilities and transactions (and related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead the Issuer to having to restate financial data published previously.

In this regard, an important change is expected in 2018 from when IFRS 9 “Financial Instruments” comes into force. On 24 July 2014, the International Accounting Standard Board (the IASB) issued the final version of the new IFRS 9 which replaces the previous versions published in 2009 and 2010 for the classification and measurement stage, and in 2013 for the hedge accounting stage and completes the IASB project to replace IAS 39 “Financial Instruments: Recognition and Measurement”.

With particular reference to the accounting standards which will be effective in future periods, the Issuer highlights that IFRS 9:

- will introduce significant changes, compared to IAS39, to classification and measurement of loans and debt instruments based on the “business model” and on the characteristics of the cash flows of the financial instrument (SPPI - Solely Payments of Principal and Interests criteria);
- requires the classification of the equity instruments at fair value either through profit or loss or through “other comprehensive income”. In this second case, unlike previous requirements for available for sale assets set by IAS39, IFRS9 has eliminated the request to recognize impairment losses and provide that, in case of disposal of the instruments, the gain or losses from disposal shall be recycled to other equity reserve and not to profit and loss accounts;
- will introduce a new accounting model for impairment, based on expected losses approach substituting the current approach based on the incurred losses and will introduce the concept of “lifetime” expected losses which may require an anticipation and increase of the structural provisioning with particular reference to credit losses;
- works on the hedge accounting, rewriting the rules for the designation of a hedge accounting relationship and for the verification of its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logics. It should be noted that the principle allows the entity to make use of the possibility to continue to apply IAS 39 hedge accounting rules until the IASB has completed the project on definition of the macrohedging rules; and
- changes the accounting treatment of “own credit”, in other words changes in the fair value of issued debt liabilities designated at fair value not attributable to changes of the own credit price. The new accounting standard requires these changes shall be recognised in a specific equity reserve, rather than to the income statement, as requested under IAS 39, therefore removing a volatility source from the economic results.

The effective date of IFRS 9 is 1 January 2018, following the entry into force on 19 December 2016 of Regulation (EU) No. 2016/2067 of the Commission of 22 November 2016.

It is expected that at the first application date the main impacts on the Issuer could come from the application of the new impairment accounting model based on an expected losses approach, which is expected to cause an increase in the write-downs made to unimpaired assets (specifically receivables from customers), as well as the application of the new rules for the transfer of positions between the different classification stages under the new standard. Specifically, it is expected that greater volatility may be generated in the financial results between the different accounting periods, due to the dynamic change between the different stages of financial assets recorded in the financial statements (particularly between

Stage 1 which will mainly include the new positions supplied and all the fully performing positions and Stage 2 which will include the positions in financial instruments which have suffered a deterioration in credit quality compared with the time of initial recognition). The changes in the book value of financial instruments due to the transition to IFRS 9 will be recognised against shareholders' equity at 1 January 2018.

On 10 November 2016, the EBA published a report that summarises the main results of the analysis of the impact on a sample of 50 European banks. As far as the quality component of the questionnaire is concerned, the authority highlighted how the sample of banks involved an operational complexity, specifically with regard to the aspects related to the quality of data, and technology in the introduction of the new principle. The report also pointed out how the change to the impairment model would lead, in the sample of banks examined, to average growth of the IAS 39 provisions (of approximately 18 per cent.) as well as having an impact on common equity tier 1 and on the total capital of 59 and 45 percentage points, respectively.

On 26 November 2016, the EBA launched a second impact assessment exercise, on the same sample of banks, in order to gather more detailed and updated insights regarding the implementation of the new Standard.

Further to the entry into force of IFRS9, the European Council has adopted a regulation that will allow, as an option, financial institutions to adopt a transitional regime where the additional loan loss provisions could be included in CET1 with a "phase-in" mechanism over 5 years starting from 2018.

In that regard, the proposals under discussion would allow, as an option, financial institutions to adopt a transitional regime where the additional loan loss provisions could be included in CET1 with a "phase-in" mechanism over 5 years starting from 2018. Nevertheless the final terms of that mechanism are still to be finalised.

For the sake of completeness, also note that the IASB issued, respectively on 28 May 2014 and 13 January 2016, the final versions of IFRS 15 "Revenues from contracts with customers" and IFRS 16 "Leases".

The new IFRS 15 applies from 1 January 2018, with the possibility of opting for early application, subject to the completion of the endorsement process by the European Union, in progress at the date of this Prospectus. This principle changes the current set of IFRS replacing the principles and interpretations of "revenue recognition" in force at the date of this Prospectus and, specifically, IAS 18. IFRS 15 includes:

- two approaches for measuring revenues ("at point in time" or "over time");
- a new transactions analysis model ("Five steps model") focused on the transfer of control; and
- greater information to be included in the notes to the financial statements.

The new IFRS 16, on the other hand, will apply from 1 January 2019 once it has been endorsed by the European Union.

IFRS 16 changes the current set of international accounting principles and interpretations in force on leasing, and, specifically IAS 17. IFRS 16 introduces a new definition of leasing and confirms the current distinction between the two types of leasing (operating and financial) with regard to the accounting model that the lessor must apply.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition as an asset, representing the right of use of the underlying asset and, at the same time, a liability reflecting the future payments of the lease contract.

After the initial recognition the right-of-use will be measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any eventual accumulated impairment losses, at the revaluation model of the fair value model set by IAS 16 or IAS 40.

From the time the above principle comes into force there are plans from 1 January 2019 for the quantitative effects resulting from its adoption, not currently available, to form part of the Issuer's future estimates. It is, however, expected that the application of IFRS 16 could result in a revision, for the Issuer, of the accounting methods for revenues and costs relating to existing transactions as well as the recording of new assets and liabilities associated with operating lease agreements signed. These effects will create the consequent need to consistently and retrospectively revise the previous.

Based on regulatory and/or technological developments and/or the business context, it is also possible that the Issuer could, in the future, further revise the operating methods for applying the IFRS, with possible negative impacts, including significant ones, on the operating results and capital and financial position of the Issuer.

The Mediobanca Group will apply the new standard starting from 1 July 2018. For further information on the IFRS 9 implementation project, please refer to sections headed "*Information on Mediobanca - Banca di Credito Finanziario S.p.A.*", "*Financial Information of Mediobanca - Banca di Credito Finanziario S.p.A.*".

Forthcoming regulatory changes

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. The Basel Committee on Banking Supervision ("BCBS") has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

On 9 November 2015, the FSB published its final Total Loss-Absorbing Capacity ("TLAC") Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to liabilities excluded from TLAC, such as guaranteed insured deposits, derivatives, etc. and which forms a new standard for G-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet require a minimum TLAC requirement for each G-SIB at the greater of (a) 16 per cent. of RWA plus the combined buffer requirement as of 1 January 2019 and 18 per cent. plus the combined buffer requirement as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure as of 1 January 2019, and 6.75 per cent. as of 1 January 2022.

On 23 November 2016, the European Commission released a package of proposals amending CRD IV and the CRD IV Regulation (the “**CRD Reform Package**”), being part of the package proposals amending also the BRRD and the SRM Regulation (together with the CRD Reform Package, the “**Risk Reduction Measures Package**”), which is expected to become applicable beginning 2019 (but this will ultimately depend on the procedure and the outcome of the discussions in the European Parliament and the Council). Among other things, these proposals aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio, market risk rules and requirements for own funds and eligible liabilities) and to transpose the FSB’s TLAC termsheet into European law. The CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law before taking effect.

Moreover, it is worth mentioning that the BCBS has embarked on a very significant RWA variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, counterparty credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator’s primary aim is to eliminate unwarranted levels of RWA variance, to improve consistency and comparability across banks. The finalisation of the new framework was completed in respect of market risk in 2016, and in respect of credit risk and operational risk in December 2017. It is designed to enhance the robustness and risk sensitivity of the standardised approach, constrain the use of internally modelled approaches and complement the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. Due to the wide undergoing revision by global and European regulators and supervisors, the internal models are expected to be subject to either changes or withdrawal in favor of a new standardised approach, which is also under revision. The regulatory changes will impact the entire banking system and consequently could lead to changes in the measurement of capital (although they will become effective after the time frame covered by the Strategic Plan). In 2016, the ECB began a review of the internal rating models authorised for calculating capital (the Targeted Review of Internal Models, referred to as “**TRIM**”), with the objective of ensuring the adequacy and comparability of the models given the highly fragmented nature of Internal Ratings-Based systems used by banks, and the resulting diversity in measurement of capital requirements. The review covers credit, counterparty and market risks. The TRIM will be ongoing through 2018 and is structured in two stages, with an institution-specific review commenced in 2016 and a model specific review in 2017 and 2018/2019.

In March 2015, the EBA undertook the revision of some specific aspects of the risk-weighted assets (“**RWA**”) internal models, encouraging a major convergence between European banking supervision practices. The EBA has finalised the regulatory standards for the Internal Rating Based methodology and the Guidelines on the new Definition of Default, while final Guidelines on Probability of Default and the Loss Given Default estimation and treatment of defaulted assets were published in November 2017. Based on the EBA’s proposal, the rules for internally estimating the LGD would become significantly tighter. The implementation of all the proposed changes is expected by January 2021.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer’s business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuer’s return on equity and other financial performance indicators.

As regards accounting rules relevant for the Issuer, on 24 July 2014 the International Accounting Standards Board published IFRS 9 relating to “Financial Instruments”, which is set to replace IAS 39 from 1 January 2018, except that for a selective early adoption. IFRS 9 has been approved by Commission Regulation (EC) No. 2067/2016 published in the Official Gazette of the EU on 29 November 2016. IFRS 9 amends and complements the rules on the classification and measurement of financial instruments; introduces a new

impairment model based on “expected credit losses” (the current model is based on provisions for “incurred losses”); and introduces new rules on general hedge accounting.

The application of IFRS 9 and the new approach based on “expected credit losses” could result in substantial additional impairment charges for the Issuer and add volatility to its regulatory capital ratios, and will result in additional costs to the Issuer relating to the implementation of such rules. The economic, financial and capital adequacy related effects of the implementation of IFRS 9 are not quantifiable, and investors should be aware that implementation of the IFRS 9 may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer.

EU reform of “benchmarks”

The EURO STOXX[®] 50 Index (the “**Index**”), the London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other indices which are deemed “benchmarks” (“**Benchmarks**”) are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any security linked to a Benchmark.

Key international reforms of Benchmarks include IOSCO’s proposed Principles for Financial Benchmarks (July 2013) (the “**IOSCO Benchmark Principles**”) and the EU’s Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the “**Benchmarks Regulation**”).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for “critical” benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the “**Market Abuse Regulation**”) have applied from 3 July 2016. The Benchmarks Regulation would apply to “contributors”, “administrators” and “users of” Benchmarks in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) ban the use of Benchmarks of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to applying to so-called “critical benchmark” indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including “proprietary” indices or strategies) which are referenced in listed financial instruments, financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Securities (being linked to the Index), including in any of the following circumstances: (i) the Index which is a Benchmark may (subject to any applicable transitional provisions) not be used as such if its administrator does not obtain appropriate recognition or endorsement or the non-EU jurisdiction in which is based does not have equivalent regulation. In such event, the Securities could be delisted (if listed), adjusted, redeemed or otherwise impacted; (ii) the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the level of the Benchmark or of affecting the volatility of the published level, and could lead to adjustments to the terms of the Securities, including Calculation Agent determination of the level in its discretion.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of Benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark (including the Index) and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks (including the Index), trigger changes in the rules or methodologies used in certain Benchmarks (including the Index) or lead to the disappearance of certain Benchmarks (including the Index). The disappearance the Index, or changes in the manner of administration of such Benchmark could result in adjustment to the terms and conditions, early settlement, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Securities. Any such consequence could have a material adverse effect on the value of and return on any Securities.

Risks associated with the economic context and consequences of the United Kingdom's exit from the European Union (Brexit)

On 23 June 2016, a referendum took place in the United Kingdom on the permanence of the United Kingdom within the European Union. At the end of such referendum the majority of votes indicated the will to exit from the European Union (so called "**Brexit**").

On 29 March 2017 the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union. Article 50(2) requires that, in the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union, taking account of the framework for its future relationship with the Union. Article 50 requires that such agreement shall be negotiated in accordance with Article 218(3) of the European Treaty on the Functioning of the European Union and concluded on behalf of the European Union by the European Council, acting by a qualified majority, after obtaining the consent of the European Parliament. Under Article 50(3) of the Treaty, the EU Treaties shall cease to apply to United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in Article 50(2), unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

Brexit could cause an increase in volatility in financial markets, a worsening in the terms of financing, especially in the so-called "peripheral" countries, including Italy, and consequently a possible economic slowdown. In addition, the Brexit may significantly influence other Member States to exit the European Union and the Monetary Union with further negative consequences for the above mentioned events. Moreover, it cannot be excluded that in the Member States, including Italy, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. All of this

could cause an increase in the cost of the debt of the Issuer with the consequential negative effects on its operations, results and economic and financial position.

The Issuer's operations are dependent on the correct functioning of our IT systems, which exposes the Issuer to risk

The Issuer's operations depend on, among other things, the correct and adequate operation of the Issuer's IT systems, as well as their continuous maintenance and constant updating.

The Issuer has always invested significant resources in upgrading their relevant IT systems and improving their defense and monitoring systems. However, possible risks remain with regard to the reliability of the system (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the Issuer's business, results of operations or financial condition.

Among the risks that the Issuer faces relating to the management of IT systems are the possible violations of its systems due to unauthorized access to the Issuer's corporate network, or IT resources, the introduction of viruses into computers or any other form of abuse committed via the internet. Like attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Issuer and its customers and can have negative effects on the integrity of the Issuer's IT systems, as well as on the confidence of its customers and on the Issuer reputation, with possible negative effects on the Issuer's business, results of operations or financial condition.

In addition, the Issuer's substantial investment in resources in software development creates the risk that when one or more of the above-mentioned circumstances occurs, the Issuer's may suffer financial losses or impacts on the Issuer's operations if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems. The Issuer may also be subject to regulatory sanctions.

2) Risks relating to the Securities

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

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

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

- (i) proceed with investment only after fully appreciating the risks inherent in the nature of the Securities;
- (ii) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (iii) evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets;

- (v) consider all of the risks of an investment in the Securities, including where the currency for payments thereunder is different from the potential investor's currency; and
- (vi) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (vii) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

(B) Risks related to the structure of the Securities

Set out below is a description of the most common risks relating to the features of the Securities.

(i) General risks

The Securities involve a high degree of risk, which include, among others, interest rate, foreign exchange, time value and political risks. Investors should be prepared to sustain a partial or total loss of the subscription price of their Securities. This risk reflects the nature of a Security as an asset which, other factors held constant, tends to decline in value over time and which may become worthless on expiration. See "*Certain Factors Affecting the Value and Trading Price of Securities*" below. Prospective investors should be experienced with respect to options and option transactions, should understand the risks of transactions involving the Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Securities in light of their particular financial circumstances, the information set forth herein and the information regarding the Securities and the particular index to which the value of the Securities relates.

(ii) Risk of loss in relation to the investment

The investor shall consider that there is a risk of loss of the principal amount invested. In particular, the Cash Settlement Amount depends on the performance of the underlying asset and, in such cases, if on the relevant valuation date the final reference value of such underlying asset is equal to zero, the investor might suffer a total loss of the capital.

(iii) Securities referencing a Reference Item

The amount payable on maturity is determined by reference to the Index (the "**Reference Item**"). Potential investors should be aware that:

- (a) the market price of the Securities may be volatile;
- (b) they may receive no remuneration;
- (c) since the Securities are not capital guaranteed, they may lose all or a substantial portion of their investment;
- (d) the Reference Item may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices;
- (e) the timing of changes in the Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations; and
- (f) the Securities are of limited maturity and, unlike direct investments in an index, investors are not able to hold Securities beyond the Settlement Date in the expectation of a recovery in the price of the Reference Item.

Securities represent an investment linked to the economic performance of the Index and potential investors should note that the return (if any) on their investment in the Securities will depend upon the performance of the Index. Potential investors should also note that whilst the market value of the Securities is linked to the Index and will be influenced (positively or negatively) by such Reference Item, any change in the market value of the Securities may not be comparable to changes in the market value of the Reference Item. It is impossible to predict how the market value of the Index will vary over time.

Fluctuations in the value of the Index will affect the value of Index Securities. Investors risk losing their entire investment if the value of the Index does not move in the anticipated direction.

The risk of the loss of some or all of the subscription price of a Security upon expiration means that, in order to recover and realise a return upon his or her investment, an investor must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the Index. Assuming all other factors are held constant, the lower the value of a Security and the shorter its remaining term to expiration, the greater the risk that investors will lose all or part of their investment. The only means through which a holder can realise value from the Security prior to the Exercise Date in relation to the Security is to sell it at their then market price in an available secondary market.

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

Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with the Securities are similar to those generally applicable to other options of private corporate issuers.

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

The Cash Settlement Amount at any time prior to expiration is typically expected to be less than the trading price of the Securities at that time. The difference between the trading price and the Cash Settlement Amount, will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Index. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with

the price level of the Index, as well as by a number of other interrelated factors, including those specified herein.

Before selling Securities, Securityholders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the Index, (iii) the time remaining to expiration, (iv) the probable range of Cash Settlement Amounts, (v) the depth of the market or liquidity of the Index, and (vi) any related transaction costs.

(v) *Certain Considerations Regarding Hedging*

Prospective investors intending to subscribe the Securities to hedge against the market risk associated with investing in the Index, should recognise the complexities of utilising the Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the Index. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the Index. For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of the Index.

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

(vi) *Risks relating to Index Securities*

General

The performance of the Securities is linked to the performance of the Index. An investment in the Securities entails significant risks in addition to those associated with investments in a conventional debt security.

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

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

The return payable on the Securities may not reflect the return a potential investor would realise if it actually owned the relevant assets comprising the components of the Index or owned a different form of interest in the Index. Holders of Securities will not receive any dividends paid or distributions made on the shares components of the Index and will not participate in the return on those dividends or distributions. Similarly, Holders of Securities will not have any voting rights in the underlying shares which comprise the components of the Index. Accordingly, Securityholders may receive a lower payment upon redemption/settlement of the Securities than such Securityholder would have received if it had invested in the components of the Index directly or other comparable instruments linked to the Index.

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

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

Exposure to modification and disruption events

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

(vii) Option Risk for Securities

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

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

(C) Risks related to the specific pay-out applicable to the Securities

(i) Risk related to a Protection Level lower than 100%

A Protection Level applies to the Certificates which represent the protection percentage of the value of the Certificate from any negative performance of the underlying assets. The lower the Protection Level the higher is the loss (if any) that the investor might suffer should the negative performance of the underlying asset make the value of the Cash Settlement Amount lower than the amount invested.

(ii) Certificates providing for a Participation Factor

A Participation Factor applies, as a consequence the formula used to determine the Cash Settlement Amount payable is based on a multiplier or leverage factor which emphasize any positive and/or negative performance of the underlying assets to which the value of the Cash Settlement Amount payable is linked to. The Certificates represent a very speculative and risky form of investment since any change in the

performance of the underlying asset carries the risk of a correspondent change in the value of the Cash Settlement Amount payable.

(vi) *Certificates providing for the application of a cap (Cap, Twin Win Cap, Bonus Cap, Airbag Cap as specified in the applicable Final Terms) to the Reference Item(s)*

The Certificates provide for the application of a maximum return payable to investors known as a "cap". The Cash Settlement Amount payable to investors will be subject to the pre-determined maximum amount and any outperformance of the relevant underlying asset will not be taken into consideration when calculating the Cash Settlement Amount payable in respect of the Certificates.

(D) *Risks Related to Securities Generally*

(i) Modification

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

The Base Terms and Conditions of the Securities also provide that the Issuer may, without the prior consent of the holders of the Securities correct (i) any manifest error in the Base Terms and Conditions of the Securities and/or in the Contractual Terms, (ii) any error of a formal, minor or technical nature in the Base Terms and Conditions of the Securities and/or in the Contractual Terms or (iii) any inconsistency in the Base Terms and Conditions of the Securities and/or in the Contractual Terms between the Base Terms and Conditions of the Securities and/or the Contractual Terms and any other documents prepared in connection with the issue and/or offer of a Series of Securities (provided such correction is not materially prejudicial to the holders of the Securities). Any such correction shall be binding on the Securityholders and the Issuer shall cause such correction to be notified to the Securityholders as soon as practicable thereafter pursuant to Base Condition 8 (*Notices*) of the Securities.

(ii) Market Disruption Event and Disrupted Day

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

(iii) Expenses and Taxation

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

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, exercise or enforcement of the Securities by any

person and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

(iv) *Other taxation considerations*

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

(v) *Illegality and Cancellation*

If the Issuer determines that its performance under the Securities has, or that any arrangements made to hedge the Issuer's obligations under the Securities have become (i) illegal in whole or in part for any reason, or (ii) by reason of a force majeure event (such as an act of God, fire, flood, severe weather conditions, or a labour dispute or shortage) or an act of state, impossible or impracticable, the Issuer may cancel the Securities. The Issuer may also cancel the Securities upon the occurrence of certain adjustment events as set out in Base Condition 13 (*Terms for Index Securities, Share Securities, Debt Securities, Commodity Securities, Fund Securities and Currency Securities*) of the Base Terms and Conditions of the Securities (as may be amended by the Contractual Terms). If the Issuer cancels the Securities, it will, if and to the extent permitted by applicable law, pay the holder of each such Security an amount equal to (i) in the case of an illegality, the fair market value of such Security, notwithstanding such illegality less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), and (ii) in case of a force majeure event or an act of state, the fair market value of such Security taking into account the applicable force majeure event or act of state, as the case may be, less the cost to the Issuer and/or any of its Affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements), all as determined by the Calculation Agent. The fair market value of the Securities may be less than the subscription price of the Securities and may in certain circumstances be zero.

(vi) *Change of law*

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

(vii) *Procedures of clearing systems*

The Securities will be represented by a Global Security and such Global Security will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the Global Security, investors will not be entitled to receive definitive Securities. Euroclear and/or Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Security. While the Securities are represented by a Global Security, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg. While the Securities are represented by a Global Security the Issuer will discharge its payment obligations under the Securities by making payments to the common depository for Euroclear and/or Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Security must rely on the procedures of Euroclear and/or Clearstream, Luxembourg to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Security. Holders of beneficial interests in the Global Security will not have a direct right to vote

in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

(viii) Potential Conflicts of Interest

The Issuer and/or any of its Affiliates may also engage in trading activities (including hedging activities) related to the Index and other instruments or derivative products based on or related to the Index for their proprietary accounts or for other accounts under their management. The Issuer and/or any of its Affiliates may also issue other derivative instruments in respect of the Index. Such activities could present certain conflicts of interest could adversely affect the value of the Securities.

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

In addition, Mediobanca may act as market maker or specialist or perform other similar roles in connection with the Securities: potential conflicts of interest may exist between Mediobanca acting in such capacity on the one hand, and investors in the Securities on the other.

Investors should note too that Mediobanca itself is acting in a number of capacities in connection with the issuance of the Securities. In particular Mediobanca will act as, inter alia, the Issuer, the Dealer, the Calculation Agent and the Arranger.

Even if its respective rights and obligations in relation to the issuance of the Securities are not conflicting and are independent from one another, in performing any such obligations in these different capacities, Mediobanca may be in a situation of conflict of interests. Mediobanca will only have the duties and responsibilities expressly agreed to by such entity in the relevant capacity and will not, by virtue of its or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a duty of care other than as expressly provided in respect of each such capacity.

The further conflict of interest between the Issuer, the Dealer, and the distributor is indicated in the Contractual Terms.

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

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

(x) Issue of subsequent tranche

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

3) Risks related to the market generally

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

(A) The secondary market generally

Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

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

(C) Exchange rate risks and exchange controls

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

(D) Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its subscription, purchase or pledge of any Securities. Each prospective investor should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

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

Investors should note that an implicit placement fee and structuring fee will be components of the Issue/Offer Price of Securities, but such fees will not be taken into account for the purposes of determining the price of the Securities in the secondary market.

The type and amount of such implicit placement fees are indicated in the Contractual Terms.

Investors should also take into consideration that if Securities are sold on the secondary market immediately following the offer period relating to such Securities, the implicit structuring fees and placement fees

included in the Issue/Offer Price on initial subscription for such Securities will be deducted from the price at which such Securities may be sold in the secondary market.

(F) *Certain considerations associated with public offers of Securities*

The Securities will be distributed by means of a public offer, under certain circumstances indicated in the Contractual Terms, the Issuer, in agreement with the Distributor, has the right to withdraw the offer, and cancel the issuance of the Securities.

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

The Issuer, in agreement with the Distributor, has the right to early close the offer period by immediate suspension of the acceptance of further subscription requests and by giving notice to the public in accordance with the Contractual Terms. Any such early closure may occur even where the total amount of the Securities requested to be subscribed are not yet equal to the Aggregate Notional Amount (i.e. USD 20,000,000). In such circumstances, the early closing of the offer may have an impact on the aggregate number of Securities issued and, therefore, may have an adverse effect on the liquidity of the Securities.

Furthermore, the Issuer, in agreement with the Distributor, has the right to extend the offer period and/or to postpone the originally designated Issue Date and all the related dates, such as the Digital Payment Dates, the Valuation Date, the Exercise Date and the Settlement Date. For the avoidance of doubt, this right applies also in the event that the Issuer publishes a supplement to the Prospectus in accordance with the provisions of the Prospectus Directive.

The effectiveness of the offer of the Securities is conditional upon their admission to listing on the Official List of the Irish Stock Exchange or their admission to trading on the multilateral trading facility of EuroTLX occurring by the Issue Date. In the event that the Securities are not admitted to listing on the Official List of the Irish Stock Exchange or admitted to trading on the multilateral trading facility of EuroTLX by the Issue Date, the Issuer, in agreement with the Distributor, has the right to withdraw the offer of the Securities and cancel the issuance of the Securities. As a consequence, the potential investor will not receive any Securities, any subscription rights the potential investor has for the Securities will be cancelled and he/she will not be entitled to any compensation therefor.

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

It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid.

An application has been made to the Irish Stock Exchange for Securities to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"), a regulated market for the purposes of the Directive 2014/65/EU as amended, with effect from as practicable after the Issue Date. Application has been made for the Securities to be admitted to trading on the multilateral trading facility of EuroTLX managed by EuroTLX SIM S.p.A. ("**EuroTLX**"). No assurances can be given that such applications for listing and admission to trading will be granted. If the Securities are not listed or admitted to trading on any exchange or market, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected.

If the Issuer does list or admit to trading the Securities, there can be no assurance that at a later date, the Securities will not be delisted or that trading on such exchange or market will not be suspended. In the event

of a delisting or suspension of listing or trading on a stock exchange or market, the Issuer will use its reasonable efforts to list or admit to trading the Securities on another exchange or market.

The Issuer or any of its Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. The Issuer will act as liquidity provider for the Securities on EuroTLX. Even if the Issuer is a liquidity provider for the Securities, the secondary market for such Securities may be limited. To the extent that the Securities becomes illiquid, an investor may have to wait until the Exercise Date to realise value.

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

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

(H) *Listing of Securities*

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

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

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the documents incorporated by reference into this Prospectus. The following documents, which have been filed with the Central Bank of Ireland and the Irish Stock Exchange, shall be deemed to be incorporated in, and form part of, this Prospectus:

- the base prospectus dated March 16, 2017 relating to the issues of Certificates and Warrants under the Programme by MEDIOBANCA - Banca di Credito Finanziario S.p.A. and MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. (the "**Base Prospectus**")
- the base prospectus dated January 24, 2018 relating to the Euro 40,000,000,000 Euro Medium Term Note Programme guaranteed in the case of Notes issued by Mediobanca International (Luxembourg) S.A. by MEDIOBANCA - Banca di Credito Finanziario S.p.A. (the "**EMTN Base Prospectus**")
- the Supplement to the EMTN Base Prospectus dated 19 February 2018 ("**EMTN Base Prospectus Supplement**");
- the audited consolidated annual financial statements as at and for the years ended 30 June 2017 and 2016 of Mediobanca;
- the interim financial report for the six months ended 31 December 2017 and 2016 of Mediobanca;
- the English translation of the Mediobanca Registration Document (published in the Italian language on 23 November 2017 and approved by CONSOB pursuant to CONSOB Regulation No. 11971 of 14 May 1999 (as amended) on 22 November 2017, report No. 129797/17);

in the case of the above-mentioned financial statements, together with the accompanying notes and (where applicable) auditor's reports, save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

All references in the sections of the Base Prospectus included in the cross-reference list below to "Base Prospectus" shall be deemed to be references to this Prospectus and all references to "Final Terms" shall be deemed to be references to the Contractual Terms included in this Prospectus.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Request for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition, such documents will be available, without charge, at the principal office of the Paying Agent in Luxembourg and on the Mediobanca's website (<https://www.mediobanca.com/en/investor-relations/results-presentations/results-and-presentations.html>) with respect to the financial information and <https://raccoltaproprietaria.mediobanca.it/en/documents/index.html> with respect to the remaining documents listed above). The following table shows where some of the information required under Annex IV and XI of Commission Regulation (EC) No. 809/2004, as amended, can be found in the above mentioned documents incorporated by reference. Any information contained in the documents incorporated by reference but not set out below is given for information purposes only.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant annexes of Regulation (EC) No. 809/2004, as amended.

Cross-reference list in respect of the Mediobanca Registration Document

| | | |
|------|-----------------------------------|--|
| III | Risk factors | Pages 8 and following |
| VII | Future trends | Page 46 |
| VIII | Forecasts or estimates of profits | Page 47 (No forecast or estimates of profits are contained in the Mediobanca Registration Document) |

Cross-reference list in respect of the Mediobanca financial statements

| Mediobanca - Consolidated annual financial statements Commission Regulation (EC) No. 809/2004, Annex XI, Paragraph 11.1 | 2017 | 2016 |
|--|--------------|---|
| Balance sheet | Pages 76-77 | Pages 66-67 |
| Statement of income | Pages 78-79 | Pages 68-69 |
| Statement of changes in equity | Pages 80-81 | Pages 70-71 |
| Cashflow statement | Pages 82-83 | Pages 72-73 |
| Accounting policies and explanatory notes | Pages 85-277 | Pages 78-258 |
| Auditors' reports | Pages 65-75 | Pages 62-63 (Pages 56-57 pdf document) |

| Mediobanca - Consolidated interim report for the six months ended 31 December | 2017 | 2016 |
|--|-------------|-------------|
| Balance sheet | Page 64-65 | Pages 60-61 |
| Statement of income | Page 66 | Page 62 |
| Statement of changes in equity | Page 68-69 | Page 64-65 |
| Cashflow statement | Page 70 | Pages 66-67 |

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|---|-------------|--------------|
| Accounting policies and explanatory notes | Page 76-219 | Pages 70-206 |
| Auditors' reports | Page 59-62 | Page 57 |

Cross-reference list in respect of the Base Prospectus

| | |
|--|-----------------|
| Supplements and further Prospectuses | Page 134 |
| Forms of the Securities | Pages 135-136 |
| Base Terms and Conditions | Pages 173-286 |
| Provisions relating to the Securities while in Global Form | Pages 363-366 |
| Use of Proceeds | Page 367 |
| Plan of Distribution | Pages 395 - 400 |

Cross-reference list in respect of the EMTN Base Prospectus

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| “Information on Mediobanca – Banca di credito Finanziario S.p.A.” Section | Pages 151 - 170 (except the Paragraph “History and development of Mediobanca” at pages 152 – 155) |
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Cross-reference list in respect of the EMTN Base Prospectus Supplement

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| “Information on Mediobanca – Banca di credito Finanziario S.p.A.” Section | Pages 37 -54 (except the Paragraph “History and development of Mediobanca” at pages 37 – 40) |
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FINANCIAL INFORMATION OF MEDIOBANCA – BANCA DI CREDITO FINANZIARIO S.P.A.

The consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2017 and 2016 were prepared in accordance with IFRS as adopted by the European Union.

The unaudited consolidated interim financial statements of Mediobanca as at and for the six months ended 31 December 2017 and 2016 have been prepared in accordance with IFRS as adopted by the European Union.

All of the above consolidated annual financial statements, prepared in each case together with the notes thereto, are incorporated by reference in this Prospectus. See "*Documents Incorporated by Reference*".

The annual consolidated financial statements as at 30 June 2017 and 2016 have been audited by PricewaterhouseCoopers S.p.A., whose reports thereon are attached to such annual financial statements.

HISTORY AND DEVELOPMENT OF MEDIOBANCA

Legal status and information

Mediobanca – Banca di Credito Finanziario S.p.A. was set up on 10 April 1946 by virtue of a notarial deed drawn up by Notary public Arturo Lovato, file no. 3041/52378. Mediobanca is a joint stock company incorporated under Italian law registered in the Milan Companies' Register under Registration no. 00714490158 having its registered office and administrative headquarters in Piazzetta Enrico Cuccia 1, 20121 Milan, Italy, tel. No.: (0039) 02-88291. Mediobanca operates under Italian law, and the court of Milan has jurisdiction over any disputes arising against it.

Important events in Mediobanca's recent history

Since 30 June 2016 there have been no negative changes either to the financial position or prospects of either Mediobanca or the Group headed up by it.

Neither Mediobanca nor any company in the Group have carried out transactions that have materially affected or that might be reasonably expected to materially affect, Mediobanca's ability to meet its obligations towards third parties.

As at 27 April 2017, as confirmed on 31 May 2017, Fitch rated Mediobanca F2 (short-term debt), BBB (long-term debt) and stable (outlook) – see www.mediobanca.it/it/investor-relations/rating.html.

As at 31 October 2017 S&P rated Mediobanca A-2 (short-term debt), BBB (long-term debt) and stable (outlook) – see www.mediobanca.it/it/investor-relations/rating.html.

As at 22 March 2018 Moody's rated Mediobanca Baa1 (long-term debt) and stable (outlook) – see www.mediobanca.it/it/investor-relations/rating.html.

For an explanation of the rating given by S&P please see below the S&P rating scale:

| LONG TERM obligations with an original maturity of more than one year | SHORT TERM obligations with an original maturity of no more than one year |
|--|---|
| Investment grade | Investment grade |
| <p>AAA</p> <p>The obligor's capacity to meet its financial commitment on the obligation is extremely strong.</p> | <p>A-1</p> <p>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.</p> |
| <p>AA</p> <p>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.</p> | <p>A-2</p> <p>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</p> |
| <p>A</p> | |

| | |
|--|---|
| <p>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.</p> <p>BBB</p> <p>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.</p> | <p>meet its financial commitment on the obligation is satisfactory.</p> <p>A-3</p> <p>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.</p> |
|--|---|

(Source: Standard & Poor's)

| <p style="text-align: center;">LONG TERM</p> <p style="text-align: center;">obligations with an original maturity of more than one year</p> | <p style="text-align: center;">SHORT TERM</p> <p style="text-align: center;">obligations with an original maturity of less than one year</p> |
|---|---|
| <p style="text-align: center;">Speculative grade</p> <p>BB</p> <p>The obligation is less vulnerable to nonpayment 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.</p> <p>B</p> <p>The obligation is more vulnerable to nonpayment 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.</p> <p>CCC</p> <p>The obligation is currently vulnerable to nonpayment, and is dependent upon favorable 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</p> | <p style="text-align: center;">Speculative grade</p> <p>B</p> <p>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.</p> <p>B -1</p> <p>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.</p> <p>B -2</p> <p>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.</p> <p>B -3</p> |

| | |
|--|---|
| <p>likely to have the capacity to meet its financial commitment on the obligation.</p> <p>CC</p> <p>The obligation is currently highly vulnerable to nonpayment.</p> <p>C</p> <p>A ‘C’ rating is assigned to obligations that are currently highly vulnerable to nonpayment, 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.</p> <p>D</p> <p>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.</p> | <p>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.</p> <p>C</p> <p>The obligation is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.</p> <p>D</p> <p>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</p> |
|--|---|

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

For an explanation of the rating given by Fitch please see below the Fitch rating scale:

| <p style="text-align: center;">LONG TERM</p> <p style="text-align: center;">obligations with an original maturity of more than one year</p> | <p style="text-align: center;">SHORT TERM</p> <p style="text-align: center;">obligations with an original maturity of no more than one year</p> |
|--|--|
| <p style="text-align: center;">Investment grade</p> <p>AAA</p> <p>Denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.</p> <p>AA</p> <p>Denote expectations of very low default risk. They indicate very strong capacity for payment of</p> | <p style="text-align: center;">Investment grade</p> <p>F-1</p> <p>Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.</p> <p>F-2</p> <p>Good intrinsic capacity for timely payment of financial commitments.</p> |

| | |
|--|---|
| <p>financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p> <p>A</p> <p>Denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings</p> <p>BBB</p> <p>Indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.</p> | <p>F-3</p> <p>The intrinsic capacity for timely payment of financial commitments is adequate.</p> |
|--|---|

(Source: Fitch Ratings)

| <p style="text-align: center;">LONG TERM</p> <p style="text-align: center;">obligations with an original maturity of more than one year</p> | <p style="text-align: center;">SHORT TERM</p> <p style="text-align: center;">obligations with an original maturity of less than one year</p> |
|---|--|
| <p style="text-align: center;">Speculative grade</p> <p>BB</p> <p>Indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.</p> <p>B</p> <p>Indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.</p> <p>CCC</p> <p>Default is a real possibility.</p> <p>CC</p> | <p style="text-align: center;">Speculative grade</p> <p>B</p> <p>Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.</p> <p>C</p> <p>Default is a real possibility.</p> <p>RD</p> <p>Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.</p> <p>D</p> <p>Indicates a broad-based default event for an entity, or the default of a short-term obligation.</p> |

| | |
|--|--|
| <p>Default of some kind appears probable.</p> <p>C</p> <p>Default is imminent or inevitable, or the issuer is in standstill.</p> <p>RD</p> <p>Indicate an issuer that in Fitch Ratings' opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.</p> | |
|--|--|

For an explanation of the rating given by Moody's please see below the Moody's rating scale:

| LONG TERM obligations with an original maturity of more than one year |
|--|
| <p>Aaa</p> <p>Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.</p> |
| <p>Aa</p> <p>Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</p> |
| <p>A</p> <p>Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.</p> |
| <p>Baa</p> <p>Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.</p> |
| <p>Ba</p> <p>Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.</p> |
| <p>B</p> <p>Obligations rated B are considered speculative and are subject to high credit risk.</p> |
| <p>Caa</p> <p>Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.</p> |
| <p>Ca</p> <p>Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.</p> |

C

Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

(Source: Moody's)

Standard & Poor's Credit Market Services Italy S.r.l. ("**S&P**"), Fitch Italia S.p.A. ("**Fitch**") and Moody's Investor Service Ltd. ("**Moody's**") are credit rating agencies which are established in the European Community and have been registered in accordance with Regulation (EC) No. 1060/2009 (as amended by Regulation 513/2011/EU and by Regulation 462/2013/EU) (the "**CRA**"). As such, S&P, Fitch and Moody's are included in the latest list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA – see [www.esma.europa.eu/page/List-registered-and-certified -CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

TAXATION

The following is a general summary of certain Italian and Irish tax consequences of the purchase, the ownership and the disposal of the Securities. It does not purport to be a comprehensive description of all the tax aspects which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors and of Securities, some of which (such as dealers in securities or commodities and certain non-Italian resident Securityholders purchasing Securities convertible or exchangeable into shares) may be subject to special rules.

Prospective investors are advised to consult in any case their own tax advisers concerning the overall tax consequences of their purchase, ownership and disposal of the Securities.

This summary assumes that Mediobanca is resident for tax purposes in the Republic of Italy and is structured and conduct its business in the manner outlined in this Prospectus. Changes in Mediobanca organisational structure, tax residence or the manner in which Mediobanca conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Securities is at arm's length.

Where in this summary English terms and expressions are used to refer to Italian and Irish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian and Irish concepts under Italian and Irish tax laws.

This summary is based upon the laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Mediobanca will update this summary to reflect changes in law and/or practice. If any such change should occur, the information in this summary could become obsolete.

Also a summary of certain aspects related to the Foreign Account Tax Compliance Act is included below.

(A) Italian tax regime of the Securities issued by Mediobanca

Tax on income and capital gains

Provided the Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a Securityholder in respect of the periodic measurement of the Securities and/or in relation to the net proceeds received from a redemption or sale of the Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Securities received by a Securityholder which is
 - (a) Italian resident companies,
 - (b) Italian resident partnerships carrying out commercial activities and similar commercial entities (including Italian permanent establishments of a non-Italian residents to which the Securities are effectively connected) or
 - (c) Italian resident individuals engaged in entrepreneurial activities to which the Securities are effectively connected,, are included in the relevant holder's taxable income and are therefore subject to the general Italian corporate tax regime (corporate income tax, IRES, is currently applicable at

24 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rules. In certain cases, depending on the *status* of the Securityholder, such proceeds may also have to be included in its taxable base for regional income tax on business activities (IRAP, currently applicable at the basic rate of 3.9 per cent. IRAP rate may be varied up to 0.92 per cent. by certain Italian regions and depending on the nature of the activities carried out by the taxpayer);

- (ii) according to article 5 of Legislative Decree No. 461 of 21 November 1997 ("**Decree 461**"), capital gains realised by (a) Italian resident individuals, not engaged in entrepreneurial activities to which the Securities are effectively connected, (b) Italian resident partnership not carrying out commercial activities or (c) an Italian private or public institution not carrying out mainly or exclusively commercial activities, upon the sale for consideration or redemption of the Securities are subject to a substitute tax (*imposta sostitutiva*) currently at rate of 26 per cent..

In respect of the application of the aforementioned substitute tax, Securityholders listed under (ii) above may opt for one of the three regimes described below.

Under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for the taxation of capital gains the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realised pursuant to all sales or redemptions of the Securities carried out during any given tax year. The overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same nature, must be reported in the annual tax return and *imposta sostitutiva* must be paid on such gains together with any balance income tax due for the relevant year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realised in any of the four succeeding tax years. According to Law Decree No.66 of 24 April 2014 ("**Decree No. 66**"), capital losses realized from 1st January 2012 to 30th June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92% of the same capital losses.

As an alternative to the tax declaration regime, the Securityholders listed under (ii) above

may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities under the so called "*regime del risparmio amministrato*" provided for by Article 6 of Decree 461 (the "**Administrative Savings Regime**"). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, "*società di intermediazione mobiliare*" ("**SIMs**") or certain authorised financial intermediaries (or permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the Administrative Savings Regime being timely made in writing by the relevant Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital loss of the same nature, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholder or using funds provided by the Securityholder for this purpose. Where a sale or redemption of the Securities results in a capital loss, such loss may be offset against with capital gains of the same nature subsequently realised, within the same relationship of deposit, in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realized from 1st January 2012 to 30th June 2014 may be offset against capital gains realized after that

date for an amount equal to 76.92% of the same capital losses. Under the Administrative Savings Regime, the Securityholder is not required to declare the capital gains in the annual tax return. Under the Administrative Savings Regime, the Securityholder is not required to declare the capital gains in the annual tax return.

Where the Securities are part of a portfolio managed under the "**Asset Management Option**" (pursuant to Article 7 of Decree 461) by an Italian asset management company or an authorized financial intermediary, any capital gains realised upon sale, transfer or redemption of the Securities will not be subject to the substitute tax on capital gains but will contribute the determination of the annual accrued appreciation of the managed portfolio, to be subject to 26 per cent. annual substitutive tax. Any depreciation of the managed portfolio at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Under Decree No. 66, depreciations of the managed assets reported during the period from 1st January 2012 to 30th June 2014 may be offset against increases in value of the managed assets accrued after that date for an amount equal to 76.92% of the same. The Securityholder is not required to declare the capital gains realised in the relevant annual tax return if under the Asset Management Option.

Subject to certain conditions, capital gains in respect of Securities realized upon sale, transfer or redemption by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity may be exempt from taxation, including the substitute tax of 26 per cent., if the Securities are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

Any capital gains on Securities (as well as increase or decrease of their relevant fair market value) held by Italian resident open-ended or closed-ended collective investment funds ("**Funds**"), SICAVs and SICAFs contribute to determine the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. The Funds, SICAVs or SICAFs will not be subject to taxation on such increase, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. Where a Securityholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, capital gains realised will be subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate investment fund or of the real estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains on Securities held by a Securityholders who is an Italian pension fund (subject to the regime provided for by Article 17 of Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. tax.

Capital gains realised by non-Italian-resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities traded on regulated markets in Italy or abroad are not subject to the substitute tax, regardless of whether the Securities are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised

financial intermediary and elect to be subject to the Asset Management Option or are subject to the Administrative Savings Regime, may be required to produce in due time to the Italian authorised financial intermediary an appropriate self-declaration (*autocertificazione*) that they are not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Securityholders without a permanent establishment in Italy to which the Securities are effectively connected from the sale or redemption of Securities not traded on regulated markets issued by an Italian or non-Italian resident issuer may in certain circumstances be taxable in Italy, if the Securities are held in Italy.

However, where the Securities are not listed on a regulated market in Italy or abroad, pursuant to the provisions of Decree No. 461, non Italian resident beneficial owners of the Securities with no permanent establishment in Italy to which the Securities are effectively connected are exempt from the substitute tax in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Securities if they are resident, for tax purposes in a state or territory included in the "**White List**" (i.e. Decree of the Minister of Finance dated 4th September, 1996, as amended and supplemented from time to time and to be updated every six months period according to Article 11, par. 4, let. c) of Legislative Decree April 1st, 1996, No. 239. Last amendment made on 23 March 2017). The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries included in the White List, even if they do not have the status of tax payers in their own country of residence; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Securities are effectively connected elect for the Asset Management Option or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they provide in time with the authorised financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirement indicated above. Additional statements may be required for non-Italian resident Securityholders who are institutional investors.

Non-Italian resident individuals or entities without a permanent establishment in Italy to which the Securities are connected that may benefit from a double taxation treaty with the Republic of Italy providing that capital gains realised upon the sale or redemption of Securities are to be taxed only in the country of tax residence of the recipient, will not be subject to the substitute tax in the Republic of Italy on any capital gains realised upon the sale or redemption of Securities. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders who hold the Securities with an Italian authorised financial intermediary and elect to be subject to the Asset Management Option or are subject to the Administrative Savings Regime, may be required to produce in due time to the Italian authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence.

Please note that for a non-Italian resident, the Administrative Savings Regime shall automatically apply, unless it is expressly waived this regime, where the Securities are deposited in custody or administration with an Italian resident authorised financial intermediary or permanent establishment in the Republic of Italy of a foreign intermediary.

Securities qualifying as atypical securities

Payments relating to Securities issued by Mediobanca that are not deemed to fall within the category of (a) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) or of (b) shares or securities similar to shares (*azioni or titoli similari alle azioni*), may qualify as atypical securities (*titoli atipici*) for Italian tax purposes pursuant to Art. 5 of Decree No. 512 of 30 September 1983, and are subject to a withholding tax, levied at the rate of 26 per cent.. For this purpose, pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, securities similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

Where the Securityholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Securities are connected, (ii) an Italian resident company or a similar Italian resident commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Securities are effectively connected, (iv) an Italian resident commercial partnership or (v) an Italian resident commercial private or public institution, the 26 per cent. withholding tax applies as provisional withholding tax. In all other cases, including when the Securityholder is a non-Italian resident, the withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Securities (which qualify as "atypical" securities as defined above), if such Securities are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 -114 of Law No. 232.

Double taxation treaties entered into by Italy may apply allowing for a lower (generally 10 per cent. or, in certain cases, nil) rate of withholding tax in case of payments to non Italian resident Securityholders, subject to proper compliance with relevant subjective and procedural requirements.

Tax monitoring

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended from time to time ("**Decree 167/1990**"), Italian resident individuals, non-commercial entities, non-commercial partnerships and similar entities, who are the beneficial owners of investments abroad or of foreign financial assets (including Securities held abroad and/or Securities issued by a non-Italian resident issuer), must, in certain circumstances, report the aforesaid to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

The above reporting requirement does not apply with respect to (i) foreign investments (including the Securities) deposited for management with Italian financial intermediaries or relevant contracts entered into through their intervention, upon condition that any related income has been subject to tax by such financial intermediaries, or (ii) if the foreign investments are exclusively composed of deposits and/or bank accounts and their aggregate value does not exceed Eur 15,000 throughout the year.

Inheritance and gift taxes

Transfers of any valuable asset (including the Securities) as a result of death or donation (or other transfer for no consideration) of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory (which, for presumption of law, includes Securities issued by Italian resident issuers), are generally taxed in Italy as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000.00 for each beneficiary;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift;
- (iii) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000.00 for each beneficiary; and
- (iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the beneficiary has a serious disability recognised by law, inheritance and gift taxes apply on its portion of the net asset value exceeding €1,500,000.00.

Stamp duty

Pursuant to Article 13 par. 2^{ter} of the tariff Part I attached to Presidential Decree No. 642 of 26th October, 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument, including the Securities, which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed €4,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets (including banking bonds, obbligazioni and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on 24th May, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20th June, 2012) of an entity that exercises a banking, financial or insurance activity in any form within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding financial instruments, including the Securities, outside the Italian territory are required to declare them in their own annual tax return and pay a wealth tax at the current rate of 0.20 per cent..

This tax is calculated on the market value of the Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due). The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

Italian Financial Transaction Tax

Where the Issuer decides to redeem the Securities at their maturity by delivering shares to the investor, an Italian Financial Transaction Tax (“**FTT**”) may apply. In particular, Article 1(491) of Law No. 228 of 24 December 2012 (the “**Stability Law for 2013**”) introduced a stamp duty-like FTT of 0.2 per cent. on the transfer of shares and other equity-like instruments issued by Italian resident entities (for this purpose, residence must be determined on the basis of the location of the entity’s registered office). This also encompasses any financial instruments that have such shares or equity-like instruments as their underlying assets, irrespective of the issuer’s residence. The FTT applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not resident in Italy.

The FTT rate is reduced by half to 0.1 per cent. if the transfer takes place on a regulated market or multilateral trading system. The FTT is determined with reference to the net daily balance of purchase and sale transactions performed by the same person in the same financial instrument. In particular, the taxable base is determined by multiplying: (i) the number of securities corresponding to the sum of the net daily balance of purchase and sale transactions for each financial instrument for which there are net purchases (as opposed to net sales); and (ii) the weighted average price of the purchases of such financial instruments carried out on the relevant day.

Article 1(492) of the Stability Law for 2013 introduces a fixed levy FTT that applies to all transactions involving equity derivatives which have Italian shares, Italian equity-like instruments or Italian equity-related instruments as their underlying assets. An equity derivative is subject to the FTT if the underlying or reference value consists of more than 50 per cent., of the market value of Italian shares, Italian equity-like instruments or Italian equity-related instruments, as measured on either: (i) the date of issuance, for financial instruments traded on regulated markets or on multilateral trading systems; or (ii) the date when the relevant contract is entered into in all other cases. The FTT applies even if the transfer takes place outside Italy and/or any of the parties to the transaction are not resident in Italy.

The amount of tax due depends on the type of derivative instrument and on the contract's value, but is subject to a maximum of Euro 200. This FTT is reduced to 1/5 of the relevant amount if the transfer takes place on a regulated market or multilateral trading system. If a derivative is equity-settled, the consequent share transaction is ordinarily subject to the FTT under Article 1(491) of the Stability Law for 2013.

The FTT under Article 1(491) of the Stability Law for 2013 is due by and borne by the (ultimate) transferee of the shares or equity-like instruments. The FTT under Article 1(492) of the Stability Law for 2013 is due by each party involved in the relevant transaction. The FTT must be paid and accounted for to the Italian tax authorities by any intermediary intervening in any way in the execution of such transactions, e.g. banks, fiduciary companies or investment firms licensed to provide investment services on a professional basis to the public in accordance with Article 18 of Italian Legislative Decree No. 58 of 24 February 1998, including non-Italian resident intermediaries. However, the Stability Law for 2013 provides that such an intermediary is permitted to refrain from executing the relevant transaction until they have received the amount of FTT due on the transaction from the relevant person referred to above. Non-Italian resident intermediaries may appoint an Italian withholding agent as a tax representative in order to take care of the compliance regarding the FTT. In the event that several financial intermediaries are involved, the obligation to make the payment of the FTT to the Italian tax authorities falls on the party that directly receives the transaction order from the parties. If no intermediary is involved in a transaction, the relevant parties referred to above must pay the FTT due directly to the Italian tax authorities.

A 0.02 per cent FTT has also been introduced on high frequency trading carried out on the Italian financial market.

Some exemptions may apply.

(C) Irish Taxation of the Securities issued by Mediobanca

The following is a summary of the Irish withholding tax treatment of the Securities. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities.

The summary is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland as in effect on the date of this Prospectus. Prospective investors in the Securities should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Securities including, in particular, the effect of any state or local law taxes, if applicable.

Irish Withholding Tax

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (yearly interest is interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made for a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by companies that are resident in Ireland for the purposes of Irish tax;

at the standard rate of income tax (currently 20 per cent).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax, nor does the Issuer operate in Ireland through a branch or agency with which the issue of the Securities is connected, nor are the Securities held in Ireland through a depository or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Securities, such payments should not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer or any paying agent acting on behalf of the Issuer (save as described at Irish Encashment Tax below) should not be obliged to deduct any amount on account of these Irish withholding taxes from payments made in connection with the Securities.

Separately, for as long as the Securities are quoted on a stock exchange, an investor should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the Securities.

Irish Encashment Tax

Payments on any Securities paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of Securities will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Securities entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such

interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

(D) The Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to 01 January 2019 and Securities issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date and/or characterised as equity for U.S. tax purposes. However, if additional securities (as described under “Terms and Conditions – Further Issues”) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such Securities, including those Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Securityholders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities.

CONTRACTUAL TERMS

The terms and conditions (“**Terms and Conditions**” or “**Conditions**”) of the Securities shall comprise the Base Terms and Conditions of the Securities (the “**Base Terms and Conditions**” or the “**Base Conditions**”), as completed by these Contractual Terms. In the event of any inconsistency between the Base Terms and Conditions as completed by these Contractual Terms and these Contractual Terms, these Contractual Terms shall prevail.

All references in the Base Terms and Conditions to “Final Terms” shall be deemed to be references to these Contractual Terms.

The Base Terms and Conditions are incorporated by reference herein: see the section entitled “Documents Incorporated by Reference” above.

Terms used herein shall be deemed to be defined as such for the purposes of the Base Terms and Conditions set forth in the Base Prospectus.

Pursuant to Regulation EU 2016/1011 the Issuer produces and maintains plans setting out the actions to take in the event that the EURO STOXX[®] 50 Index materially changes or ceases to be provided. Details of the plans may be provided upon written request.

PART A – GENERAL

GENERAL PROVISIONS

| | | |
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| 1. | Series details: | |
| | (i) Series Number: | 115 |
| | (ii) Tranche Number: | 1 |
| | (iii) No. of Securities: | Up to 20,000 |
| | (iv) No. of Securities per Unit | Not applicable |
| | (v) Issue price per Security | USD 1,000 |
| | (vi) Issue Date: | 30 April 2018 |
| | (vii) Issue Currency: | US Dollars (“ USD ”) |
| | (viii) Notional Amount per Security: | USD 1,000 |
| | Aggregate Notional Amount | Up to USD 20,000,000 |
| | (ix) Date of approval for issuance of Securities obtained: | Not applicable |
| 2. | Consolidation: | Not applicable |

3. Type of Securities and Reference Item:
- (i) Type of Securities: The Securities are Certificates. The Securities are Index Securities
 - (ii) Reference Item: EURO STOXX[®] 50 Index (Bloomberg Page SX5E <Index>)
 - (iii) Initial Reference Level: An amount in the Index Currency to be determined by the Calculation Agent as **95 per cent.** of the official closing level of the Reference Item at the Valuation Time on the Issue Date
 - (iv) Averaging: Averaging does not apply to the Securities
4. Exercise:
- (i) Exercise Date: 2 May 2023
 - (ii) Renunciation Notice Cut-off Time: Equal to the Exercise Date
5. Barrier Event: Not applicable
6. Settlement:
- (i) Issuer's option to vary settlement: The Issuer does not have the option to vary settlement in respect of the Securities
 - (ii) Settlement Date: The settlement date for the Securities is 9 May 2023 as adjusted in accordance with the Following Business Day Convention
 - (iii) Settlement Business Day Centre(s): Not applicable
 - (iv) Valuation Date: The Digital Observation Dates specified in sub-paragraph 38 (*Digital Remuneration*) below and the Exercise Date specified above shall be each a Valuation Date
7. Cash Settlement: Applicable
- (i) Cash Settlement Amount: Has the meaning set out in Base Condition 3 (*Definitions*) and to be determined pursuant to Base Condition 21(i) (*Normal Performance*) and to sub-paragraph 8(i) (*Normal Performance*) below
 - (ii) Guaranteed Cash Settlement Amount: Not applicable
 - (iii) Maximum Amount: Not applicable

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|----|--------|-----------------------------------|---|
| | (iv) | Minimum Amount | Not applicable |
| | (v) | Exchange Rate: | Not applicable |
| | (vi) | Settlement Currency: | The settlement currency for the payment of the Cash Settlement Amount is USD |
| | (vii) | Dual Currency Condition | Not applicable |
| 8. | | Pay-out provisions: | |
| | (i) | Normal Performance: | Applicable |
| | | • Formula: | Notional Amount * {Protection Level + Min [Cap; Participation Factor * Max $\left(\frac{\text{Final Reference Level}}{\text{Initial Reference Level}} - 1; 0\right)]\}$ |
| | | • Participation Factor: | 95 per cent. |
| | | • Protection Level: | 95 per cent. |
| | | • Protection Factor: | Not applicable |
| | | • Cap: | 15 per cent. |
| | | • Multiplier: | Not applicable |
| | | • Premium: | Not applicable |
| | | • Relevant Level: | Not applicable |
| | | • N: | Not applicable |
| | (ii) | Zero Coupon Extra Yield: | Not applicable |
| | (iii) | Performance Differential: | Not applicable |
| | (iv) | Digital Certificates | Not applicable |
| | (v) | Reverse Digital Certificates: | Not applicable |
| | (vi) | Twin Win Certificates: | Not applicable |
| | (vii) | Short Benchmark Certificates: | Not applicable |
| | (viii) | Benchmark Certificates: | Not applicable |
| | (ix) | Outperformance Certificates: | Not applicable |
| | (x) | Bonus Certificates: | Not applicable |
| | (xi) | Airbag Certificates: | Not applicable |
| | (xii) | Memory Autocallable Certificates: | Not Applicable |

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| | (xiii) | Autocallable Certificates: | Not applicable |
| | (xiv) | Bonus Autocallable Certificates: | Not applicable |
| | (xv) | Leveraged Certificates: | Not applicable |
| | (xvi) | Standard Long Autocallable Barrier Protected Certificates: | Not applicable |
| | (xvii) | Standard Long Barrier Protected Certificates: | Not applicable |
| | (xviii) | Wedding Cake Certificates: | Not applicable |
| 9. | | Physical Settlement: | Not applicable |
| | (i) | Entitlement: | Not applicable |
| | (ii) | Relevant Asset(s): | Not applicable |
| | (iii) | Entitlement Units | Not applicable |
| | (iv) | Entitlement Multiplier | Not applicable |
| | (v) | Evidence of Entitlement: | Not applicable |
| | (vi) | Delivery of Entitlement: | Not applicable |
| | (vii) | Settlement Currency: | Not applicable |
| | (viii) | Failure to Deliver due to Illiquidity: | Failure to Deliver due to Illiquidity does not apply to the Securities |
| 10. | | Business Day Centres: | The applicable Business Day Centres for the purposes of the definition of "Business Day" in Base Condition 3 (<i>Definitions</i>) are Milan and New York |
| 11. | | Name and address of Calculation Agent: | The Calculation Agent is Mediobanca - Banca di Credito Finanziario S.p.A. The address of Calculation Agent is Piazzetta E. Cuccia 1, 20121, Milan |
| 12. | | Call Option: | Not applicable |
| 13. | | Put Option | Not applicable |

PROVISIONS RELATING TO THE TYPE OF SECURITIES

| | | | |
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| 14. | | Index Securities Provisions: | Applicable |
| | (i) | Type of Index: | EURO STOXX [®] 50. The Index is not a Commodity Index. |

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| | (ii) Index Sponsor: | The relevant Index Sponsor is STOXX Limited. |
| | (iii) Exchange: | As per definition of "Exchange" letter b) specified in Base Condition 3 (Definitions). |
| | (iv) Related Exchange: | Pursuant to Base Condition 3 (<i>Definitions</i>) and Base Condition 13(A), the Related Exchange is EUREX. |
| | (v) Index Currency: | The relevant Index Currency is Euro. |
| | (vi) Designated Multi-Exchange Indices: | The Index is a Designated Multi-Exchange Index. |
| 15. | Share Securities Provisions: | Not applicable |
| 16. | Currency Securities Provisions: | Not applicable |
| 17. | Debt Securities Provisions: | Not applicable |
| 18. | Commodity Securities Provisions: | Not applicable |
| 19. | Fund Securities: | Not applicable |
| 20. | Additional Disruption Events: | Not applicable |
| 21. | Credit Securities: | Not applicable |

PROVISIONS RELATING TO WARRANTS ONLY

| | | |
|-----|--|----------------|
| 22. | Type of Warrants: | Not applicable |
| 23. | Exercise Price: | Not applicable |
| 24. | Strike Level: | Not applicable |
| 25. | Exercise Period: | Not applicable |
| 26. | (i) Automatic Exercise: | Not applicable |
| | (ii) Renunciation Notice Cut-off Time: | Not applicable |
| 27. | Minimum Exercise Number: | Not applicable |
| 28. | Maximum Exercise Number: | Not applicable |
| 29. | Units: | Not applicable |

PROVISIONS RELATING TO REMUNERATION IN RESPECT OF CERTIFICATES

| | | |
|-----|----------------------------------|----------------|
| 30. | Notional Amount per Certificate: | USD 1,000 |
| 31. | Remuneration Rate Switch Date: | Not applicable |
| 32. | Remuneration Barrier Event: | Not applicable |
| 33. | Remuneration Payment Condition: | Not applicable |

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| 34. | Fixed Rate Provisions: | Not applicable |
| 35. | Floating Rate Provisions: | Not applicable |
| 36. | Remuneration Provisions in respect of Securities relating to a Proprietary Index: | Remuneration Amount – Component Cash Flows is not applicable |
| 37. | Leveraged Remuneration: | Not applicable |
| 38. | Digital Remuneration | Applicable |
| | Digital Amount: | 5.75 per cent per Notional Amount per Certificate |
| | Digital Event: | the Settlement Price is equal to or exceeds the Digital Level on a Digital Observation Date |
| | Digital Level: | 100 per cent. of the Initial Reference Level |
| | Best of Digital Event: | Not applicable |
| | Worst of Digital Event: | Not applicable |
| | Component(s): | Not applicable |
| | Component(s) Weight(s): | Not applicable |
| | Digital Observation Date: | 30 April 2019, 30 April 2020, 30 April 2021, 3 May 2022, and 2 May 2023, each adjusted according to the Following Business Day Convention |
| | Digital Observation Period: | Not applicable |
| | Digital Payment Date: | The third Business Day following the relevant Digital Observation Date, provided that the last Digital Payment Date shall fall on the Settlement Date. The Digital Payment Dates shall be each adjusted in accordance with the Following Business Day Convention |
| 39. | Wedding Cake Remuneration | Not applicable |
| 40. | Phoenix Remuneration | Not applicable |

OTHER GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

| | | |
|-----|---------------------|--|
| 41. | Form of Securities: | Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities only in the limited circumstances specified in the Permanent Global Security TEFRA D shall apply |
| 42. | Governing Law: | English law applicable |

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Official List of the Irish Stock Exchange and EuroTLX being a multilateral trading facility managed by EuroTLX SIM S.p.A.
- (ii) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on the regulated market of the Irish Stock Exchange with effect from the Issue Date.
- Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on the multilateral trading facility of EuroTLX which is not a regulated market for the purpose of Directive 2014/65/EU with effect from the Issue Date.
- Mediobanca – Banca di Credito Finanziario S.p.A. will act as Liquidity Provider with reference to the Securities traded on EuroTLX.
- (iii) Estimate of total expenses related to admission to trading: As of the date of this Prospectus, it is not possible to make such an estimate

2. RATINGS

Ratings: The Securities to be issued have not been rated

3. NOTIFICATION

The Central Bank of Ireland has been requested to provide the Commissione Nazionale per le Società e la Borsa (CONSOB) with a certificate of approval attesting that the Prospectus have been drawn up in accordance with the Prospectus Directive.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER

Potential conflict of interests may arise, in respect of the Certificates, between the Issuer and the Distributor (as defined below) due to the fact they belong to the same Mediobanca Banking Group, whose parent company is Mediobanca - Banca di Credito Finanziario S.p.A. (“**Mediobanca**”) and the Distributor receives from the Issuer Placement Fees (the details of which are set out in Paragraph 12 (*Terms and Conditions of the Offer*) below).

Mediobanca is the Issuer of the Certificates and acts also as Calculation Agent and liquidity provider for the Certificates traded on EuroTLX and, under certain circumstances, this role could give rise to conflicts of interest. In its capacity as Calculation Agent, Mediobanca is responsible, among the others, for determining the Cash Settlement Amount. Mediobanca is required to carry out its duties as Calculation Agent in good faith and using its reasonable judgment

Save as described above, so far as the Issuer is aware, no other person involved in the offer of the Securities has an interest material to the offer

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the offer: The net proceeds of the issue of the Securities will be used for the general corporate purposes of the Issuer
- (ii) Estimated net proceeds: The net proceeds of the issue of the Certificates (being the proceeds of such issue net of the fees referred to in Paragraph 12 (*Terms and Conditions of the Offer*) herebelow are estimated to be up to USD 9,700,000 if the Aggregate Notional Amount of Certificates effectively placed on the Issue Date does not exceed USD 10,000,000. For amounts exceeding USD 10,000,000 and up to USD 20,000,000, the amount of the net proceeds will depend on the Aggregate Notional Amount effectively placed on the Issue Date and on the final amount of fees applied.
- (iii) Estimated total expenses: Not Applicable

6. **YIELD** Not applicable

7. **HISTORIC INTEREST RATES**

Not Applicable.

8. **FURTHER INFORMATION PUBLISHED BY THE ISSUER**

The Issuer does not intend to provide any further information on the past and future performance and/or volatility of the Reference Item

9. **INFORMATION RELATING TO THE REFERENCE ITEM**

Information on the past and future performance of the Reference Item and its volatility can be obtained on the public website on www.stoxx.com.

The Index Sponsor also maintains an Internet Site at the following address where further information may be available in respect of the Reference Item.

Name of Index Sponsor Website: www.stoxx.com.

DISCLAIMER

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10. **OPERATIONAL INFORMATION**

| | |
|--|--|
| ISIN: | XS1802242898 |
| Common Code: | 180224289 |
| Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | Not applicable |
| Delivery: | Delivery against payment |
| Initial Paying Agents: | BNP Paribas Securities Services, Luxembourg Branch 60, avenue J.F Kennedy L-1855 Luxembourg |
| Names and addresses of additional Paying Agent(s) (if any): | Not applicable |

11. **DISTRIBUTION**

| | |
|--|--|
| (i) If syndicated, names and addresses of Managers and underwriting commitments: | Not applicable |
| (ii) Date of Subscription Agreement: | Not Applicable. The Issuer and CheBanca! (the “ Distributor ”) have signed on 3 April 2018 an appointment letter (<i>lettera di incarico</i>) in relation to the issue of the Certificates |
| (iii) Stabilising Manager(s) (if any): | Not applicable |
| If non-syndicated, name of Dealer: | Mediobanca - Banca di Credito Finanziario S.p.A. |
| Non-exempt offer: | An offer of the Securities may be made by the Distributor other than pursuant to Article 3(2) of the Prospectus Directive in the Republic of Italy (“ Public Offer Jurisdictions ”) during the Offer Period specified under Paragraph 12 (<i>Terms and Conditions of the Offer</i>) of Part B below |

12. **TERMS AND CONDITIONS OF THE OFFER** Applicable

Offer Period: From 4 April 2018 (included) up to 24 April 2018 (included), subject to any early closing or extension of the Offer Period as described below.

The Securities will be distributed through door-to-door selling by "means of financial promoters (*consulenti finanziari abilitati all'offerta fuori sede*) pursuant to Article 30 of the Italian Legislative Decree No. 58 of 24 February 1998, as amended from time to time (the "**Italian Financial Services Act**") from and including 4 April 2018 to and including 17 April 2018, subject to any early closing or extension of the Offer Period as described below.

The Securities will be distributed through long distance selling techniques (*tecniche di comunicazione a distanza*) pursuant to article 32 of the Italian Financial Services Act from and including 4 April 2018 to and including 10 April 2018, subject to any early closing or extension of the Offer Period as described below.

The Issuer reserves the right, in agreement with the Distributor, to close the Offer Period early on the date (excluded) following the date on which the Certificates requested to be subscribed will be equal to the Aggregate Notional Amount of USD 20,000,000.

The Issuer reserves the right, in agreement with the Distributor, to close the Offer Period early, also in circumstances where subscription requests of Securities are not yet equal to the Aggregate Notional Amount. The Issuer and the Distributor will inform the public of the early closure by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it

The Issuer reserves the right, in agreement with the Distributor, to withdraw the offer of the Certificates and cancel the issuance of the Certificates at any time before the Issue Date in the event of any extraordinary changes in the economic and political situation or in the capital, currency and exchange rates markets, either at national or international level. The Issuer and the Distributor will inform the public of the

withdrawal of the offer of the Certificates and the cancellation of the issuance of the Certificates by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it

The Issuer reserves the right, in agreement with the Distributor, to extend the Offer Period. The Issuer and the Distributor will inform the public of the postponement of the closure of the Offer Period by means of a notice to be published, within 3 business days, on the relevant websites www.mediobanca.com and www.chebanca.it

For the avoidance of doubt, upon any revocation or withdrawal of the offer of the Certificates and cancellation of the relevant issue, all subscription applications will become void and have no effect without further notice and no potential investor will be entitled to receive the relevant Certificates

Offer Amount: Up to USD 20,000,000.

Offer Price: USD 1,000 per Certificate

The Offer Price includes, per each Notional Amount per Certificate, Structuring Fees equal to 0.50 per cent. and Placement Fees, equal to 2.50 per cent. to be paid by the Issuer to the Distributor in respect of Certificates placed up to a Notional Amount of USD 10,000,000. For amounts of Certificates placed exceeding USD 10,000,000 and up to USD 20,000,000 the Structuring Fees and the Placement Fees will be determined according to prevailing market conditions at the closing of the Offer Period up to a maximum of respectively, of 0.55 per cent. and 3.00 per cent.. The final amount of the Structuring Fees and Placement Fees shall be announced by notice to be published, within 2 Business Days following the closure of the Offer Period, on the Issuer and Distributor's website, respectively, www.mediobanca.com and www.chebanca.it.

Investors should take into consideration that if the Certificates are sold on the secondary market after the Offer Period, the above mentioned fees included in the Offer Price are not taken into consideration in determining the price at which such Certificates may be sold in the secondary market

Conditions to which the offer is subject: The offer of the Certificates is conditional upon the Certificates having been admitted to listing on the Official List of the Irish Stock Exchange and/or admitted to trading on the multilateral trading facility of EuroTLX by the Issue Date. In the event that the Certificates are not admitted to listing on the Official List of the Irish Stock Exchange and/or admitted to trading on the multilateral trading facility of EuroTLX by the Issue Date, the Issuer reserves the right, in agreement with the Distributor, to withdraw the offer of the Certificates and cancel the issuance of the Certificates. The Issuer and the Distributor will inform the public of the withdrawal of the offer of the Certificates and the cancellation of the relevant issue by means of a notice to be published, promptly, on the relevant websites www.medioBANCA.com and www.chEBANCA.it.

For the avoidance of doubt, upon any withdrawal of the offer of the Certificates and cancellation of the relevant issue, all subscriptions applications will become void and have no effect without further notice and no potential investor will be entitled to receive the relevant Certificates.

Description of the application process: During the Offer Period the investors may apply for the subscription of the Certificates during normal Italian banking hours at the offices (*filiali*) of the Distributor by filling in, duly executing (also by appropriate attorneys) and delivering a specific acceptance form (the “**Acceptance Form**” (*Scheda di Adesione*)). Acceptance Forms are available at each office (*filiali*) of the Distributor.

The Distributor intending to distribute Certificates through door-to-door selling (*offerta fuori sede*) pursuant to art. 30 of the Italian Financial Services Act will collect the Acceptance Forms, other than directly at their branches and offices, through financial advisors authorized to make off-premises offers (*consulenti finanziari abilitati all’offerta fuori sede*) pursuant to art. 31 of the Italian Financial Services Act.

In addition to what stated above, pursuant to art. 30, par. 6 of the Italian Financial Services Act, the validity and enforceability of contracts entered into through door-to-door selling is suspended for a period of 7 (seven) days beginning on the date of the subscription

of the relevant Acceptance Form by the investor. Within such period investors may notify the relevant authorized office of the Distributor and/or financial advisors authorized to make off-premises offers (*consulenti finanziari abilitati all'offerta fuori sede*) of their withdrawal without payment of any charge or commission.

Investors may also subscribe the Certificates through long distance selling techniques (*tecniche di comunicazione a distanza*) pursuant to article 32 of the Italian Financial Services Act (*i.e.*, through the trading-online platform of the Distributor or recorded telephone orders).

Furthermore, pursuant to art. 67-duodecies of Italian Legislative Decree No. 206/2005 as amended (the so-called "*Codice del Consumo*"), the validity and enforceability of contracts subscribed through long distance selling techniques is suspended for a period of 14 (fourteen) days beginning on the date of the acceptance of the offer by the relevant investor.

Within such period investors may notify the Distributor of their withdrawal without payment of any charge or commission.

In case the Certificates are placed through recorded telephone orders, the investor may subscribe for the Certificates after being identified using its identification codes and passwords.

Subsequently, the investor will be requested to declare, among other things, that the same investor has received and ascertained the offering documentation and the risk factors contained therein, providing all personal and financial data required for the request in the Acceptance Form.

The Distributor, during the telephone call, will summarise to the investor the personal details and the investor will then confirm the correctness of such details and will give the consent to the subscription of the Certificates.

After this confirmation the investor will complete its request of adherence to the offer.

The Distributor, in case of recorded telephone orders, guarantees the Lead Manager the appropriateness and

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| | suitability of its telecommunication procedures. |
| Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | Not applicable |
| Details of the minimum and/or maximum amount of application: | The Certificates may be subscribed in a minimum subscription lot of no.1 Security (the “ Minimum Lot ”) equal to an amount of USD 1,000 or an integral number of Certificate greater than the Minimum Lot. There is no maximum subscription amount of the Certificate to be applied for by each investor within the Aggregate Notional Amount |
| Details of the method and time limits for paying up and delivering the Securities: | The Certificates will be sold by the Issuer to the Distributor on a delivery against payment basis on the Issue Date. Prospective investors will be notified by the Distributor of the settlement arrangements in respect of the Certificates |
| Manner in and date on which results of the offer are to be made public: | The result of the Offer of the Certificates will be made available to the public at the end of the Offer Period, through a notice to be published within 2 business days after the closure of the Offer Period on the Issuer and Distributor’s websites (www.mediobanca.com and www.chebanca.it) |
| Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | Not applicable |
| Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | The Distributor will notify applicants of amounts allotted immediately after the publication of the notice mentioned in par. “ <i>Manner in and date on which results of the offer are to be made public</i> ” above Subscription applicants will be accepted up to the Aggregate Notional Amount |
| Amount of any expenses and taxes specifically charged to the subscriber: | Structuring Fees and Placement Fees: see above par.12 “ <i>Offer Price</i> ” |
| Name(s) and address(es), to the extent known to the relevant Issuer, of the placers in the various countries where the offer takes place. | The Issuer is: Mediobanca - Banca di Credito Finanziario S.p.A. with its registered office at Piazzetta E. Cuccia, 20121 Milan, Italy. The Issuer also acts as lead manager (<i>Responsabile del</i> |

Collocamento as defined under 93-bis of the Italian Financial Services Act (the “**Lead Manager**”) and will not act as Distributor and, accordingly, will not place any Securities to the public of Italy

The Distributor is:

CheBanca! S.p.A with its registered office at Viale Bodio 37, Palazzo 4, 20158, Milan, Italy

Consent to use of the Prospectus

The Issuer consents to the use of the Prospectus by the following financial intermediary (individual consent): CheBanca! S.p.A with its registered office at Viale Bodio 37, Palazzo 4, 20158, Milan, Italy

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|-----|--------------------------------|-----------------|---|
| 13. | SECONDARY PRICING | MARKET | Applicable |
| | | | Mediobanca will act as liquidity provider on the multilateral trading facility of EuroTLX with a maximum bid/ask spread of 2,00 per cent. under normal market conditions. |
| 14. | SPECIFIC PROVISIONS | BUY BACK | Not applicable |

GENERAL INFORMATION

(1) Listing and Admission to Trading

The Central Bank of Ireland has approved this Prospectus as a prospectus. Application has also been made to the Irish Stock Exchange for Securities to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"), a regulated market for the purposes of the Directive 2014/65/EU as amended. Application has also been made for the Securities to be admitted to trading on the multilateral trading facility of EuroTLX managed by EuroTLX SIM S.p.A. ("**EuroTLX**").

*On the approval of this Prospectus as a prospectus for the purpose of Article 5.3 of the Prospectus Directive by the Central Bank, notification of such approval will be made to the Italian National Stock Exchange and Companies Commission (Commissione Nazionale per le Società e la Borsa ("**CONSOB**")) in its capacity as the competent authority of the Republic of Italy.*

The Issuer has obtained all necessary consents, approvals and authorisations in Ireland and the Republic of Italy in connection with the establishment and update of the Programme and the issue and performance of the Securities relating to them. The publication of this Prospectus was authorised by a resolution adopted by the Group Risk Management Committee of Mediobanca passed on 30 January 2018 and the decision (*determina*) assumed by the General Manager (*Direttore Generale*) of Mediobanca on 12 March 2018.

- (2) Save as disclosed in the EMTN Base Prospectus Supplement at pages 53 and 54 (*Legal and arbitration proceedings*), none of Mediobanca and its consolidated subsidiaries is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Mediobanca Group's financial position or profitability and, so far as Mediobanca is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.
- (3) Neither Mediobanca nor any of Mediobanca's subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to Issuer's ability to meet its obligations to Securityholders.
- (4) Since 30 June 2017 (being the last day of the financial period in respect of which the most recent audited annual financial statements of Mediobanca have been prepared) there has been no material adverse change in the prospects of Mediobanca or its subsidiaries.
- (5) There has been no significant change in the financial or trading position of Mediobanca, or the other companies forming part of the Group since the most recent financial information available was disclosed in the interim financial statements as at 31 December 2017.
- (6) For so long as the Securities remain outstanding, the following documents will be available in electronic form (unless the investor requests physical copies), and in the case of paragraphs (vi), (vii), (viii) and (ix) below, may be obtained free of charge during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent and the Paying Agent:

- (i) the Issue and Paying Agency Agreement;
 - (ii) the Deeds of Covenant;
 - (iii) the Deed of Guarantee;
 - (iv) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Securities in global and definitive form);
 - (v) the By-laws (*Statuto*) of Mediobanca;
 - (vi) the Mediobanca Registration Document;
 - (vii) the consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2017 and 2016;
 - (viii) the interim financial report for the six months ended 31 December 2017 and 2016 of Mediobanca;
 - (ix) a copy of this Prospectus and any document incorporated by reference herein, together with any Supplement to this Prospectus.
- (7) Physical copies of the latest annual consolidated financial statements of Mediobanca may be obtained upon request at the specified office of the Paying Agent during normal business hours, so long as the Securities is outstanding.
- (8) The Issuer does not intend to provide any post-issuance information in relation to any assets underlying the Securities constituting derivative securities, except if required by any applicable laws and regulations.
- (9) The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).
- (10) The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

REGISTERED OFFICE

MEDIOBANCA - Banca di Credito Finanziario S.p.A.
Piazzetta E. Cuccia, 1
20121 Milan
Italy

MANDATED DEALER

MEDIOBANCA - Banca di Credito Finanziario S.p.A.
Piazzetta E. Cuccia, 1
20121 Milan
Italy

LEGAL ADVISERS TO THE ISSUER

As to English and Italian law

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20121 Milan
Italy

CityPoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

FISCAL AGENT AND PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch
60, avenue J.F Kennedy
L-1855 Luxembourg

LISTING AGENT

McCann FitzGerald Listing Services Limited
Riverside One, Sir John Rogerson's Quay
Dublin 2, Ireland