Supplement No. 1 dated 3 July 2018 to the Base Prospectus dated 15 November 2017

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

(incorporated with limited liability as a "Società per Azioni" under the laws of the Republic of Italy)

Euro 5,000,000,000 Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

Mediobanca Covered Bond S.r.l.

(incorporated with limited liability as a "Società a responsabilità limitata" under the laws of the Republic of Italy)

This supplement (the "**Supplement**") to the base prospectus dated 15 November 2017 (the "**Base Prospectus**") constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, (the "**Prospectus Directive**") and the relevant implementing measures in Luxembourg and is prepared in connection with the Euro 5,000,000,000 Covered Bond Programme (the "**Programme**") of Mediobanca – Banca di Credito Finanziario S.p.A. ("**Mediobanca**" or the "**Issuer**") for the issuance of Covered Bonds guaranteed by Mediobanca Covered Bond S.r.l. (the "**Guarantor**").

The purpose of publication of this Supplement is to update certain information contained in the Base Prospectus, in particular:

(i) the section headed "*Responsibility Statements and Notice to Investors*";

(ii) the section headed "*Risk Factors*";

(iii) the section headed "*Documents Incorporated by Reference*" to incorporate by reference (a) the unaudited consolidated interim financial report of Mediobanca as at 31 December 2017; and (b) the English translation of the Mediobanca Registration Document;

(iv) the section headed "*Description of the Issuer*";

(v) the section headed "*Taxation*";

(vi) the section headed "*Form of the Final Terms*"; and

(vii) the section headed "*Subscription and sale*".

This Supplement has been approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**"), which is the competent authority in Luxembourg for the purpose of the Prospectus Directive and the relevant implementing measures in Luxembourg.

This Supplement is supplemental to and should be read in conjunction with the Base Prospectus. Terms defined in the Base Prospectus, unless the context otherwise requires, have the same meaning when used in this Supplement, and references in the Base Prospectus, unless the context otherwise requires, to "this Prospectus" or "this Base Prospectus" shall mean the Base Prospectus as supplemented by this Supplement. The Base Prospectus is qualified in its entirety by any change made in this Supplement.

To the extent that there is any inconsistency between (a) any statement in, or incorporated by reference into, this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Copies of this Supplement are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies of this Supplement and the documents incorporated by reference in this Supplement can be obtained, without charge, at the specified office of BNP Paribas Securities Services, Luxembourg Branch, Luxembourg Listing Agent of the Programme and are available on the websites of Mediobanca (www.mediobanca.com) and the Guarantor as applicable.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge and belief of each of the Issuer and the Guarantor, in accordance with the facts and contains no omission likely to affect the import of such information.

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

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Covered Bonds issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

This Supplement may only be used for the purposes for which it has been published.

The date of this Supplement is 3 July 2018.

RESPONSIBILITY STATEMENTS AND NOTICE TO INVESTORS

The information set out below supplements the section of the Base Prospectus headed "*Responsibility statements and notice to investors*" on pages 2 to 5 of the Base Prospectus.

- Before the last paragraph of the section of the Base Prospectus headed "*Responsibility statements and notice to investors*" on pages 2 to 5 of the Base Prospectus, the following paragraphs are added:

"**PRIIPs / IMPORTANT - EEA RETAIL INVESTORS -** If the Final Terms in respect of any Covered Bonds include a legend entitled "**Prohibition of Sales to EEA Retail Investors**", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET The Final Terms in respect of any Covered Bonds may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for a Tranche of Covered Bonds is a manufacturer in respect of that Tranche, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules."

RISK FACTORS

The information set out below supplements the section of the Base Prospectus headed "*Risk factors*" on pages 36 to 71 of the Base Prospectus.

- The risk factor headed "*Market volatility and difficult access to debt capital markets can adversely affect the Issuer's liquidity*" on pages 42 and 43 of the Base Prospectus shall be replaced in its entirety by the following:

"***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 previous 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! and 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. 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."

- The ninth paragraph of the risk factor headed "*Risk relating to the EMIR Regulation*" on pages 44 to 46 of the Base Prospectus shall be replaced by the following:

"MiFID II has been implemented in Italy through Legislative Decree 3 August 2017, No. 129 and apply from 3 January 2018, except for certain provisions which shall apply from 3 September 2019."

- The risk factor headed "*Risk connected to a potential rating downgrade*" on page 46 of the Base Prospectus shall be replaced in its entirety by the following:

"***Risk connected to a potential rating downgrade***

Mediobanca is rated by (i) S&P Global Ratings Italy S.r.l. ("**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 from time to time) (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."

- The risk factor headed "*Basel III and CRD IV*" on pages 47 to 49 of the Base Prospectus shall be replaced in its entirety by the following:

"***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 addition, 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 has taken effect from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking regulations: Directive 2013/36/EU of the European Parliament and 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 the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**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 minor 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 ("**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% from 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 NSFR, 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 are required to 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, on 13 April 2017, the ECB published guidelines 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 ("**Circular No. 285**")) 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 CRR, institutions shall at all times satisfy the following own funds requirements: (i) "CET1 Capital ratio" of 4.5 per cent., (ii) "Tier I Capital ratio" of 6 per cent., and (iii) "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 Risk Weighted Averages (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. and 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 it), 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., a Member State will need prior approval from the European 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 buff er will have to notify the European Commission, the EBA, and the ESRB. The European 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 European 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 and became fully applicable from 1 January 2018.

The CRD IV Package has introduced 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. 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 risk factor headed "*The Group may be subject to the provisions of the Regulation establishing the Single Resolution Mechanism*" on page 49 of the Base Prospectus is replaced in its entirety by the following:

"***The Group may be subject to the provisions 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 the Single Resolution Mechanism (the "**SRM**") fully operational 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, applies to all banks supervised by the Single Supervisory Mechanism of the European Central Bank. It provides for the Board and a Single Resolution Fund (the "**Fund**").

Decision-making will be centralised with the Board, and will involve the European Commission and the Council of the European Union (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 mutualizing 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 Single Supervisory Mechanism.

The participating banks are required to finance the Fund. The Issuer will 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."

- The second and third paragraphs of the risk factor headed "*ECB Single Supervisory Mechanism*" on page 50 of the Base Prospectus is replaced in their entirety by the following:

"In this respect, "bank of systemic importance" include, *inter alia*, any Eurozone bank that: (i) has assets greater than EUR 30 billion or – unless the total value of its assets is below €5 billion -;greater than 20 per cent. of its 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 fulfilment 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."

- The risk factor headed "*Implementation of the Bank Recovery and Resolution Directive (BRRD) or taking of any action under it*" on pages 50 to 52 of the Base Prospectus shall be replaced in its entirety by the following:

"***The Bank Recovery and Resolution Directive (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 materially affect the value of the Covered Bonds

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force.

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 the following four resolution tools and powers:

(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 "**Bail-in**"), which equity could also be subject to any future application of the Bail-in,

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.

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: (i) 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; (ii) it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or (iii) it requires extraordinary public financial support (except in limited circumstances).

In addition to the Bail-in, 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 Bail-in.

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, European banks also have to comply with a “minimum requirements for own funds and eligible liabilities” (the “**MREL**”) on an ongoing basis. 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 (further introduced through the Delegated Regulation (EU) 2016/1450) (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 Covered Bonds.

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 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 Bondholders, the price or value of their investment in any security and/or the Issuer's ability to satisfy its obligations under any security."

- The third paragraph of the risk factor headed "*The Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities*" on pages 52 and 53 of the Base Prospectus is delated.
- The risk factor headed "*Risk of increasingly high levels of corporate income taxes*" on page 53 of the Base Prospectus shall be replaced in its entirety by the following:

"***Risk of increasingly high levels of corporate income taxes***

The financial industry in Italy is subject to the payment of income tax which tends to be higher than the income tax payable in respect of many other commercial activities.

In recent years, the tax regime applicable to financial companies (including the Issuer) has changed. For example, Law No. 208 of 28 December 2015, as amended by Law No. 232 of 11 December 2016 and by Law No. 205 of 27 December 2017, introduced the application of an additional corporate income tax to the financial sector. For companies acting in such a sector an additional tax rate of 3.5% applies, so that a final tax rate of 27.5% is levied respect to the ordinary 24% tax rate applicable on corporate income.

Any future adverse changes in the income tax rate or other taxes or charges applicable to the Group may have a material adverse effect on the Group's future business, financial condition, cash flow and/or results of operations which could, in turn, and have an adverse effect on the Issuer's ability to meet its obligations under the Covered Bonds."

- The risk factor headed "*The Group may be affected by a proposed EU Financial Transactions Tax*" on page 53 of the Base Prospectus shall be replaced in its entirety by the following:

"***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 risk factor headed "*The Issuer may be affected by new accounting and regulatory standards*" on pages 53 and 54 of the Base Prospectus is replaced in its entirety by the following:

"***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 IAS 39, 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 IAS 39, IFRS 9 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 Base Prospectus. This principle changes the current set of IFRS replacing the principles and interpretations of "revenue recognition" in force at the date of this Base 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 relevant Issuer and/or the Guarantor, as the case may be, 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 and/or the Guarantor 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 relevant Issuer and/or the Guarantor, as the case may be.

The Mediobanca Group applies the new standard starting with effect from 1 July 2018.”

- The risk factor headed “*Forthcoming regulatory changes*” on page 54 of the Base Prospectus is replaced in its entirety by the following:

“***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 to the current securitization 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 Issuers 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 Issuers' business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuers' 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."

- Following the risk factor headed "*Forthcoming regulatory changes*" on page 54 of the Base Prospectus, as replaced by this Supplement, the following risk factors are added:

"***The Issuer's operation is dependent upon the correct functioning of the IT systems, which might expose the Group to certain risks***

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

The Issuer has always invested significant resources in upgrading its IT systems and improving its defense and monitoring systems. However, possible risks remain with regard to the reliability of the systems (e.g. 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 and financial condition.

Among the risks that the Issuer might face 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 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 and financial condition.”

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Base Prospectus headed "*Documents Incorporated by Reference*" on pages 73 to 74 of the Base Prospectus.

The list of documents on page 73 of the Base Prospectus shall be amended by including three first new entries as follows and relevant cross reference list shall be added on page 74 of the Base Prospectus:

- "Issuer unaudited consolidated interim financial report as at 31 December 2017, as uploaded on the Issuer's website www.mediobanca.com under the section "*Investor Relations / Results and presentations*"; and

- the English translation of the Mediobanca Registration Document (published in the Italian language on 23 November 2017 approved by CONSOB on 22 November 2017 pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended, report No. 129797/17).

"***Cross-reference list***

The following table shows where certain information 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.

Mediobanca Consolidated interim report as at 31 December 2017 (unaudited)

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

Balance sheet	Pages 64-65
Statement of income	Page 66
Statement of changes in equity	Pages 68-69
Cashflow statement	Pages 70-71
Accounting policies and explanatory notes	Pages 74-233
Auditors' limited review report	Page 59

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3. Risk factors	Pages 8 to 33
7. Forecasts or estimates of profits	Page 46
8. Profit estimates or projections	Page 47
	(No forecast or estimates of profits are contained in the Mediobanca Registration Document)

DESCRIPTION OF THE ISSUER

The information set out below supplements the section of the Base Prospectus headed "*Description of the Issuer*" on pages 75 to 98 of the Base Prospectus.

- After the last paragraph of the sub-section headed "*Description of the Issuer – History and development of Mediobanca – Further recent events*" on pages 80 to 81 of the Base Prospectus the following paragraphs are added:

"**Moody's assigns first-time rating to Mediobanca**

On 22 March 2018, Moody's Investors Service Ltd. ("**Moody's**") assigned the first-time rating to Mediobanca and, in particular a long term issuer rating of "Baa1" and "stable" outlook – see https://www.mediobanca.com/en/investor-relations/financing-rating/rating.html.

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

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

Moody's Investors Service Ltd. is a credit rating agency established in the European Community and has been registered in accordance with Regulation (EC) No. 1060/2009 (as amended, including by Regulation 513/2011/EU and by Regulation 462/2013/EU) (the "**CRA**"). As such, Moody's is included in the latest list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA – see www.esma.europa.eu/supervision/credit-rating-agencies/risk."

Partnership agreement with RAM Active Investments

On 7 March 2018, Mediobanca acquired a 69 per cent. stake in the share capital of RAM Active Investments ("**RAM**"), after receiving the requisite clearance from prudential authorities. The transaction was carried out in the context of Mediobanca's strategy of continuing growth in asset management.

RAM has been consolidated in the Mediobanca financial statements with effect from 1 March 2018.

Resignation of a Director

On 8 March 2018, Mr César Alierta, resigned from his office as non-executive independent Director of the Issuer.

Accordingly, each reference to Mr César Alierta included on the Base Prospectus shall be deleted."

- The sub-section headed "*Description of the Issuer – Business Overview - Principal activities*" on pages 81 to 88 of the Base Prospectus is amended by replacing the second sub-item of the item headed "*Wealth Management (WM)*" under the first paragraph of such sub-section on page 81 of the Base Prospectus as follows:

  "• *Private & HNWI*, addressed in Italy by Mediobanca Private Banking and Spafid, and in the Principality of Monaco by Compagnie Monégasque de Banque."

- The sub-section headed "*Description of the Issuer – Business Overview - Principal activities*" on pages 81 to 88 of the Base Prospectus is amended by replacing the first item of the paragraph headed "*Private & HNWI*" on page 86 of the Base Prospectus as follows:

  "**Mediobanca Private Banking**, focused on the development of asset management activity and the mid-cap platform, acting as a bridge between corporate and private activities in conjunction with Spafid, the Mediobanca Group multi-family office. The MB Private Banking product offering for high net worth clients includes portfolio management, advisory and financing services. Independence, operational autonomy, focus on private banking activities, and excellence and quality of service, are the hallmarks of a bank which has approximately €19 billionn in total financial assets at its 12 branches in Bergamo, Bologna, Brescia, Cesena, Florence, Genoa, Milan, Padua, Parma, Rome, Turin and Treviso."

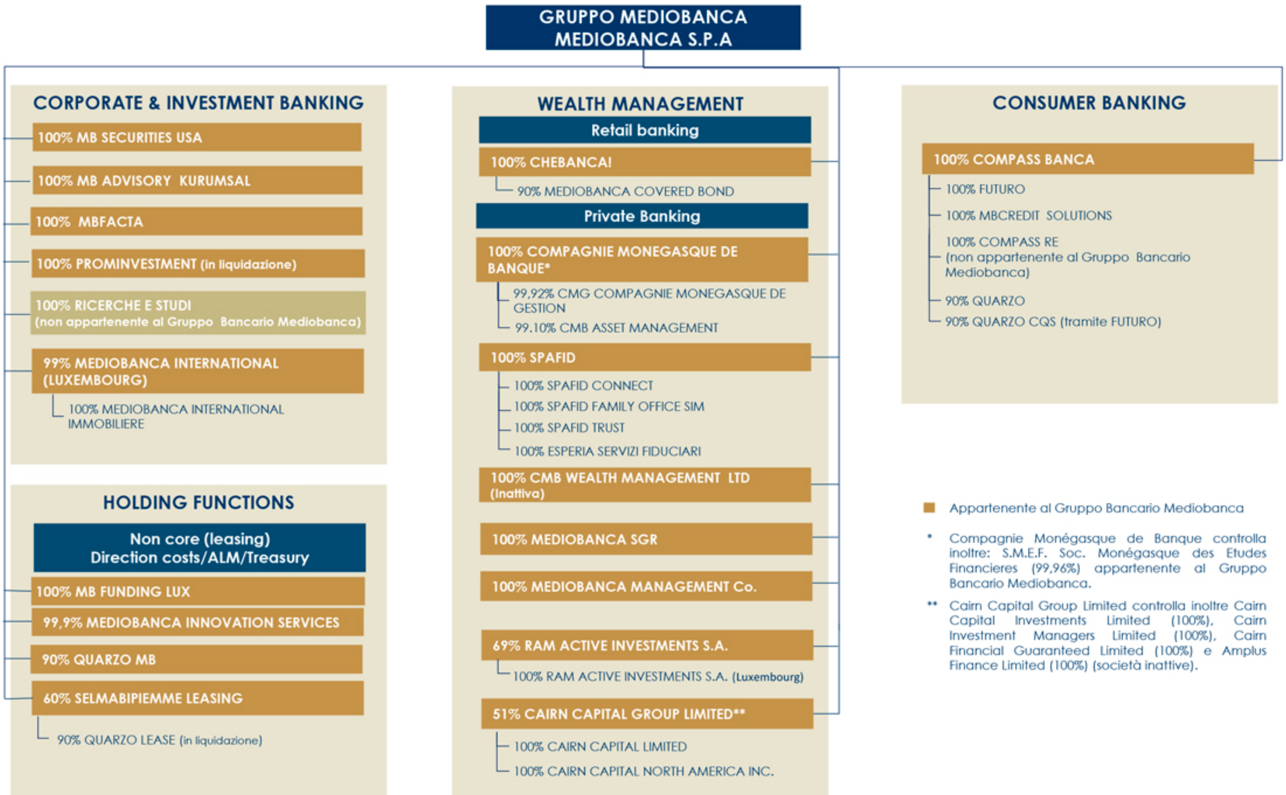
- The sub-section headed "*Description of the Issuer – Organizational Structure*" on page 89 of the Base Prospectus shall be replaced in its entirety by the following:

"ORGANIZATIONAL STRUCTURE

Description of organizational structure of the group headed up by Mediobanca

The Mediobanca Group is registered as a banking group in the register instituted by the Bank of Italy.

The following diagram illustrates the structure of the Mediobanca Group as at the date of this Supplement.



"

- The sub-section headed "*Description of the Issuer – Subsidiaries and main investee companies*" on pages 89 to 91 of the Base Prospectus shall be replaced in its entirety by the following:

"SUBSIDIARIES AND MAIN INVESTEE COMPANIES

Mediobanca is the parent company of the Mediobanca Banking Group. No individual or entity controls Mediobanca within the meaning of Article 93 of the Financial Services Act.
A list of the main Group companies included in the area of consolidation for the consolidated financial statements as at the date of this Supplement is shown below:

Group Companies			
COMPASS Banca S.p.A.	Italy	100%	(dir)
CHEBANCA! S.p.A.	Italy	100%	(dir)
SELMABIPIEMME LEASING S.p.A.	Italy	60%	(dir)

Compagnie Monegasque de Banque S.A.M.	Principality of Monaco	100%	(dir)
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	100% [1]	(dir)
SPAFID S.p.A.	Italy	100%	(dir)
SPAFID TRUST S.R.L.	Italy	100%	(indir)
ESPERIA SERVIZI FIDUCIARI S.P.A.	Italy	100%	(indir)
SPAFID CONNECT S.p.A.	Italy	100%	(indir)
MEDIOBANCA SECUIRITIES USA LLC	United States	100%	(dir)
MBCREDIT SOLUTIONS S.p.A.	Italy	100%	(indir)
RICERCHE E STUDI S.p.A.	Italy	100%	(dir)
Mediobanca Innovation Services S.c.p.A	Italy	99.95%	(dir)
FUTURO S.p.A.	Italy	100%	(indir)
PROMINVESTMENT S.p.A. in liquidazione	Italy	100%	(dir)
MBFACTA S.p.a.	Italy	100%	(dir)
QUARZO S.r.l.	Italy	90%	(indir)
QUARZO CQS S.r.l.	Italy	90%	(indir)
MB COVERED BOND S.r.l.	Italy	90%	(indir)
QUARZO LEASE S.r.l. in liquidation	Italy	90%	(indir)
C.M.B. ASSET MANAGEMENT S.A.M.	Principality of Monaco	99.30%	(indir)
C.M.G. COMP. MONEG. D.G. S.A.M.	Principality of Monaco	99.92%	(indir)
S.M.E.F. SOC. MONEG. DE ET.FIN. S.A.M.	Principality of Monaco	99.96%	(indir)
CMB WEALT MANAGEMENT	United Kingdom	100%	(dir)
QUARZO MB s.r.l.	Italy	90%	(dir,)
COMPASS RE S.A.	Luxembourg	100%	(indir)
MB ADVISORY KURUMSAL DANISMANLIK HIZMETLERI A.S.	Turkey	100%	(dir)
MEDIOBANCA INTERNATIONAL IMMOBILIERE S.à r.l.	Luxembourg	100%	(indir)
CAIRN CAPITAL GROUP Ltd	United Kingdom	51%	(dir.)
CAIRN CAPITAL Ltd	United Kingdom	51%	(indir.)
CAIRN CAPITAL NORTH AMERICA Inc.	United States	51%	(indir.)
CAIRN FINANCIAL GUARANTEE Ltd	United Kingdom	51%	(indir.)
CAIRN CAPITAL INVESTMENTS Lts.	United Kingdom	51%	(indir.)
CAIRN INVESTMENTS MANAGERS Ltd.	United Kingdom	51%	(indir.)
AMPLUS FINANCE Ltd.	United Kingdom	51%	(indir.)

[1] of which 1% shares of Compass.

MB FUNDING LUX S.A.	Luxembourg	100%	(dir.)
SPAFID FAMILY OFFICE SIM S.p.A.	Italy	100%	(indir.)
Mediobanca SGR	Italy	100%	(dir.)
Mediobanca Management Co.	Luxembourg	100%	(dir.)
RAM Active Investments S.A.	Luxembourg	69%	(dir.)
RAM Active Investment (Luxembourg)	Luxembourg	100%	(indir.)

- The sub-section headed "*Description of the Issuer – Share capital*" on page 95 of the Base Prospectus shall be replaced in its entirety by the following:

"**SHARE CAPITAL**

Amount of share capital issued

As at the date of this Supplement, Mediobanca's share capital, fully subscribed and paid up, is equal to €443,126,470.00 made up of 886,252,940 par value €0.50 shares."

- The sub-section headed "*Description of the Issuer – Main shareholders*" on pages 95 to 96 of the Base Prospectus is replaced in its entirety by the following:

MAIN SHAREHOLDERS

Information on ownership structure

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

	Shareholder	% of share capital
1	UniCredit group	8.42
2	Bolloré group	7.86
3	Black Rock Group	5.01
4	Mediolanum group	3.29
5	Invesco Ltd	3.12

Mediobanca shareholders representing, approximately, 28.5% of the Bank's share capital entered into a shareholders' agreement in respect of Mediobanca's share capital expiring on 31 December 2019 (the "**Shareholders' Agreement**").

The parties to the Shareholders' Agreement adopted a resolution, in the event of renewal, allowing each Party to give advance notice of its intention to withdraw from such agreement by 30 September 2018 with effect from 31 December 2018. In this case, the Shareholders' Agreement shall remain in force until its final expiry date of 31 December 2019 by and between parties representing at least 25% of Mediobanca's share capital.

The Shareholders' Agreement, which has lastly been filed with the Milan companies' register on 9 May 2018, is a block shareholders' agreement aimed at preserving a stable shareholder base combined with representative governing bodies to ensure consistent management objectives. In order to achieve these objectives, these shareholders, divided into three groups, concur in seeing the traditional system of corporate governance which leverages on the management and provides greater clarity in the roles of the various governing bodies within the company, as fundamental to safeguarding the characteristics, function and traditional independence of Mediobanca and to ensuring that consistent management objectives are pursued.

An excerpt from the Shareholders' Agreement may be found on the Issuer's website at https://www.mediobanca.com/en/corporate-governance/main-shareholders/shareholders-agreement.html.

Agreements the performance of which may result in a change of control subsequent to the date hereof

Mediobanca is not aware of any agreements aimed at bringing about future changes regarding the ownership structure of Mediobanca."

TAXATION IN THE REPUBLIC OF ITALY

The information set out below supplements the section of the Base Prospectus headed "*Taxation in the Republic of Italy*" on pages 159 to 167 of the Base Prospectus.

- Item (iii) of the last paragraph of the sub-section headed " – *Interest on the Covered Bonds – Italian resident Bondholders*" on pages 159 to 161 of the Base Prospectus shall be replaced in its entirety by the following:

  "(iii) *Pension funds* – Pension funds (subject to the tax regime set forth by Article 17 of Legislative Decree No. 252 of 5 December 2005, the "**Pension Funds**") are subject to a 20% substitutive tax on their annual net accrued result. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Covered Bonds may be excluded from the taxable base of the 20% substitute tax if the Covered Bonds are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017. Interest on the Covered Bonds is included in the calculation of such annual net accrued result; and"

- The first line of the third paragraph of the sub-section headed "– *Capital Gains – Italian resident Bondholders*" on pages 163 and 164 of the Base Prospectus shall be replaced in its entirety by the following:

  "With regard to the CGT application, taxpayers may opt for one of the three following regimes:"

- Following the last paragraph of the sub-section headed " – *Inheritance and gift tax*" on page 165 of the Base Prospectus the following paragraph is added:

  "The mortis causa transfer of financial instruments included in a long-term savings account (*piano di risparmio a lungo termine*) – that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017, as amended by Law Decree No. 50 of 24 April 2017, converted into law with Law No. 96 of 21 June 2017."

- Following the last paragraph of the sub-section headed " – *Stamp duty*" on page 165 of the Base Prospectus the following paragraphs are added:

  "Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds.

  Periodical communications to clients are presumed to be sent at least once a year, even though the intermediary is not required to send any such communication. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client."

- Following the last paragraph of the sub-section headed " – *U.S. Foreign Account Tax Compliance Act*" on page 166 of the Base Prospectus the following paragraphs is added:

  "In the event any withholding would be required pursuant to FATCA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding."

FORM OF THE FINAL TERMS

The information set out below supplements the section of the Base Prospectus headed "*Form of the Final Terms*" on pages 237 to 245 of the Base Prospectus.

- Before the first paragraph, on page 238 of the Base Prospectus, the following paragraph is added:

"[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market – [Solely for the purposes of [the/each] manufacturer's product approval process], the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. [*Consider to include information on the product approval process*]. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels."]

- The paragraph headed "*Distribution*" under the section "*Part A – Contractual Terms*" on page 243 of the Base Prospectus is replaced in its entirety by the following:

"**DISTRIBUTION**

24.	(i) If syndicated, names and address of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
25.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name*]
26.	U.S. Selling Restrictions:	[Reg. S Compliance Category, TEFRA C/ TEFRA D/ TEFRA not applicable]
27.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no*

		KID will be prepared, "Applicable" should be specified.)
28.	Date of Subscription Agreement:	[Not Applicable/[●]]"

SUBSCRIPTION AND SALE

The information set out below supplements the section of the Base Prospectus headed "*Subscription and sale*" on pages 249 to 251 of the Base Prospectus.

- The sub-section headed "*European Economic Area*" on page 249 of the Base Prospectus is entirely replaced with the following:

"**Prohibition of sales to EEA Retail Investors**

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (i) not a qualified investor as defined in the Directive Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable" in relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State."

- The sub-section headed "*Republic of Italy*" on pages 250 to 251 is entirely replaced with the following:

"**Republic of Italy**

The offering of Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations:

1. to qualified investors (*investitori qualificati*), as defined in as defined in Article 35, first paragraph, letter (d) of CONSOB Regulation No. 20307 of 15 February 2018, as amended (the "**Regulation No. 20307**"), pursuant to Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Regulation No. 11971**") implementing Article 100 of the Financial Services Act; or

2. in other circumstances which are exempted from the rules on public offerings pursuant to pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

a. made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and the Banking Act (in each case, as amended); and

b. in compliance with article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time; and

c. in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or other Italian authority."