Mediobanca Spa

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Mediobanca Spa

	31 Dec 16	30 Jun 16
Total assets (USDm)	77,448.0	77,515.9
Total assets (EURm)	73,474.9	69,818.6
Total equity (EURm)	9,143.0	8,921.8
Operating profit (EURm)	421.8	645.0
Operating ROAA (%)	1.24	0.92
Operating ROAE (%)	9.33	7.39
Common equity Tier 1 (%)	12.27	12.08
Fitch Core Capital/ weighted risks (%)	16.10	15.72

Related Research

Mediobanca Spa – Ratings Navigator (April 2017)

Fitch Downgrades 5 Italian Banks following Sovereign Downgrade (May 2017)

Fitch Downgrades Italy to 'BBB'; Outlook Stable (April 2017)

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Key Rating Drivers

Ratings Reflect Standalone Strength: Mediobanca Spa's Issuer Default Ratings (IDRs) and Viability Rating (VR) primarily reflect adequate capitalisation and leverage, which are commensurate with the bank's risk profile and are supported by sound internal capital generation, adequate asset quality by domestic standards and ample liquidity.

Adequate Capitalisation and Leverage: Capital ratios are adequate given risk concentration in the bank's equity and credit exposures and its business mix, which includes some volatile activities. Leverage is low by international standards. The phased-in common equity Tier 1 (CET1) and the Fitch Core Capital (FCC) ratio were 12.3% and 16.1%, respectively, at end-2016. The net impaired loans/FCC ratio was a low 5.2%, which compares adequately with levels at international and domestic peers.

Strong Franchise: Mediobanca has strong franchises in Italian corporate and investment banking (CIB) and in consumer finance (through its specialised subsidiary Compass Banca), and has diversified geographically in western and south-eastern Europe. In recent years, Mediobanca has strongly expanded its CheBanca! retail banking activities, ultimately by acquiring a selected perimeter of Barclays' Italian activities. The bank also plans to strengthen its wealth management franchise.

Adequate Asset Quality: Asset quality is adequate, with a 5.2% gross impaired loan ratio at end-2016, and compares well with international and domestic peers. The coverage ratio is also adequate at 77%. Single-name concentrations are high but are tightly monitored and managed. Mediobanca has trading, available-for-sale (AFS) and held-to-maturity (HTM) portfolios, which amounted to about EUR14.7 billion at end-2016, representing nearly 20% of total assets.

Conservative Risk Appetite: Risk appetite is conservative given the risks inherent in the bank's businesses and is underpinned by coherent underwriting standards. Fitch Ratings expects the group's overall risk appetite and profile to remain stable in the medium term. Underwriting standards are in line with industry practices, risk controls are good, and market risk exposure is average. Internal capital generation has outpaced asset and loan growth since 2014, while the bank's plans to reduce equity stakes are on track.

Diversified Funding and Sound Liquidity: Funding is skewed towards wholesale funding and retail bonds sourced through third-party channels, but benefits from the bank's sound franchise. Its retail deposit base expanded significantly after the Barclays acquisition, but remains limited domestically. Liquidity is underpinned by sizeable unencumbered eligible assets.

Rating Sensitivities

Sovereign Rating, Operating Environment: Mediobanca's ratings are primarily sensitive to a deterioration in the operating environment in Italy and to Italy's sovereign rating. Any upgrade of the bank's ratings would first require an upgrade of Italy's sovereign rating.

Risk Appetite, Asset Quality, Liquidity: Increased risk appetite, such as expanding higher-risk activities in non-Italian operations, increasing concentration risk, or a less rigorous approach to pricing consumer finance risks or asset-quality deterioration could lead to a downgrade. Similarly, significantly increased volumes of foreign-originated activities without an equivalent evolution of its risk-control framework could put pressure on the bank's ratings. Deterioration of group liquidity and funding could also result in a downgrade.

Mediobanca has a financial year-end of 30 June. FYE16 results are for the year ended 30 June 2016 and 1H17 results are for the period July-December 2016.

Operating Environment

Fitch believes Mediobanca's activities are relatively less vulnerable to the weaknesses of the domestic operating environment than other rated commercial banks. This is due to its strong merchant banking/advisory franchise in Italy associated to increasing geographic diversification in these activities and its leading domestic consumer finance franchise. Nonetheless, Mediobanca's credit profile remains partly influenced by Italy's sovereign rating and the operating environment in Italy through its consumer finance and retail activities, which are purely domestic, its domestic corporate credit exposure and sovereign investments.

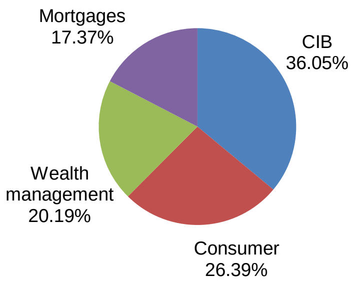
Italy's sovereign rating was downgraded to 'BBB'/Stable from 'BBB+'/Negative on 21 April 2017, primarily due to Italy's persistent record of fiscal slippage, back-loading of consolidation, weak economic growth and resulting failure to bring down the very high level of general government debt, compounded by an increase in political risk, and weakness in the banking sector, which has required planned public intervention in three banks since December 2016.

A portion of Mediobanca's business and revenues is originated by its international offices, which carry out corporate and investment banking activities. Most of these countries (France, Germany and the UK) have strong sovereign ratings, stable economies, strong financial markets, and developed and transparent regulatory frameworks. In other countries where the bank is active, the operating environments are similar to Italy (Spain) or slightly more volatile (Turkey).

Company Profile

Mediobanca was established in 1946 as a medium-term lender and advisor to Italian industry in the post-war environment. There were no foreign investment/merchant banks active in Italy until the late 1980s/early 1990s so Mediobanca became the reference bank for Italian corporates seeking advice and financing in extraordinary corporate transactions. The mainstay of Mediobanca's franchise is CIB business in Italy with large and medium-sized corporates and, increasingly, medium-sized banks and non-bank financial institutions. Since 2004, Mediobanca has expanded its CIB activities abroad through opening branches in various locations, including Frankfurt, Istanbul, London, Luxemburg, Madrid, Moscow, New York and Paris.

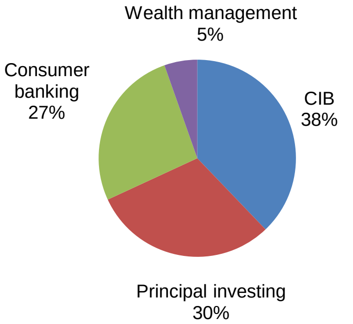
Loans by Division
End-2016



Source: Mediobanca

Mediobanca also has a leading franchise in the consumer finance segment in Italy, where it is active through Compass Banca, the market leader in most consumer finance segments. In recent years, Mediobanca has strongly developed its retail banking activities of CheBanca, most recently by acquiring parts of Barclays' Italian retail businesses, which significantly increased CheBanca's operations. The group is expanding in wealth management, partly through acquisitions. While we expect the wealth management activities to contribute more to group results, Mediobanca's franchise will remain niche. Further growth in consumer finance and wealth management would result in a moderate change in Mediobanca's business mix as the size of corporate and investment banking is likely to remain stable.

Operating Profit by Division
FYE16



Source: Mediobanca

Mediobanca built up a portfolio of equity participations in the 1990s, but it has been reducing this over the past three years to optimise capital utilisation and employ capital in core banking activities. The largest stake, 13.02% of Assicurazioni Generali S.p.A. (A-/Stable, accounted for in the bank's accounts under the equity method as an investment in an associate under IAS 28), had a market value of EUR2.9 billion at end-2016. Other stakes classified as AFS had a fair value of about EUR600 million at the same date.

Management and Strategy

In Fitch's view, Mediobanca's senior management has a high degree of depth, stability and experience. Corporate governance is effective, strategic plans are clearly documented and reflect a medium-term level of business and financial performance.

Related Criteria

Global Bank Rating Criteria (November 2016)

Mediobanca is listed on the Italian stock exchange and its largest shareholders are UniCredit (8.6%), Financiere du Perguet (8%) and Mediolanum Group (3.3%). A shareholders' agreement between banks and companies (which include the three largest shareholders) controls 31% of the bank's share capital. The remaining share capital is widely held. Fitch believes the group's ownership structure is adequately fragmented and the presence of institutional investors should favour access to capital resources if needed.

Mediobanca's updated strategy for 2017-2019, which was presented in November 2016, includes plans to grow in the wealth management business, both organically and through acquisitions. The bank intends to expand the more remunerative CIB segments (factoring, non-performing loan servicing) and activities that require relatively little regulatory capital, while maintaining overall stable total lending volumes in this business. The bank also wants to continue optimise capital allocation by further reducing stakes in Assicurazioni Generali and other non-core investments, and it is working on obtaining regulatory approval of advanced internal rating models for both corporate and retail lending.

A priority is to integrate Barclays' Italian operations in CheBanca, which will mean closing some branch and expanding the network of financial advisors so as to increase assets under management and boost fees. Growth in consumer finance should happen organically.

In our opinion, the bank typically meets business and financial objectives. Mediobanca achieved most its 2014-2016 targets by reducing its legacy equity exposures, growing in fee-generating businesses and increasing returns.

Risk Appetite

Fitch considers Mediobanca's underwriting standards to be in line with broad industry practices, risk controls are good and market risk exposure is average. The bank is primarily exposed to credit risk in its corporate loan portfolio and, to a lesser extent, in its consumer banking operations and mortgages. Internal capital generation has been consistently outpacing assets and loan growth since 2014, while the move to reduce equity stakes is progressing in line with plans.

In corporate lending, where the parent typically targets larger corporates, loan approvals are centralised and the bank has some tolerance for taking on risk concentration. We consider underwriting standards in the consumer finance business to be more stringent than the average in Italy given Compass's pricing approach and dominant market position. Mortgage lending criteria are in line with domestic industry practice. Mediobanca's underwriting standards have resulted in a lower level of impaired assets for the group than the domestic banking sector. Credit standards in CIB may vary modestly over economic cycles to accommodate medium-term performance expectations, but are more stable in its consumer and mortgage operations.

Mediobanca's market risk appetite and exposure reflect its corporate and investment banking activities. The overall risk is moderate and well controlled. The bank has a well-defined framework of market risk limits that are applied to single trading desks.

Financial Profile

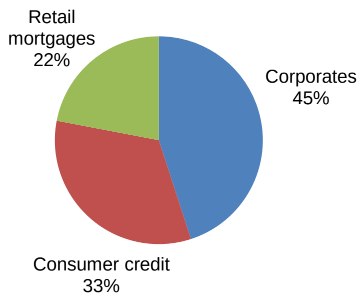
Asset Quality

We believe credit risk at Mediobanca is contained, and well managed and controlled, despite the concentrations in the CIB portfolio. The loan book increase since June 2016 reflects the inclusion of the Italian mortgages bought from Barclays.

Mediobanca's CIB loan book, which is partly originated by the foreign branches, is reasonably diversified by industrial sector, with some exposures to sectors where the bank has expertise. The bank has minimal exposure to real-estate development projects or public-sector lending. Real-estate exposure is small and relates predominantly to leasing contracts. Geographic diversification has increased in recent years with lending to counterparties in France, Germany, Spain and the UK accounting for about a third of the CIB loan book.

Loan Portfolio Composition

End-2016



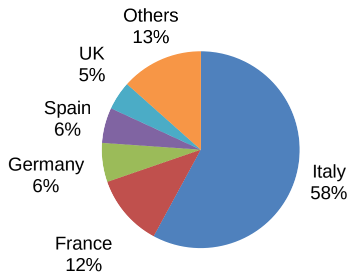
Source: Mediobanca

Loan concentration by single counterparty in the CIB loan book is high but large exposures are tightly monitored. At end-September 2016, the bank's 20 largest non-bank exposures (including loans and undrawn credit commitments) were equal to EUR9.6 billion, representing 42% of total corporate credit risk and 111% of FCC. Fitch considers single-name concentration a negative risk factor for the bank. Management intends to keep concentration at manageable levels. Leveraged loans were equal to EUR1.35 billion at end-2016 (stable from end-2015), representing about 9% of the corporate portfolio, well spread by individual name. Leasing exposures amounted to EUR2.4 billion, or 6% of total lending.

Consumer and mortgage activities contribute to diversify Mediobanca's credit risk. At end-2016, 59% of Compass loans were personal loans generated through the company's captive network or through agreements with partner banks, 16% were in the form of lending secured by the borrowers' salaries, 14% were car loans and 6% finalised lending, largely originated by agreements with retailers and dealers. Credit cards also represented 6%. The retail mortgage portfolio was EUR7.5 billion at end-2016, which included the EUR2.5 billion acquired from Barclays.

CIB Loan Book

End-2016



Source: Mediobanca

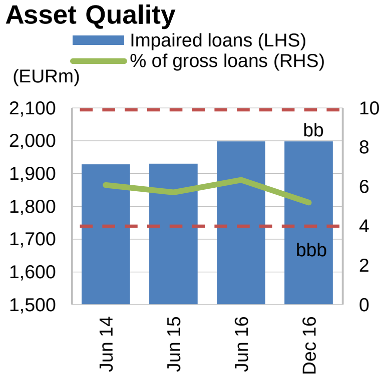
Overall loan loss experienced at the group is better than the average for domestic banks, with a reported gross impaired loan ratio of 5.2% at end-2016. Coverage of impaired loans is also among the highest In Italy at 77%. Doubtful loans, the riskiest category, were almost exclusively consumer exposure, were equal to only 1.6% of gross loans and were 60% covered by specific reserves. Doubtful loans include EUR77 million loans purchased by a group subsidiary specialized in servicing and purchasing third party impaired loans and accounted for as fair value. Excluding these from the stock of doubtful loans, the coverage ratio would increase to 69%. Unlikely-to-pay loans represented 3.6% of gross loans with a 48% specific coverage. Credit risk has mildly improved over the past year and credit losses have reduced.

Asset Quality

(%)	Dec 16	Jun 16	Jun 15	Jun 14
Growth of gross loans	21.97	-6.91	6.95	-7.42
Impaired loans/gross loans	5.20	6.35	5.71	6.09
Reserves for impaired loans/impaired loans	77.54	72.97	76.76	68.65
Loan impairment charges/average gross loans	1.05	1.20	1.40	1.94

Source: Mediobanca, Fitch

Asset Quality



Source: Mediobanca, Fitch

Mediobanca has trading, AFS and a small HTM portfolio. At end-2016, these amounted to about EUR14.7 billion, representing nearly 20% of total assets. Exposure to Italian government bonds fell to EUR3.9 billion at end-2016 from nearly EUR5 billion at end-2015 due to non-renewals. These are mainly booked in the AFS portfolio with an average duration of 2.3 years, which is contained. Italian government bonds were equal to about 5% of total assets, or 45% of FCC, at end-2016, which is lower than for most rated Italian banks. The remainder of the securities portfolio is mostly composed of government bonds from other western European countries, as well as corporate bonds from the region.

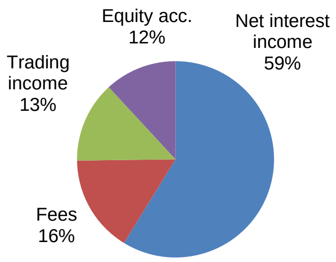
Earnings and Profitability

Performance Indicators

(%)	Dec 16	Jun 16	Jun 15	Jun 14
Net interest income/average earning assets	2.06	1.88	1.74	1.61
Non-interest expense/gross revenues	53.04	55.66	51.30	53.52
Loans and securities impairment charges/ pre-impairment operating profit	30.91	39.50	47.24	75.56
Operating profit/average total assets	1.24	0.92	0.78	0.31
Operating profit/risk-weighted assets	1.56	1.20	0.92	0.39
Net income/average equity	9.29	6.96	7.15	6.22

Source: Mediobanca, Fitch

Group Revenues
1H17



Source: Mediobanca

Mediobanca's earnings and profitability vary over the economic and interest-rate cycles. This partly reflects the relatively high proportion of CIB activities, which are sensitive to the economic cycle in its home market. Its earnings, which include a large proportion of net interest income, are also sensitive to interest rates. Profitability is average relative to broader industry averages. Our assessment of profitability reflects the benefits that derive from diversified revenue streams by businesses. Revenue growth in recent years was driven by the bank's steadily growing consumer business.

In 9M17, Mediobanca generated EUR616 million of net profit, equal to 6.7% of equity. Performance benefits from the combination of growing net interest income (NII), emphasis on fees from wealth management and CIB activities, and low loan impairment charges (LICs) should contribute to moderately improve the bank's operating profitability in 2017.

NII was EUR636 million in 1H17, increasing by 5% from 2H15, driven by the consumer loans division with higher margins (Compass, +13% yoy) and in retail mortgages (CheBanca, +32% yoy), reflecting the contribution of the new mortgages acquired from Barclays. NII from the CIB activities declined by 2% yoy to EUR153 million, reflecting a decline in loan origination since 2015.

Net fees and commissions increased to EUR237 million in 1H17 from EUR227 million in 2H15. These largely come from CIB, wealth management and financial market activities, and contribute substantially to operating revenues, but the nature of CIB revenues is volatile and this has an impact on overall profitability. The bank's focus on an enlarged client base and countries outside Italy mitigate inherent volatility in CIB fees. The business attention to generate fees and management intention to enlarge wealth management activities should contribute further to the robustness of fee and commission income and bring increased stability and better quality in the composition of this revenue source. Trading income also grew in 1H17 to EUR64 million (+39% yoy) due to favourable market conditions.

Operating costs in 1H17 grew considerably because of Mediobanca's expansion through acquisitions (particularly the Barclays activities, which added personnel and a branch network). Mediobanca calculated the cost of the acquisitions in EUR39 million, or 8% of operating costs in 1H17. The cost/income ratio rose to 60% in 1H17 from 53% in 2H15.

LICs contracted by 16% yoy in 1H17, reflecting the improvement in the group's credit risk (see Asset Quality). In 1H17, LICs amounted to EUR188 million, 1% of gross loans, absorbing an acceptable 35% of pre-operating profit. We do not expect LICs to increase in 2017.

Capitalisation and Leverage

Capitalisation

(%)	Dec 16	Jun 16	Jun 15	Jun 14
Fitch Core Capital/weighted risk	16.10	15.72	14.19	12.59
Common equity Tier 1	12.27	12.08	11.98	11.08
Impaired loans less reserves for impaired loans/Fitch Core Capital	5.18	6.38	5.30	8.17
Tangible common equity/tangible assets	11.87	12.21	12.03	10.75
Equity/total assets	12.44	12.78	12.54	11.27
Internal capital generation	9.14	4.22	4.28	4.21

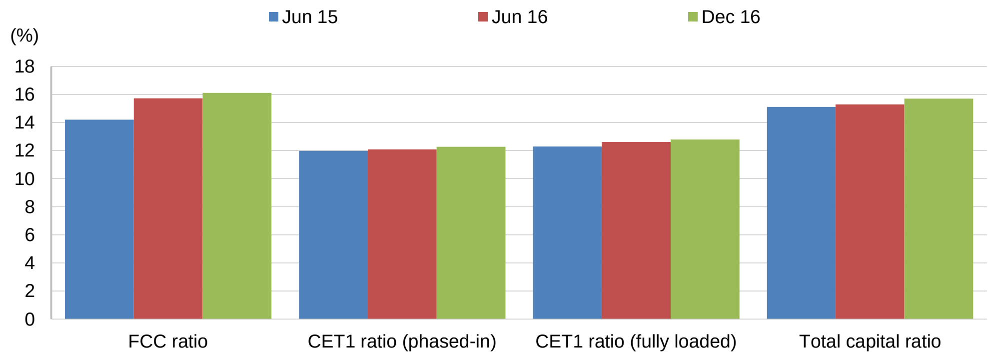
Source: Mediobanca, Fitch

Mediobanca's regulatory capital and FCC ratios are adequate given risk concentration in the bank's equity and credit exposures and its business mix, which includes some volatile activities. Capital levels are maintained with satisfactory buffers over regulatory requirements. Mediobanca's MDA trigger for 2017 is 7%. The difference between the regulatory CET1 and the FCC ratios of 12.3% and 16.1%, respectively, at end-2016 is largely due to the partial deduction of the stake in Assicurazioni Generali from the bank's CET1 capital but not from FCC. The bank targets a fully loaded CET1 ratio of 14% by end-2019.

Mediobanca has kept regular internal capital generation in recent years. Its declared dividend payout policy for the next three years is of 40% of reported net income, which means internal capital generation is likely to continue at the present rate.

Capital is predominantly core. Total capital was supplemented by EUR2.1 billion Tier 2 capital at end-2016, or 4% of its risk-weighted assets (RWAs).

Capital Ratios



Source: Mediobanca, Fitch

RWA density is high and RWAs were equal to 73% of total assets at end-2016. This reflects the use of the standardised approach, but also the bank's consumer lending businesses, where risk-weights are higher. The bank is planning a transition to advanced internal models, initially on credit risk and subsequently on market risk.

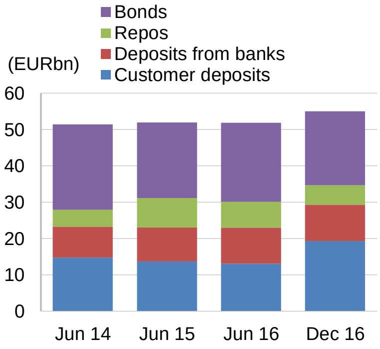
The bank's unreserved impaired loans in relation to FCC are much better than domestic averages at a low 5.2% at end-2016. The ratio has fallen from 8% since end-2015 due to stronger coverage ratios and internal capital generation.

Leverage is sound by international standards and the regulatory leverage ratio was 8.91% at end-2016.

Funding and Liquidity

Funding and liquidity at Mediobanca are generally stable, although it is more reliant than the sector average on wholesale and third-party retail funding. The group funds itself mainly through bonds (institutional and retail) and retail deposits. Total group funding increased modestly to EUR49.7 billion at end-2016 (+11% yoy) largely because of the Barclays acquisition, which increased the bank's customer deposits to EUR13.8 billion from EUR10.4 billion at end-2015.

Funding Evolution



Source: Mediobanca

Wholesale bonds sold to institutional investors account for about 17% of total funding, while bonds placed with retail investors account for about 24%. The latter are distributed through the branch networks of third party domestic commercial banks and the Italian post office. Mediobanca also issues bonds with maturities of seven to 10 years, including Tier 2, on the Italian MOT, a segment of the Italian stock exchange, which reaches both retail and professional investors. Funding of EUR3.9 billion came from this source at end-September 2016.

Institutional funding is accessed via a EUR40 billion euro medium-term note programme, which is used for private placements and public benchmark issues, depending on market circumstances. Mediobanca has a EUR5 billion covered bond programme (AA/Stable), which includes CheBanca and, from 2017, Barclays' residential mortgages. Mediobanca also has a EUR4 billion euro commercial paper programme and a EUR4 billion euro certificates of deposit programme.

ECB funding of EUR6.5 billion at end-2016 was entirely represented by targeted longer-term refinancing operations.

We assign a Short-Term IDR of 'F2' to the bank, the higher of the two possibilities for a 'BBB' Long-Term IDR under our criteria, to reflect that its short-term liquidity profile is supported by good access to central bank facilities given the ECB's accommodative policy. The bank uses Compass's consumer asset-backed securities, retained covered bonds and loans made eligible for central bank funding as collateral. The bank plans to reduce its ECB exposure to EUR4 billion by June 2019.

The group's liquidity position is consistently comfortable and maturities for the next three years are manageable. At end-2016, the liquidity coverage ratio was over 300% and the net stable funding ratio was above 100%. Liquidity is underpinned by a large amount of unencumbered securities of more than EUR11 billion, of which nearly 70% was represented by government bonds, which can be easily repoed or used for central bank refinancing.

Support

Mediobanca's Support Rating of '5' and Support Rating Floor of 'No Floor' is in line with other rated eurozone banks to reflect that senior creditors can no longer rely on receiving full extraordinary support from the sovereign in the event that a bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that require senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Because of its limited retail deposit and lending market shares, a change in the sovereign's propensity to provide support to the banking sector in general would not necessarily mean that the propensity to provide support to Mediobanca changes to the same extent.

Debt Ratings

Fitch rates Mediobanca's senior unsecured debt, including principal protected market-linked notes, in line with Mediobanca's 'BBB+' Long-Term IDR to reflect that a default of these obligations would be treated by Fitch as a default of Mediobanca. The senior unsecured obligations, long-term debt and commercial paper programme, issued by subsidiary Mediobanca International (Luxembourg) SA is also rated in line with Mediobanca's IDRs because we believe that the bank would honour the unconditional and irrevocable guarantee from the parent.

Tier 2 capital notes are rated one notch below Mediobanca's VR to reflect one notch for loss severity and zero notches for non-performance risk. The notes qualify as Tier 2 capital under CRD IV and contain contractual loss absorption features, which will be triggered after the bank becomes non-viable. The one notch for loss severity reflects the below-average recovery prospects for the notes. We apply zero notches for incremental non-performance risk, as the write-down of the notes will only occur once the point of non-viability is reached and there is no coupon flexibility prior to non-viability. The ratings of these notes are sensitive to the same factors that would determine a change to the VR.

Mediobanca Spa
Income Statement

	6 Months - Interim USDm Reviewed - Unqualified	31 Dec 2016 6 Months - Interim EURm Reviewed - Unqualified	30 Jun 2016 Year End EURm Audited - Unqualified	30 Jun 2015 Year End EURm Audited - Unqualified	30 Jun 2014 Year End EURm Audited - Unqualified
1. Interest Income on Loans	830.6	788.0	1,498.2	1,511.7	1,544.1
2. Other Interest Income	186.4	176.8	412.2	583.9	839.9
3. Dividend Income	37.8	35.9	80.5	47.6	84.8
4. Gross Interest and Dividend Income	**1,054.8**	**1,000.7**	**1,990.9**	**2,143.2**	**2,468.8**
5. Interest Expense on Customer Deposits	n.a.	n.a.	117.1	174.6	328.8
6. Other Interest Expense	344.6	326.9	589.0	774.5	990.2
7. Total Interest Expense	**344.6**	**326.9**	**706.1**	**949.1**	**1,319.0**
8. Net Interest Income	**710.2**	**673.8**	**1,284.8**	**1,194.1**	**1,149.8**
9. Net Gains (Losses) on Trading and Derivatives	10.3	9.8	46.9	97.8	(42.2)
10. Net Gains (Losses) on Other Securities	151.0	143.3	96.3	(3.1)	14.9
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	n.a.	n.a.	n.a.
12. Net Insurance Income	19.3	18.3	31.2	24.3	19.9
13. Net Fees and Commissions	174.3	165.4	322.7	366.3	334.8
14. Other Operating Income	n.a.	n.a.	(1.6)	n.a.	n.a.
15. Total Non-Interest Operating Income	**355.0**	**336.8**	**495.5**	**485.3**	**327.4**
16. Personnel Expenses	248.3	235.6	443.3	419.3	379.0
17. Other Operating Expenses	316.6	300.4	547.6	442.2	411.6
18. Total Non-Interest Expenses	**565.0**	**536.0**	**990.9**	**861.5**	**790.6**
19. Equity-accounted Profit/ Loss - Operating	143.2	135.9	276.7	223.9	244.9
20. Pre-Impairment Operating Profit	**643.5**	**610.5**	**1,066.1**	**1,041.8**	**931.5**
21. Loan Impairment Charge	198.1	187.9	402.4	473.4	686.3
22. Securities and Other Credit Impairment Charges	0.8	0.8	18.7	18.7	17.5
23. Operating Profit	**444.6**	**421.8**	**645.0**	**549.7**	**227.7**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.	n.a.
25. Non-recurring Income	103.6	98.3	0.0	125.5	273.5
26. Non-recurring Expense	52.3	49.6	0.0	0.0	0.1
27. Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.	n.a.
28. Other Non-operating Income and Expenses	44.6	42.3	91.3	81.8	n.a.
29. Pre-tax Profit	**540.5**	**512.8**	**736.3**	**757.0**	**501.1**
30. Tax expense	97.8	92.8	128.7	164.2	39.7
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
32. Net Income	**442.7**	**420.0**	**607.6**	**592.8**	**461.4**
33. Change in Value of AFS Investments	(92.3)	(87.6)	(49.7)	(52.2)	340.2
34. Revaluation of Fixed Assets	0.0	0.0	n.a.	n.a.	n.a.
35. Currency Translation Differences	(1.5)	(1.4)	(3.5)	0.1	(0.1)
36. Remaining OCI Gains/(losses)	113.0	107.2	(234.0)	618.4	224.4
37. Fitch Comprehensive Income	**461.9**	**438.2**	**320.4**	**1,159.1**	**1,025.9**
38. Memo: Profit Allocation to Non-controlling Interests	1.9	1.8	3.1	3.1	(3.4)
39. Memo: Net Income after Allocation to Non-controlling Interests	440.8	418.2	604.5	589.8	464.8
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	230.9	212.9	126.8
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	n.a.	0.0	n.a.

Mediobanca Spa
Balance Sheet

		31 Dec 2016	30 Jun 2016	30 Jun 2015	30 Jun 2014
	6 Months - Interim USDm	6 Months - Interim EURm	Year End EURm	Year End EURm	Year End EURm
Assets					
A. Loans					
1. Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
3. Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.	n.a.
4. Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.	n.a.
5. Other Loans	40,488.9	38,411.8	31,494.1	33,831.3	31,633.1
6. Less: Reserves for Impaired Loans	1,633.6	1,549.8	1,458.3	1,482.1	1,323.6
7. Net Loans	**38,855.3**	**36,862.0**	**30,035.8**	**32,349.2**	**30,309.5**
8. Gross Loans	**40,488.9**	**38,411.8**	**31,494.1**	**33,831.3**	**31,633.1**
9. Memo: Impaired Loans included above	2,106.8	1,998.7	1,998.5	1,930.7	1,928.0
10. Memo: Loans at Fair Value included above	n.a.	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets					
1. Loans and Advances to Banks	959.3	910.1	1,259.5	991.5	604.3
2. Reverse Repos and Cash Collateral	8,990.1	8,528.9	11,809.8	9,728.6	10,860.6
3. Trading Securities and at FV through Income	6,331.7	6,006.9	4,361.2	6,162.2	6,465.4
4. Derivatives	5,267.4	4,997.2	6,077.6	6,453.5	6,950.2
5. Available for Sale Securities	7,015.0	6,655.1	8,639.4	8,063.1	8,418.5
6. Held to Maturity Securities	2,169.4	2,058.1	1,975.4	1,311.7	1,659.8
7. Equity Investments in Associates	3,627.2	3,441.1	3,193.3	3,411.4	2,871.4
8. Other Securities	n.a.	n.a.	n.a.	n.a.	n.a.
9. Total Securities	**33,400.8**	**31,687.3**	**36,056.7**	**35,130.5**	**37,225.9**
10. Memo: Government Securities included Above	n.a.	n.a.	8,585.0	7,401.9	8,675.9
11. Memo: Total Securities Pledged	n.a.	n.a.	4,610.1	6,158.5	3,646.9
12. Investments in Property	79.6	75.5	70.7	72.9	67.6
13. Insurance Assets	0.0	0.0	n.a.	n.a.	n.a.
14. Other Earning Assets	n.a.	n.a.	n.a.	n.a.	n.a.
15. Total Earning Assets	**73,294.9**	**69,534.9**	**67,422.7**	**68,544.1**	**68,207.3**
C. Non-Earning Assets					
1. Cash and Due From Banks	2,001.7	1,899.0	319.2	180.4	170.8
2. Memo: Mandatory Reserves included above	211.7	200.8	162.9	131.5	136.9
3. Foreclosed Real Estate	n.a.	n.a.	n.a.	n.a.	n.a.
4. Fixed Assets	242.4	230.0	234.2	235.7	238.5
5. Goodwill	443.2	420.5	416.7	374.1	365.9
6. Other Intangibles	65.1	61.8	36.2	36.2	43.5
7. Current Tax Assets	132.8	126.0	237.4	218.6	385.7
8. Deferred Tax Assets	752.7	714.1	751.3	735.7	711.3
9. Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
10. Other Assets	515.0	488.6	400.9	385.8	341.0
11. Total Assets	**77,448.0**	**73,474.9**	**69,818.6**	**70,710.6**	**70,464.0**
Liabilities and Equity					
D. Interest-Bearing Liabilities					
1. Customer Deposits - Current	15,037.4	14,266.0	7,591.2	6,616.1	5,367.3
2. Customer Deposits - Savings	n.a.	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits - Term	5,291.6	5,020.1	5,477.2	7,116.1	9,409.6
4. Total Customer Deposits	**20,329.0**	**19,286.1**	**13,068.4**	**13,732.2**	**14,776.9**
5. Deposits from Banks	10,583.4	10,040.5	9,908.1	9,317.2	8,452.6
6. Repos and Cash Collateral	5,625.9	5,337.3	7,128.3	8,128.0	4,705.6
7. Commercial Paper and Short-term Borrowings	n.a.	n.a.	n.a.	n.a.	n.a.
8. Total Money Market and Short-term Funding	**36,538.3**	**34,663.9**	**30,104.8**	**31,177.4**	**27,935.1**
9. Senior Unsecured Debt (original maturity > 1 year)	18,859.6	17,892.1	17,133.6	19,075.3	21,571.3
10. Subordinated Borrowing	2,591.2	2,458.3	2,429.5	1,754.2	1,898.6
11. Covered Bonds	n.a.	n.a.	2,250.0	n.a.	n.a.
12. Other Long-term Funding	n.a.	n.a.	n.a.	n.a.	n.a.
13. Total LT Funding (original maturity > 1 year)	**21,450.8**	**20,350.4**	**21,813.1**	**20,829.5**	**23,469.9**
14. Derivatives	5,469.6	5,189.0	5,855.8	6,561.3	7,092.3
15. Trading Liabilities	2,642.7	2,507.1	1,625.6	2,328.8	2,538.4
16. Total Funding	**66,101.4**	**62,710.4**	**59,399.3**	**60,897.0**	**61,035.7**
E. Non-Interest Bearing Liabilities					
1. Fair Value Portion of Debt	n.a.	n.a.	n.a.	(675.0)	(139.9)
2. Credit impairment reserves	n.a.	n.a.	n.a.	n.a.	n.a.
3. Reserves for Pensions and Other	276.0	261.8	180.3	184.5	195.0
4. Current Tax Liabilities	124.9	118.5	207.9	259.9	235.1
5. Deferred Tax Liabilities	381.8	362.2	365.1	365.1	361.1
6. Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
7. Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
8. Insurance Liabilities	163.9	155.5	147.9	127.9	123.7
9. Other Liabilities	762.6	723.5	596.3	684.1	710.6
10. Total Liabilities	**67,810.6**	**64,331.9**	**60,896.8**	**61,843.5**	**62,521.3**
F. Hybrid Capital					
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	0.0	0.0	n.a.
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	0.0	0.0	n.a.
G. Equity					
1. Common Equity	8,315.4	7,888.8	7,687.7	7,323.6	6,968.5
2. Non-controlling Interest	96.8	91.8	89.2	108.0	107.8
3. Securities Revaluation Reserves	311.3	295.3	382.9	432.6	484.8
4. Foreign Exchange Revaluation Reserves	(5.1)	(4.8)	(3.5)	0.0	(0.1)
5. Fixed Asset Revaluations and Other Accumulated OCI	919.0	871.9	765.5	1,002.9	381.7
6. Total Equity	**9,637.4**	**9,143.0**	**8,921.8**	**8,867.1**	**7,942.7**
7. Total Liabilities and Equity	**77,448.0**	**73,474.9**	**69,818.6**	**70,710.6**	**70,464.0**
8. Memo: Fitch Core Capital	9,129.0	8,660.7	8,468.9	8,456.8	7,393.4

Mediobanca Spa
Summary Analytics

	31 Dec 2016 6 Months - Interim	30 Jun 2016 Year End	30 Jun 2015 Year End	30 Jun 2014 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.41	4.46	4.46	4.36
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	0.80	1.14	2.02
3. Interest Income/ Average Earning Assets	3.06	2.92	3.13	3.46
4. Interest Expense/ Average Interest-bearing Liabilities	1.14	1.17	1.56	2.04
5. Net Interest Income/ Average Earning Assets	2.06	1.88	1.74	1.61
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.49	1.29	1.05	0.65
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.06	1.88	1.74	1.61
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	33.33	27.83	28.90	22.16
2. Non-Interest Expense/ Gross Revenues	53.04	55.66	51.30	53.52
3. Non-Interest Expense/ Average Assets	1.57	1.41	1.22	1.08
4. Pre-impairment Op. Profit/ Average Equity	13.50	12.21	12.57	12.56
5. Pre-impairment Op. Profit/ Average Total Assets	1.79	1.51	1.47	1.27
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	30.91	39.50	47.24	75.56
7. Operating Profit/ Average Equity	9.33	7.39	6.63	3.07
8. Operating Profit/ Average Total Assets	1.24	0.92	0.78	0.31
9. Operating Profit / Risk Weighted Assets	1.56	1.20	0.92	0.39
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.29	6.96	7.15	6.22
2. Net Income/ Average Total Assets	1.23	0.86	0.84	0.63
3. Fitch Comprehensive Income/ Average Total Equity	9.69	3.67	13.98	13.83
4. Fitch Comprehensive Income/ Average Total Assets	1.28	0.45	1.64	1.40
5. Taxes/ Pre-tax Profit	18.10	17.48	21.69	7.92
6. Net Income/ Risk Weighted Assets	1.55	1.13	1.00	0.79
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	16.10	15.72	14.19	12.59
2. Tangible Common Equity/ Tangible Assets	11.87	12.21	12.03	10.75
3. Tier 1 Regulatory Capital Ratio	12.27	12.08	11.98	11.08
4. Total Regulatory Capital Ratio	15.74	15.27	14.91	13.76
5. Common Equity Tier 1 Capital Ratio	12.27	12.08	11.98	11.08
6. Equity/ Total Assets	12.44	12.78	12.54	11.27
7. Cash Dividends Paid & Declared/ Net Income	n.a.	38.00	35.91	27.48
8. Internal Capital Generation	9.14	4.22	4.28	4.21
E. Loan Quality				
1. Growth of Total Assets	5.24	(1.26)	0.35	(3.26)
2. Growth of Gross Loans	21.97	(6.91)	6.95	(7.42)
3. Impaired Loans/ Gross Loans	5.20	6.35	5.71	6.09
4. Reserves for Impaired Loans/ Gross Loans	4.03	4.63	4.38	4.18
5. Reserves for Impaired Loans/ Impaired Loans	77.54	72.97	76.76	68.65
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	5.18	6.38	5.30	8.17
7. Impaired Loans less Reserves for Impaired Loans/ Equity	4.91	6.05	5.06	7.61
8. Loan Impairment Charges/ Average Gross Loans	1.05	1.20	1.40	1.94
9. Net Charge-offs/ Average Gross Loans	(0.49)	0.04	(0.52)	(0.43)
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	5.20	6.35	5.71	6.09
F. Funding and Liquidity				
1. Loans/ Customer Deposits	199.17	240.99	246.36	214.07
2. Interbank Assets/ Interbank Liabilities	9.06	12.71	10.64	7.15
3. Customer Deposits/ Total Funding (excluding derivatives)	33.53	24.41	25.27	27.39
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

Mediobanca Spa
Reference Data

	6 Months - Interim USDm	31 Dec 2016 6 Months - Interim EURm	30 Jun 2016 Year End EURm	30 Jun 2015 Year End EURm	30 Jun 2014 Year End EURm
A. Off-Balance Sheet Items					
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	n.a.	n.a.	n.a.
3. Guarantees	432.4	410.2	634.4	412.1	290.9
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	n.a.	n.a.	n.a.
5. Committed Credit Lines	6,385.3	6,057.7	9,408.1	8,305.2	14,695.7
7. Other Off-Balance Sheet items	14,076.3	13,354.2	12,723.2	12,511.2	38,373.9
8. Total Assets under Management	n.a.	n.a.	n.a.	n.a.	n.a.
B. Average Balance Sheet					
Average Loans	37,429.9	35,509.7	33,604.7	33,872.8	35,437.0
Average Earning Assets	68,481.4	64,968.3	68,275.3	68,527.8	71,289.6
Average Assets	71,561.0	67,889.9	70,453.8	70,656.0	73,318.5
Average Managed Securitized Assets (OBS)	n.a.	n.a.	n.a.	n.a.	n.a.
Average Interest-Bearing Liabilities	60,297.0	57,203.8	60,340.3	61,028.1	64,531.4
Average Common equity	8,194.2	7,773.8	7,455.6	7,093.0	6,779.2
Average Equity	9,481.7	8,995.3	8,728.3	8,288.4	7,418.8
Average Customer Deposits	16,209.9	15,378.3	14,578.8	15,321.8	16,238.4
C. Maturities					
Asset Maturities:					
Loans & Advances < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans and Advances 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances > 5 years	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Securities > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Loans & Advances to Banks > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Liability Maturities:					
Retail Deposits < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Other Deposits > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks < 3 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 3 - 12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks 1 - 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Deposits from Banks > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Total Senior Debt on Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
Fair Value Portion of Senior Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing < 3 months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	n.a.	n.a.	n.a.
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	n.a.	n.a.	n.a.
Total Subordinated Debt on Balance Sheet	2,591.2	2,458.3	2,429.5	1,754.2	1,898.6
Fair Value Portion of Subordinated Debt	n.a.	n.a.	n.a.	n.a.	n.a.
D. Risk Weighted Assets					
1. Risk Weighted Assets	56,700.2	53,791.5	53,861.5	59,577.1	58,744.1
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse	n.a.	n.a.	n.a.	n.a.	n.a.
3. Fitch Core Capital Adjusted Risk Weighted Assets	56,700.2	53,791.5	53,861.5	59,577.1	58,744.1
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
5. Fitch Adjusted Risk Weighted Assets	56,700.2	53,791.5	53,861.5	59,577.1	58,744.1
E. Equity Reconciliation					
1. Equity	9,637.4	9,143.0	8,921.8	8,867.1	7,942.7
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	0.0	0.0	n.a.
3. Add: Other Adjustments	n.a.	n.a.	n.a.	n.a.	n.a.
4. Published Equity	9,637.4	9,143.0	8,921.8	8,867.1	7,942.7
F. Fitch Core Capital Reconciliation					
1. Total Equity as reported (including non-controlling interests)	9,637.4	9,143.0	8,921.8	8,867.1	7,942.7
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.0	0.0	(139.9)
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.0	0.0	0.0
4. Goodwill	443.2	420.5	416.7	374.1	365.9
5. Other intangibles	65.1	61.8	36.2	36.2	43.5
6. Deferred tax assets deduction	0.0	0.0	0.0	0.0	0.0
7. Net asset value of insurance subsidiaries	0.0	0.0	0.0	0.0	0.0
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.0	0.0	0.0
9. Fitch Core Capital	**9,129.0**	**8,660.7**	**8,468.9**	**8,456.8**	**7,393.4**

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.