

MEDIOBANCA

*Annual Accounts and Report
as at 30 June 2006*

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 407,760,832.50 FULLY PAID UP - RESERVES € 4,295.8 million

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

Registered as a Bank. Parent Company of the Mediobanca Banking Group

Annual General Meeting

28 October 2006

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BOARD OF DIRECTORS

		Term expires
* GABRIELE GALATERI di GENOLA	CHAIRMAN	2009
* CESARE GERONZI	DEPUTY CHAIRMAN	2007
* DIETER RAMPL	DEPUTY CHAIRMAN	2009
* MATTEO ARPE	DIRECTOR	2009
JEAN AZEMA	"	2009
TARAK BEN AMMAR	"	2009
GILBERTO BENETTON	"	2008
ANTOINE BERNHEIM	"	2008
* VINCENT BOLLORE'	"	2009
* CARLO BUORA	"	2008
GIANCARLO CERUTTI	"	2008
ROBERTO COLANINNO	"	2007
ENNIO DORIS	"	2009
GIANLUIGI GABETTI	"	2007
BERARDINO LIBONATI	"	2007
JONELLA LIGRESTI	"	2007
* FABRIZIO PALENZONA	"	2008
CARLO PESENTI	"	2008
ALESSANDRO PROFUMO	"	2008
* ERIC STRUTZ	"	2008
* Member of Executive Committee		

STATUTORY AUDITORS

ANGELO CASÒ	CHAIRMAN	2009
EUGENIO PINTO	STANDING AUDITOR	2009
ALESSANDRO TROTTER	"	2009
ROBERTO BIANCO	ALTERNATE AUDITOR	2009
GUIDO CROCI	"	2009
ANTONIO IZZI	"	2009

* * *

ALBERTO NAGEL	GENERAL MANAGER
RENATO PAGLIARO	CO-GENERAL MANAGER
	SECRETARY TO THE BOARD

CONSOLIDATED ACCOUNTS

REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the twelve months ended 30 June 2006 reflect a net profit of €858.4m, up 36% on the €632.4m earned in the previous financial year.¹

This was achieved on the back of a major increase in profit from ordinary operations, which rose 40%, from €799.6m to €1,118.3m, and gains on disposals of securities amounting to €87.8m (30/6/05: €40.7m), chiefly sale of the Group's interest in Ciments Français.

There was sharp growth in income of 31% during the twelve months under review, from €1,156.6m to €1,511.7m. The main revenue sources performed as follows:

- net interest income rose by 23%, from €480.2m to €593m, driven by a strong, 17% rise in corporate lending, from €10.5bn to €12.3bn, and vibrant growth in the retail financial services sector, with new loans up 21% to €4.6bn;
- net fee and commission income rose by 26%, from €241.1m to €302.7m, driven by a healthy performance from the corporate and investment banking businesses, which contributed some two-thirds of the total;
- net trading income virtually doubled from €110.1m to €215.7m, and includes €40.8m from the early redemption of bonds convertible into Ciments Français shares, in addition to €22.2m in dividends received on securities held for trading;
- income from companies accounted for on an equity basis rose by 18%, from €285m to €335.3m, reflecting the healthy earnings performance posted by the Assicurazioni Generali group;
- dividends on available for sale (AFS) securities rose by 62%, from €40.2m to €65m.

Strong growth in income, against a modest 10% rise in costs, from €357m to €393.4m, chiefly due to expansion in the retail segment in terms of operations and geographical coverage, led to further appreciable improvement in the cost/income ratio, which reduced from 31% to 26%.

¹ Pro-forma IAS-compliant data as at 30 June 2005 have been used for purposes of comparison.

Bad debt writeoffs rose by 30%, from €92.1m to €119.4m, and are still largely linked to the retail area. The rise reflects growth in new consumer credit loans, an area which is increasingly geared towards higher-profit, higher-risk products such as personal loans and credit cards, in line with market trends.

Tax of €221.5m net of income exempt from and/or subject to reduced taxation (i.e. share of equity-accounted companies' profits attributable to the Group, dividends and gains realized upon disposals) reflects a tax rate of approx. 39%.

These results refer to the first year of the Mediobanca Group's 2006-2008 three-year business plan. Action implemented to date, along with favourable market conditions, has enabled the Group to post results far ahead of objectives, with 31% growth in income, a 40% rise in profit from ordinary activities, and a 36% increase in net profit, way in advance of the targeted CAGR for the three years (13%, 15% and 10% respectively). The bottom-line result in particular has already reached the level forecast for the third year of the plan (€840m).

This trend has been evident in every area of the Group's activity, especially the wholesale banking division, whose performance for the twelve months generated 45% of consolidated income and which was responsible for 54% of the Group's net profit. The growth posted by this division translated to a significant, 52% rise in total income, from €449.8m to €681.8m, 72% growth in profit from ordinary activities, from €294.5m to €505.8m, and a 77% increase in net profit to an all-time high of €467.2m.

Retail financial services, which account for 29% of consolidated total income and 9% of Group net profit, also delivered an exceptionally healthy performance, with the top line up 23%, from €357.7m to €440.8m, profit from ordinary activities up 32%, from €207.9m to €274.4m, and net profit up 19%, from €66.2m to €78.6m, reflecting the higher tax burden.

Total income from private banking operations rose by 14%, from €101.1m to €115.6m, profit from ordinary activity increased by 30%, from €35.5m to €46.2m, and net profit was up 26%, from €34.8m to €44m. During the twelve months Banca Esperia increased assets under management by 10%, from €7.6bn to €8.4bn, and Compagnie Monégasque de Banque grew its AUM by 1%, from €7bn to €7.1bn.

Given the results delivered by the Group's different areas of operation, the increase in consolidated net profit is primarily attributable to banking activity, which rose by 61%, from €365.3m to €589.6m, and accounts for 69% of the total, while the net profit delivered by the Group's equity investment portfolio (i.e. holdings in Assicurazioni Generali and RCS MediaGroup) remained virtually unchanged, up from €267.1m to €268.8m despite the higher tax rate.

DEVELOPMENTS IN THE CAPITAL MARKET

Risk capital raised on financial markets during the twelve months to 30 June 2006 amounted to €10bn, down approx. €6bn compared to last year. Dividends distributed and public tender offers, taken in the aggregate, rose from €37bn to €39bn, meaning that the net flow of funds returned to investors once again recorded an all-time high, this time of almost €29bn:

	12 mths to 30/6/04	12 mths to 30/6/05	12 mths to 30/6/06
	€m	€m	€m
Issues and placements ¹ of:			
ordinary and convertible savings shares	6,741	15,267	9,062
preference and non-convertible savings shares	430	1	830
convertible bonds and bonds with warrants	481	421	153
Total	<u>7,652</u>	<u>15,689</u>	<u>10,045</u>
<i>of which : rights issues:²</i>			
<i>par value</i>	3,134	2,749	3,772
<i>premium</i>	2,311	3,623	3,531
Dividends paid	<u>21,876</u>	<u>22,754</u>	<u>28,165</u>
Public tender offers	<u>780</u>	<u>14,253</u>	<u>10,566</u>
Balance	(15,004)	(21,318)	(28,686)

¹ Excluding placements restricted to professional investors.

² Excluding initial and other public offers, which amounted to €126m in 2003/2004, €301m in 2004/2005 and €351m in 2005/2006, and offers without option rights.

Looking at the movements in the various items in more detail, the downturn in funds raised is due above all to the lack of placements by the Italian Treasury, as in 2004/2005 two tranches of Enel shares had been placed. Several major deals scheduled for June 2006 were also shelved due to changes in market conditions. New share issuance of €7.3bn accounted for some three-quarters of funds raised, and chiefly involved industrials and insurances (57% and 36% of the aggregate respectively). The share premium component fell from 57% to 48%. Issues restricted to employees, which derived mostly from exercise of stock options, fell from €1.2bn to €0.85bn, and involved 58 companies as compared with just 50 in 2004/2005.

Dividends also reached a new all-time high of over €28bn, up 24% on 2004/2005. The payout ratio was 53%, compared with 58%. The largest payouts were again by energy companies and utilities, which distributed €14bn, or roughly half of the total; banks and insurances contributed approximately another one-third, while other companies, chiefly industrials, accounted for barely 13%. However, the number of companies not paying dividends increased from 61 to 81 of the 258 companies listed on the screen-based market, or MTA, which in terms of market capitalization represents 6% of the total, the same percentage as in June 2005.

Net aggregate 2005 earnings by companies listed as at 30 June 2006 totalled €39bn, compared with €27bn in 2004. Around 60% of the €12bn improvement was due to industrial companies. In relative terms the most remarkable progress was recorded by banks, whose earnings rose by 51%, compared with 44% for industrials and 23% for insurances. Half the improvement delivered by industrials was due to higher profits from energy companies, while another 40% was the result of significant non-recurring items. The return on equity (ROE) increased from 15% to 18%, while ROE for companies listed on the STAR segment improved from 8% to 11%. The approx. €4bn increase in profits earned by banks derived chiefly from the 10% rise in operating income, against a less than proportionate increase in operating costs, which meant that the aggregate cost/income ratio improved again, from 70% to 65%; the figures were also boosted by a 28% reduction in loan losses. ROE for banks increased from 10.3% to 11.7%. Insurances recorded a 9% increase in premium income and, more importantly, a 26% rise in investment income, only partly offset by growth of 7% in claims; ROE for companies operating in this sector remained at around 14%. Aggregate net worth for all the listed companies rose by 25%, from €265bn to €330bn, contributing factors in which were retained earnings and funds

raised through rights issues, including as a result of mergers (the UniCredito/HVB and Telecom Italia/TIM deals being particularly important in this regard). Gearing for industrials improved, with the debt/equity ratio declining from 1:1 to 0.9:1, but the share of net worth accounted for by intangible assets remained unchanged at 60% of the total.

Share prices rose by 12% in the year ended 30 June 2006. The total return index, which includes dividends paid out, was 17% higher, with banks the best performers, recording a 30% increase, compared with insurances' return of around 16%, and that of industrials amounting to 10%. The return on shares without voting rights was 14%, and that posted by companies in the STAR segment 19%, whereas small caps returned over 40%. The average daily value of shares traded rose by 31%, from €3.2bn to €4.2bn, while the free float remained stable at 57%, with the turnover rate rising from 19% to 21% against relatively low levels of volatility, i.e. 1.3% on a monthly basis, compared with 1.1% in 2004/2005.

The main listed companies in the leading Western financial markets, all of which posted strong increases in share prices, recorded lower price/dividend ratios and generally stable price/earnings ratios, with Italian and US companies recording improvements in the latter of the two indicators:

	Price/dividends		Price/earnings	
	%		%	
	2005	2006	2005	2006
Benelux**	3.5	3.4	8.5	8.1
France*	2.5	2.2	5.8	5.9
Germany*	2.3	1.8	6.1	5.6
Italy*	3.2	2.8	5.1	6.1
United Kingdom*	3.5	2.7	6.1	6.0
United States*	1.7	1.7	5.0	5.5
Switzerland**	1.7	1.6	5.3	5.0

* Top 50 profitable, dividend-paying companies by market capitalization.

** Top 20 profitable, dividend-paying companies by market capitalization.

NB: – mean indicators are based on share prices as at 31 March 2006. Year-on-year changes in stock market prices on the main financial markets in the twelve months to 31 March 2006 may be summarized in the following percentage increases on the countries' respective equity indexes: Italy up 18% (Mediobanca MTA), Switzerland up 35% (SMI), Netherlands up 27% (AEX), Germany up 36% (CDAX), United States up 10% (S&P 500), Belgium up 28% (BAS), France up 31% (SBF 250), United Kingdom up 24% (FTSE All-Share).

Assets managed by funds incorporated under Italian law (including funds of funds) declined from €372bn in June 2005 to €344bn in June 2006. Management of funds led to a net return of €8bn, or some 2%, but this was not sufficient to offset redemptions outweighing subscriptions by €36bn. Portfolio composition also reflects a further reduction in Italian government securities, which now account for 4.8 percentage points less of the total, compared with non-Italian securities (equities and fixed-income securities, up 1.9 points), sundry financial instruments (up 2 points), and to a lesser degree, Italian securities (bonds and equities, up 0.9 points). Round trips, i.e. harmonized funds incorporated under non-Italian law but promoted by Italian managers (including funds of funds), performed better, with net inflows of €20.5bn and a gross return of around €5bn. Assets held in such funds, which for the most part are registered in Luxembourg, totalled €185bn as at 30 June 2006, compared with €159.5bn twelve months previously.

The aggregate market capitalization of companies listed on the MTA rose from €581bn to €697bn, with the free float up from €330bn to €396bn. This chiefly reflects: approx. €25bn in new share issuance following the merger between UniCredit and HVB, a net surplus of approx. €5bn due to new registrations (15 companies) net of removals from the list (12 companies), some €10bn representing the value of shares issued under the terms of rights issues, and some €9bn due to companies formerly listed on the Nuovo Mercato being registered on the MTA (as from 16 September 2005), while the remaining €67bn increase is due to rises in share prices.

* * *

The consumer credit market in Italy grew by 21% in the twelve months in terms of new loans. For the current year further sharp growth is anticipated, albeit at slower rates than in previous years. Estimates for new loans by product in 2006 are set out below, along with the figures for the past two years for purposes of comparison:

	2004		2005		2006E	
	€m	%	€m	%	€m	%
Vehicle credit	18,116	46.0	20,185	42.4	21,419	39.8
Personal loans	8,601	21.9	10,890	22.9	12,681	23.6
Specific purpose loans ...	5,573	14.2	5,447	11.4	5,612	10.4
Credit cards	4,638	11.8	7,652	16.1	8,941	16.6
Other loans	2,413	6.1	3,425	7.2	5,182	9.6
	<u>39,341</u>	<u>100.0</u>	<u>47,599</u>	<u>100.0</u>	<u>53,835</u>	<u>100.0</u>

Source: Assofin.

The mortgage lending market in Italy confirmed the healthy trend of recent years, but it too showed signs of slowing. Bank of Italy figures show an increase of 14.5% in new mortgages for the 12 months ended 31 March 2006, from €49.1bn to €56.2bn, compared with 17.4% during the previous twelve-month period.

The Italian leasing industry in 2005 reflected growth of 16% in new finance, from €38.0bn to €44.2bn. Changes to the method of indirect taxation of disposal and leasing of properties contemplated under the first draft of Italian Decree Law 233/06 led to a suspension of activities in the real estate sector during the third quarter of the year. Amendments to the bill introduced upon its conversion into law should enable commercial activities to be resumed in this sector, with estimates for 2006 that could disappoint expectations of around 8% growth set at the start of the year.

CONSOLIDATED FINANCIAL STATEMENTS*

The consolidated profit and loss account and balance sheet have been restated to provide the most accurate reflection of the Group's operations. The results are also presented in the format recommended by the Bank of Italy in the annex hereto, along with further details on how the various items have been restated.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/05 (Italian GAAP)	12 mths to 30/6/05 pro-forma**	12 mths to 30/6/06	Change 2005/2006
	€m	€m	€m	%
Net interest income	509.6	480.2	593.0	+23
Net trading income	169.6	110.1	215.7	+96
Net fee and commission income	207.8	241.1	302.7	+26
Dividends on AFS securities	127.4	40.2	65.0	+62
Share of profits earned by equity-accounted companies	6.3	285.0	335.3	+18
TOTAL INCOME	1,020.7	1,156.6	1,511.7	+31
Operating costs	(348.2)	(357.0)	(393.4)	+10
PROFIT FROM ORDINARY ACTIVITIES	672.5	799.6	1,118.3	+40
Gain (loss) on disposal of AFS securities ...	39.0	40.7	87.8	n.m.
Gain (loss) on disposal of other securities ...	4.2	—	2.6	n.m.
Bad debt writeoffs	(99.2)	(92.1)	(119.4)	+30
Net writebacks to investment securities	56.1	—	—	—
PRE-TAX PROFIT	672.6	748.2	1,089.3	+46
Income tax for the period	(122.7)	(107.4)	(221.5)	n.m.
Minority interest	(9.6)	(8.4)	(9.4)	+12
NET PROFIT	540.3	632.4	858.4	+36
<i>of which: banking</i>		365.3	589.6	+61
<i>equity investment portfolio</i>		267.1	268.8	+1

* For methods according to which data have been restated, see section entitled "Significant accounting policies".

** Includes estimated impact of adopting IAS 39.

CONSOLIDATED BALANCE SHEET

	1/7/05	30/6/06
	€m	€m
Assets		
Treasury funds	3,359.8	6,320.6
AFS securities	7,037.2	5,502.7
<i>of which: fixed income</i>	4,445.0	2,833.9
<i>equities</i>	2,426.2	2,423.0
Financial assets held to maturity	239.0	626.5
Loans and advances to customers	18,171.7	21,388.1
Equity investments	2,137.6	2,354.9
Tangible and intangible assets	310.6	305.7
Other assets	524.5	510.2
<i>of which: tax assets</i>	133.3	321.5
Total assets	31,780.4	37,008.7
Liabilities		
Funding	24,502.5	29,067.7
<i>of which: debt securities in issue</i>	15,173.6	21,118.0
Other liabilities	854.9	915.3
<i>of which: tax liabilities</i>	468.8	645.6
Provisions	189.7	191.3
Net equity	5,519.3	5,976.0
<i>of which: share capital</i>	397.5	406.0
<i>reserves</i>	5,042.5	5,480.8
<i>minority interest</i>	79.3	89.2
Profit for the year	714.0 ¹	858.4
Total liabilities	31,780.4	37,008.7
<i>Tier 1 capital</i>	5,135.4	5,743.7
<i>Regulatory capital</i>	6,335.4	6,954.2
<i>Tier 1 capital/risk-weighted assets</i>	15.85%	14.24%
<i>Regulatory capital/risk-weighted assets</i>	19.56%	17.24%
<i>No. of shares in issue (millions)</i>	795	812

¹ Difference from profit including estimated impact of adopting IAS 39 (i.e. €632.4m) taken to net equity reserves.

Balance-sheet data and profit-and-loss figures by division

30/6/06	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income	180.6	398.3	22.1	(6.8)	593.0
Dividends on AFS securities	65.0	—	—	—	65.0
Net trading income	205.3	1.4	10.7	—	215.7
Net fee and commission income	215.2	41.1	82.8	—	302.7
Share of profits earned by equity-accounted companies	15.7	—	—	310.5	335.3
TOTAL INCOME	681.8	440.8	115.6	303.7	1,511.7
Labour costs	(105.4)	(66.2)	(41.8)	(3.1)	(208.7)
Administrative expenses	(70.6)	(100.2)	(27.6)	(2.3)	(184.7)
OPERATING COSTS	(176.0)	(166.4)	(69.4)	(5.4)	(393.4)
PROFIT FROM ORDINARY ACTIVITIES	505.8	274.4	46.2	298.3	1,118.3
Gain (loss) on disposal of AFS securities	85.9	—	1.9	—	87.8
Gain (loss) on disposal of equity investments ...	2.2	—	—	—	2.2
Gain (loss) on disposal of other assets	(0.2)	—	0.6	—	0.4
Bad debt writeoffs	(4.5)	(115.2)	0.2	—	(119.4)
PRE-TAX PROFIT	589.2	159.2	48.9	298.3	1,089.3
Income tax for the year	(122.5)	(69.8)	(4.9)	(29.5)	(221.5)
Minority interest	0.5	(10.8)	—	—	(9.4)
NET PROFIT	467.2	78.6	44.0	268.8	858.4
Balance-sheet data					
AFS securities	4,065.8	—	1,456.7	—	5,502.7
Equity investments	146.8	—	—	2,173.4	2,354.9
Loans and advances to customers:	15,855.9	8,799.4	452.5	—	21,388.1
<i>of which: to Group companies</i> ...	<i>3,608.4</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Risk-weighted assets	30,218.5	7,305.8	831.1	1,973.9	40,329.3
No. of employees	418	1,026	274 *	—	1,684
Cost/income ratio (%)	26	38	60	2	26

* Includes 83 staff employed by Banca Esperia pro-forma not included in the Group total.

Notes:

- 1) Divisions comprise:
 - *wholesale banking*: Mediobanca S.p.A., Mediobanca International and Prominvestment;
 - *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer credit); SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
 - *private banking*: Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma;
 - *equity investment*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.
- 2) Data included in the table have been compiled on a IAS/IFRS-compliant basis.
- 3) Sum of divisional data differs from Group total due to:
 - Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;
 - adjustments/differences arising on consolidation between different business areas.

30/6/05	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures (pro-forma)					
Net interest income	145.5	326.3	18.8	(8.8)	480.2
Dividends on AFS securities	40.2	—	—	—	40.2
Net trading income	99.6	—	11.0	—	110.1
Net fee and commission income	164.1	31.4	70.5	—	241.1
Share of profits earned by equity-accounted companies	0.4	—	0.8	278.6	285.0
TOTAL INCOME	449.8	357.7	101.1	269.8	1,156.6
Labour costs	(100.5)	(61.4)	(42.0)	(3.0)	(200.7)
Administrative expenses	(54.8)	(88.4)	(23.6)	(2.9)	(156.3)
OPERATING COSTS	(155.3)	(149.8)	(65.6)	(5.9)	(357.0)
PROFIT FROM ORDINARY ACTIVITIES	294.5	207.9	35.5	263.9	799.6
Gain (loss) on disposal of AFS securities	38.5	—	2.2	—	40.7
Gain (loss) on disposal of other securities	—	—	—	—	—
Bad debt writeoffs	—	(92.1)	—	—	(92.1)
PRE-TAX PROFITS	333.0	115.8	37.7	263.9	748.2
Income tax for the year	(68.6)	(41.3)	(2.9)	3.2	(107.4)
Minority interest	—	(8.3)	—	—	(8.4)
NET PROFIT	264.4	66.2	34.8	267.1	632.4
Balance-sheet data					
AFS securities	5,831.3	—	1,306.6	—	7,037.2
Equity investments	133.1	—	—	1,979.9	2,137.6
Loans and advances to customers	13,288.0	7,287.8	528.7	—	18,171.7
<i>of which: to Group companies</i>	<i>2,813.2</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Risk-weighted assets	24,535.3	6,158.2	814.5	1,835.1	33,343.1
No. of employees	409	989	262 *	—	1,636
Cost/income ratio (%)	34	42	65	2	31

* Includes 70 staff employed by Banca Esperia pro-forma not included in the Group total.

BALANCE SHEET

The following is a review of movements in the main balance-sheet items during the twelve months under review (Mediobanca accounts for approximately three-quarters of the total):

Funding — this item rose from €24,502.5m to €29,067.7m during the twelve months, reflecting an increase in debt securities in part offset by a reduction in current account balances, which virtually halved, from €2,777.5m to €1,386.2m, due to repayment of matched lending transactions with customers amounting to €1,514.3m. Debt securities in issue rose by almost 40%, from €15,173.6m to €21,118m, after new issues and accruals worth €9,277.9m, net redemptions of €3,607.1m, value adjustments (to fair value, amortized cost and exchange rates) totalling €474.3m, and market acquisitions of €200.7m.

Loans and advances to customers — these rose by over €3bn, from €18,171.7m to €21,388.1m, despite the matched lending transaction repayments of €1.5bn referred to earlier. There was growth on both the retail and corporate sides, in line with the Group's strategic objective of increasing business volumes.

	1/7/05	30/6/06	Change
	€m	€m	%
Corporate	10,500.1	12,268.8	+17
Retail	7,262.7	8,778.3	+21
- of which: consumer credit	2,590.6	3,216.2	+24
mortgage lending	1,310.8	1,682.0	+28
leasing	3,301.8	3,817.4	+16
Other (CMB)	408.9	341.0	-17
TOTAL LOANS AND ADVANCES TO CUSTOMERS	18,171.7	21,388.1	+18

At the reporting date 57% of the Group's loan book was made up of corporate loans and structured finance (30/6/05: 58%), 23% of consumer credit (22%), and 18% of leasing (18%), while the other 2% was accounted for by loans disbursed by Compagnie Monégasque de Banque (2%). As at 30 June 2006 there were a total of ten significant exposures (including securities and equity investments), i.e. above 10% of regulatory

capital, to groups of companies, unchanged from last year. These totalled €10,619.3m (€10,820.5m).

Equity investments — accounting for investments in associates by the equity method, which involves reporting the Group's share in profits earned by associates plus any changes to equity occurring during the period, led to a rise of €217.3m in this item, from €2,137.6m to €2,354.9m, €177.7m of which is attributable to Assicurazioni Generali, €15.8m to RCS MediaGroup, €15.2m to Cartiere Burgo, and €10.1m to Banca Esperia. At 30 June 2006 the portfolio reflected a gain of €3,352.4m (30/6/05: €3,258m), which, based on current prices, rises to €3,522.6m.

	Percentage shareholding*	Book value	Market value based on prices at 30/6/06	Gain
	%	€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	14.11	1,888.5	5,110.9	3,222.4
RCS MediaGroup, <i>ordinary</i>	13.66	284.9	414.9	130.0
		<u>2,173.4</u>	<u>5,525.8</u>	<u>3,352.4</u>
OTHER INVESTMENTS				
Banca Esperia	48.50	34.6		
Cartiere Burgo	22.13	101.2		
Athena Private Equity class A	23.88	33.9		
MB Venture Capital Fund I Participating Company ANV class B	45.0	9.5		
Fidia	25.0	2.3		
		<u>181.5</u>		
		<u>2,354.9</u>		

* Of entire share capital.

Financial assets held to maturity — this item represents the share of the Group's debt security portfolio destined to be held over the long term. An increase of €387.5m was recorded, from €239m to €626.5m.

AFS securities — the €1,534.5m reduction in this item, from €7,037.2m to €5,502.7m, chiefly involved debt securities, which declined from

€4,445m to €2,833.9m, leading to a net loss of €0.5m on this portfolio for the year, as the balance between losses of €14.5m on disposal of securities and gains of €14m due to withdrawals from reserves. Adjustment to fair value based on prices at the reporting date led to a further reduction of €21.1m in reserves.

Equities remained stable at €2,423m (30/6/05: €2,426.2m), after upward adjustments to fair value at the reporting date amounting to €165.8m, and net divestments totalling €169m. The main movements in the portfolio were as follows:

- disposal of the Group's entire shareholding in Ciments Français for €247.1m, and the sale of a 3.31% stake in Ferrari at book value for €75.4m;
- subscription for: 6% in Delmi, the investment vehicle through which AEM and EdF control Edison, involving an outlay of €110m; 10% of Autostrade Sud America, a company jointly-owned by Autostrade and SIAS with 45% each, which currently operates a stretch of the motorway network in Chile, involving an outlay of €10m; and 9.9% of Perseo, an investment company owned by Fondazione CRT, Assicurazioni Generali and Aviva Italia, involving an outlay of €12.1m;
- net investments of €37.2m in sundry equities in connection with capital market transactions or over a medium-term horizon;
- investments of €5m in private equity ventures in which Mediobanca has an interest;
- acquisition of a stake in the Istituto Europeo di Oncologia, for a consideration of €3.4m.

Movements in this portfolio during the twelve months yielded a net gain of €88.3m, chiefly attributable to income of €103m from the Ciments Français disposal, and losses of €28.1m incurred in connection with partial adjustment of the book value of Telecom Italia securities owned by the Group.

In June 2006, agreements between Fiat and the consortium responsible for placing shares in Ferrari, whereunder Fiat holds a call option in the event of Ferrari not being listed, were extended for a further three months.

A net upward adjustment to fair value based on prices at 30 June 2006 led to an increase of €165.8m in the relevant equity reserve:

	€m
Fiat	93.1
Gemina	48.0
Commerzbank	37.6
Italmobiliare	32.7
Fondiaria - SAI	24.4
Banca Intesa	20.0
Toro	9.7
Finmeccanica	8.1
Pirelli	(43.5)
Telecom Italia (ordinary and savings)	(70.5)
Others	6.2
	165.8
	165.8

Subsequent to the reporting date, the Group subscribed for a 19.2% interest in Speed, the vehicle company set up to acquire 39% of Pirelli Tyre, involving an outlay of €63.9m.

Treasury funds — these increased from €3,359.8m to €6,320.6m. The heading comprises: €266.2m in cash and cash equivalents, €4,768.1m in securities and €1,286.3m in short-term applications of funds, e.g. repos etc. Movements during the twelve months and value adjustments to the portfolio, including derivatives, led to a net gain of €193.5m for the year, €40.8m of which in respect of the bond issue convertible into Ciments Français shares, plus a further €22.2m in dividends.

Tangible and intangible assets — a property owned by Compagnie Monégasque de Banque was sold in the course of the year, involving a divestment of €3m and yielding a gain of €0.5m.

An updated list of the properties owned by the Group is provided below:

	Floor space	Book value	Book value per sq.m
	sq.m	(€'000)	(€'000)
Milan:			
– Piazzetta Enrico Cuccia, 1	6,874	16,467.5	2.4
– Via Filodrammatici, 3, 5, 7 - Piazzetta Bossi, 1	11,093	66,430.1	6.0
– Piazza Paolo Ferrari, 6	1,967	4,352.3	2.2
– Foro Buonaparte, 10	2,932	8,075.0	2.8
– Via Siusi, 1-7	5,300	4,668.2	0.9
Roma:			
– Piazza di Spagna, 15	8,228	29,404.9	3.6
– Via Nomentana, 146	3,202	9,416.4	3.8
Vicenza:			
– Via Btg. Framarin, 4	4,239	5,302.3	1.3
Monaco	8,166	135,713.5	16.6
Others.....	3,871	3,287.7	0.8
	<u>55,872</u>	<u>283,118.0</u>	

Provisions — this heading comprises the provision for liabilities and charges, which rose from €153.3m to €156.6m, and the staff severance indemnity provision, which reduced from €36.2m to €34.7m as a result of staff turnover and actuarial adjustments.

Net equity — the share of net equity attributable to the Group rose by €446.8m, from €5,440m to €5,886.8m, as the balance between retained earnings from the previous financial year amounting to €325m, and new share issuance from the exercise of stock options totalling €146.6m, less the €24.8m reduction in the valuation reserves. The AFS valuation reserve in particular fell from €333m to €311.9m, due to the €163.2m withdrawal in connection with disposals effected during the twelve months (chiefly Ciments Français), against a €142.1m increase due to assets being recognized at fair value as at the reporting date net of the related tax effects; the cash flow hedge reserve stood at €25.8m (30/6/05: €30.8m). Regulatory capital rose from €6,335.4m to €6,954.2m, and includes reserves deriving from first-time adoption of IAS/IFRS, plus the proposed allocation of profits by Mediobanca.

PROFIT AND LOSS ACCOUNT

Net interest income — this rose by 23%, from €480.2m to €593m, on the back of higher lendings from both corporate banking and the Compass group, plus an improved return from treasury management following the rise in interest rates. Some two-thirds of consolidated net interest income is generated by retail operations, with the remainder coming from corporate finance.

Net trading income — this item virtually doubled, from €110.1m to €215.7m, and comprises dealing profits of €141.7m (€40.8m of which in connection with early redemption of the bond issue convertible into Ciments Français shares), €51.8m from the marking of the trading book to market as at the reporting date, and dividends amounting to €22.2m:

	30/6/05 pro-forma	30/6/06	Change
	€m	€m	%
Dealing profits	114.0	141.7	+24
Mark-to-market as at reporting date ..	(21.8)	51.8	n.m.
Dividends	17.9	22.2	+24
	<u>110.1</u>	<u>215.7</u>	<u>+96</u>

Around 60% of the income was generated through equities trading and 40% from fixed-income securities, with exchange rate trading still marginal.

	30/6/05 pro-forma	30/6/06	Change
	€m	€m	%
Fixed-income	(15.9)	86.9	n.m.
Equities	113.2	127.4	+12
– of which: Ciments Français	—	40.8	—
Exchange rates	12.8	1.4	n.m.
	<u>110.1</u>	<u>215.7</u>	<u>+96</u>

Net fee and commission income — the increase in this item, from €241.1m to €302.7m, is largely attributable to corporate and investment banking fees earned by Mediobanca, which account for approx. 70% of the total and which rose by 31%, from €164.1m to €215.2m due to the positive trend recorded by all business areas. The heading also includes €41.1m in

commissions earned by the Compass group (30/6/05: €31.5m) and €46.4m by other Group companies (chiefly Compagnie Monégasque de Banque).

Operating costs — the 10% increase here, from €357m to €393.4m, is chiefly linked to implementation of plans to expand the Group's activities, which led *inter alia* to the opening of 11 Compass group branches during the year under review, in addition to various upgrades to IT systems and new staff recruitments (the Group's headcount rose from 1,636 to 1,684). The item comprises:

- labour costs, up from €200.7m to €208.7m, including €8.2m in respect of directors (30/6/05: €7.8m) and €5.5m relating to stock options (€14.6m), the lower cost of which is due to the vesting period on the majority of previous awards having expired, as well as to the lack of awards in the year ended 30 June 2005. Net of such costs the increase was 9%;
- growth in sundry costs and expenses, from €156.3m to €184.7m, is due to expansion by the Compass group and non-recurring charges of over €11m, consisting mainly of actuarial adjustments to Group company staff long service bonuses totalling €4.6m, and bankers at Banca Esperia cashing in commitments given under the terms of the stock option scheme for an amount of €3.3m. The chief item here, in addition to ordinary depreciation charges of €12.9m (€13.2m), is administrative charges totalling €155.4m (€138.8m), which break down as follows:

	30/6/05	30/6/06
	€m	€m
EDP and financial information subscriptions	28.5	40.8
Outside service and consultancy fees	15.0	18.5
Rent, equipment leasing and maintenance charges ...	18.1	14.9
Stationery, publication costs and utilities	12.2	14.1
Advertising	14.0	13.9
Bad debt recoveries and legal fees	10.6	6.5
Bank charges	8.1	12.4
Travel, transport and entertainment	6.5	5.8
Others	25.8	28.5
	138.8	155.4

Bad debt writeoffs — these are due as to €115.2m to the Compass group (30/6/05: €92.1m), and as to €4.5m to provisions set aside on a prudential

basis to cover performing loans in respect of export finance transactions, also covered by fees in a like amount which have already been collected.

Review of Group businesses

A review of the Group's performance in its main areas of operation is provided below in the customary format. It should be noted that as from the year ended 30 June 2005, the equity investment portfolio contains only the Group's holdings in Assicurazioni Generali and RCS MediaGroup, while all other investments have been reallocated to the wholesale banking division.

Wholesale banking

	12 mths to 30/6/05 pro-forma	12 mths to 30/6/06	Change
	€m	€m	%
Net interest income	145.5	180.6	+24
Dividends on AFS equities	40.2	65.0	+62
Net trading income	99.6	205.3	+106
Net fee and commission income	164.1	215.2	+31
Share of profits earned by equity-accounted companies.....	0.4	15.7	n.m.
TOTAL INCOME	449.8	681.8	+52
Operating costs	(155.3)	(176.0)	+13
PROFIT FROM ORDINARY ACTIVITIES	294.5	505.8	+72
Other items	38.5	83.9	n.m.
Taxation for the year	(68.6)	(122.5)	+79
NET PROFIT	264.4	467.2	+77
Cost/income ratio (%).....	34	26	
Bad loans/total loans	=	=	
	1/7/05	30/6/06	Change
	€m	€m	%
Treasury funds	2,920.2	6,112.6	n.m.
AFS securities.....	5,831.3	4,065.8	-30
Financial assets held to maturity	239.0	626.5	n.m.
Equity investments	133.1	146.8	+10
Loans and advances to customers	13,288.0	15,855.9	+19
<i>of which: to Group companies...</i>	<i>2,813.2</i>	<i>3,608.4</i>	<i>+28</i>
Funding	18,247.4	22,433.8	+23

This division recorded a net profit of €467.2m for the twelve months, up 77% from the €264.4m recorded one year previously, due to a significant, 72% rise in profit from ordinary activities, from €294.5m to €505.8m, and gains on disposals amounting to €88.1m (30/6/05: €38.5m) chiefly attributable to the disposal of the Group's holding in Ciments Français referred to above.

Sharp, 52% growth in total income, from €449.8m to €681.8m, reflects a healthy contribution from all revenue sources:

- net interest income rose by 24%, from €145.5m to €180.6m, due to higher lendings, which were up 19%, from €13.3bn to €15.9bn;
- net trading income rose from €99.6m to €205.3m, including €40.8m linked to early redemption of a bond issue convertible into Ciments Français shares;
- net fee and commission income climbed 31%, from €164.1m to €215.2m, led by advisory fees which improved by 82%, from €37m to €67.2m, and lending commissions, which rose by 58%, from €43.2m to €68.1m; capital markets also made a sizeable contribution to this area of €79.9m, compared with €83.9m last year;
- dividends received on AFS securities grew by 62%, from €40.2m to €65m;
- income from investments accounted for on an equity basis amounted to €15.7m, reflecting a sizeable contribution in particular from Cartiere Burgo on the back of one-off items.

A rise in operating costs of just 13%, from €155.3m to €176m, drove a reduction in the cost/income ratio from 34% to 26%.

Lending and structured finance — in line with the Group's strategic objectives, loans to corporate customers (excluding intra-group loans) rose by 17%, from €10.5bn to €12.3bn, ahead of schedule with respect to the three-year target of a €14bn loan book. This was obtained by expanding the share of lendings to clientèle outside Italy, *inter alia* through the efforts of the Paris branch, which increased from just under 7% to 18% of the entire Group loan book, including as a result of increased involvement in loan syndication. In this latter area the Group's traditional activities of book-runner and arranger of club deals went on apace, with volumes of €18.9bn (30/6/05: €17.5bn) being recorded.

Growth in volumes was not achieved at the expense of asset quality, as there were no new non-performing or potential problem loans during the year. Overall the lending area contributed just under one-third of the wholesale banking division's total income.

Funding and treasury accounts — Funding rose from €18,247.4m to €22,433.8m, and comprised: €21,118.8m in debt securities, €355.4m in deposits and current accounts, and €959.6m in other funds. Treasury accounts consist of €154.2m in cash and liquid assets, €4,669.9m in securities, and €1,288.5m in other net short-term applications of funds (repos etc.). This area generated around 40% of the wholesale banking division's total income, via proprietary and client trading activities, as well as through interest rate risk management.

Investment banking — Mediobanca retains a leading position in all the main market segments, with improved business volumes which impacted positively on fee income flows. On the equity capital market side, the Bank lead-managed thirteen placing and underwriting syndicates worth €18.3bn (30/6/05: €18.9bn); as advisor the Group received a total of 58 mandates worth approx. €107bn (€41bn), while in terms of client trading securities worth a total of €25.8bn (€29.2bn) were traded, €22.3bn (€18.6bn) of which involved equities.

Equity investments and AFS securities — This portfolio brings together the Group's holdings in AFS securities plus its equity-accounted investments in associate companies Cartiere Burgo, Athena, Fidia and MB Venture Capital. At 30 June 2006 the portfolio was worth €2,550.8m (30/6/05: €2,538.8m) after adjustments to fair value as at the reporting date amounting to €165.8m, and adjustments to the pro-rata share of net equity totalling €15m net of dividends collected. A net divestment of €168.8m for the period was recorded, at a net gain of €90.6m (following a €149.6m reversal from the fair value reserve), which was chiefly attributable to the Ciments Français disposal. Movements in the portfolio for the twelve months under review are described on p. 22.

Accordingly, the AFS securities portfolio is made up as follows:

	Percentage shareholding*	Book value at 30/6/06	Adjustments to fair value	Aggregate AFS reserve
Fiat	1.94 ÷ 1.66	220.2	93.1	99.0
Telecom Italia ¹	1.54 ÷ 1.06	445.8	(66.3)	(76.6)
Pirelli	4.5 ÷ 4.38	157.3	(43.5)	(14.3)
Italmobiliare	9.5 ÷ 5.47	142.8	32.7	108.2
Banca Intesa	0.45 ÷ 0.39	123.2	20.0	23.7
Gemina	12.66 ÷ 12.53	121.8	48.0	66.1
Fondiarria-SAI	1.92 ÷ 1.45	82.0	24.4	47.8
Mediolanum	1.96	78.6	4.7	1.9
Finmeccanica	0.97	71.7	8.1	10.3
Toro Assicurazioni	1.85	70.2	9.7	9.7
Other listed securities		286.0	35.1	53.6
TOTAL LISTED SECURITIES.....		1,799.6	166.0	329.4
Ferrari	19.19	437.6	—	—
Delmi	6.0	110.0	—	—
Other unlisted securities		56.8	(0.2)	0.8
TOTAL UNLISTED SECURITIES		604.4	(0.2)	0.8
		2,404.0	165.8	330.2

* First figure refers to percentage of shares held in respective category; second figure refers to percentage of total share capital held.

¹ Trading involving 102.5 million shares during the period led to a loss of €28.1m.

Regarding the associate, equity-accounted companies:

Cartiere Burgo: adjustment to pro-rata equity for the period led to a gain of €15m being booked; as at 30 June 2006 the Group's holding in this company, which amounts to 22.13% of its share capital, was carried at a value of €101.2m.

Scontofin: the Group's entire 20% shareholding in this company was sold in June 2006 for a consideration of €2.2m, which resulted in a gain of a like amount.

Equity investment portfolio

The Group's share in the profits earned by the two companies included in our equity investment portfolio during the twelve months* rose from €278.6m to €310.5m, up 11%, which was entirely attributable to the holding in Assicurazioni Generali. In view of the current and projected stability of the two investments, the tax burden has been calculated at the new rate of 5.28% which will come into force as from 1 January 2007, and resulted in an €18.6m increase in corporate gains tax.

With respect to the two shareholdings:

- *Assicurazioni Generali*: as at 30 June 2006 this investment, which amounts to 14.11% (30/6/05: 14.12%) of the company's share capital, was carried at an overall value of €1,888.5m (€1,710.8m), which includes the Group's pro-rata share in the profit earned by Generali (€287.6m) net of the dividend collected (€97.3m).
- *RCS MediaGroup*: at the reporting date the Group held a 14.21% interest in the ordinary share capital of RCS MediaGroup and 13.66% of its total share capital. The holding was carried at €284.9m after profit for the period of €22.9m and reversal of the dividend amounting to €11.4m.

Retail financial services (consumer credit and leasing)

	12 mths to 30/6/05	12 mths to 30/6/06	Change
	€m	€m	%
Total income	357.7	440.8	+23
Operating costs.....	(149.8)	(166.4)	+11
PROFIT FROM ORDINARY ACTIVITIES.....	207.9	274.4	+32
Bad debt writeoffs	(92.1)	(115.2)	+25
Income tax for the year	(41.3)	(69.8)	+69
Profit attributable to minorities	(8.3)	(10.8)	+30
NET PROFIT.....	66.2	78.6	+19
Loans and advances to customers	7,286.1	8,799.4	+21
New loans.....	3,782.9	4,579.7	+21
No. of branches	124	135	—
Cost/income ratio (%)	42	38	—
Impaired assets/total loans (%)	0.77	0.91	—

* From 1 April 2005 to 31 March 2006.

The Compass group's consolidated highlights for the twelve months ended 30 June 2006 reflect a 32% increase in profit from ordinary activities, from €207.9m to €274.4m. The 23% increase in total income, from €357.7m to €440.8m, reflects the buoyant market trend in the consumer credit segment particularly, with new loans up 21%. Higher costs of €166.4m, up from €149.8m, reflect the increased levels of operation, as well as expansion of the group's distribution network, which now comprises 135 branches, with 11 new branches added during the year, 10 in consumer credit and 1 in mortgage lending. Net profit grew by 19%, to €78.6m, despite a 25% increase in bad debt writeoffs, from €92.1m to €115.2m, reflecting a change in the Compass group's loan book's risk profile, which increasingly is geared towards personal loans (these accounted for around 40% of new loans in the period). Credit quality, however, remains unchanged, with the impaired assets/total loans ratio reflecting a ratio of 0.91%. Higher tax is the result of loan losses no longer being deductible for tax purposes with respect to IRAP (Italian regional production tax).

A breakdown of this division's results by business segment is provided below:

Retail financial services 30/6/06	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	321.9	37.1	359.0	81.8	440.8
Operating costs	(117.2)	(18.3)	(135.5)	(30.9)	(166.4)
PROFIT FROM ORDINARY ACTIVITIES	204.7	18.8	223.5	50.9	274.4
Provisions and loan losses	(101.9)	(4.9)	(106.8)	(8.4)	(115.2)
Profit attributable to minorities	—	—	—	(10.8)	(10.8)
Taxation for the period	(45.7)	(6.1)	(51.8)	(18.0)	(69.8)
NET PROFIT	57.1	7.8	64.9	13.7	78.6
New loans	2,324.2	517.8	2,842.0	1,737.7	4,579.7
Loans and advances to customers	3,277.2	1,683.4	4,960.6	3,838.8	8,799.4
No. of branches	103	22	125	10	135
No. of employees	650	170	820	206	1,026

Retail financial services 30/6/05	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income.....	258.4	27.3	285.7	72.0	357.7
Operating costs	(104.7)	(15.4)	(120.1)	(29.7)	(149.8)
PROFIT FROM ORDINARY ACTIVITIES ..	153.7	11.9	165.6	42.3	207.9
Provisions and loan losses	(79.3)	(3.7)	(83.0)	(9.1)	(92.1)
Profit attributable to minorities	—	—	—	(8.3)	(8.3)
Taxation for the year	(26.2)	(2.0)	(28.2)	(13.1)	(41.3)
NET PROFIT	48.2	6.2	54.4	11.8	66.2
New loans	1,895.2	432.2	2,327.4	1,455.5	3,782.9
Loans and advances to customers	2,648.3	1,311.1	3,959.4	3,326.7	7,286.1
No. of branches	93	21	114	10	124
No. of staff	615	154	769	220	989

In consumer credit, Compass, which accounts for one-third of the loan book and contributes two-thirds of total profit from retail operations, opened 10 new branches during the twelve months under review, taking it up a total of 103 at the reporting date, and posted a rise of 23% in new loans, from €1.9bn to €2.3bn. Loans and advances to customers rose 24%, from €2.6bn to €3.3bn, and net profit was up 18%, from €48.2m to €57.1m. Plans were finalized during the year to launch a new line of business in salary-guaranteed loans.

In mortgage lending, Micos Banca, which opened one new branch during the year to take its total to 22 at the reporting date, recorded 20% growth in new loans, from €0.4bn to €0.5bn; loans and advances to customers were up 28%, from €1.3bn to €1.7bn, and there was a 26% rise in net profit, from €6.2m to €7.8m. The company has launched plans to open 5 new branches in France in some of the fastest-growing areas in the country, namely Paris, Lyons and the Côte d'Azur.

On the leasing side, healthy performances by the commercial joint ventures operated with Banca Popolare di Milano and Banca Popolare di Vicenza led to an increase in new business of 19%, from €1.5bn to €1.7bn, growth of 15% in loans and advances to customers, from €3.3bn to €3.8bn, and a 16% rise in profits, from €11.8m to €13.7m.

Turning now to results for the individual Compass group companies (figures have been compiled in accordance with Italian GAAP):

- *Compass S.p.A. (consumer credit)*: this company's accounts for the year ended 30 June 2006 show a profit of €64.7m (30/6/05: €41.3m), after bad debt writeoffs amounting to €95.8m (€78.8m), and tax of €32m (€25m).

Compass had a total of 1,050,219 loans outstanding at the reporting date worth a principal amount of €2,918m, compared with 744,348 last year worth €2,132m. New loans for the year totalled €2,324.2m (€1,895.2m).

The company employs a total of 569 at its headquarters and 103 branches.

- *Micos Banca S.p.A. (mortgage lending)*: Micos Banca's accounts for the twelve months to 30 June 2006 reflect a net profit of €6.7m (30/6/05: €3.7m), after adjustments to receivables amounting to €4.5m (€5.7m) and tax of €4.4m (€1.6m). During the period under review a total of 5,118 mortgages were executed, providing finance of some €517.8m, as against 4,545 mortgages worth €432.2m during the previous twelve months. Mortgages outstanding as at the reporting date amounted to €1,670m (€1,302.5m).

The company employs 170 staff at its headquarters and 22 branches.

- *SelmaBipiemme Leasing S.p.A., Milan (61.65%-owned)*: this company earned a net profit of €11.4m in the period under review (30/6/05: €8.6m), after dividends of €5.3m (€3.9m) and tax of €4.5m (€4.2m).

During the twelve months, 8,593 leases worth a gross amount of €951.2m were executed, compared with 8,138 leases worth €719.6m during the equivalent period last year. The net value of goods on or pending lease as at 30 June 2006 was €2,087.1m (€1,772.9m).

The company's headcount numbers 118 staff, divided between headquarters and its 6 branches.

- *Palladio Leasing S.p.A., Vicenza (95%-owned via SelmaBipiemme Leasing, the remaining 5% being held by Palladio itself in the form of treasury shares)*: Palladio Leasing earned a net profit of €8.7m (30/6/05: €5.6m, after transferring €3m to the provision for general financial risks), and net of tax amounting to €5.7m (€3.5m).

During the period, the company executed 3,088 new leases worth a gross value of €523.5m, as compared with 3,321 new leases worth €484.6m last year. The net value of goods on or pending lease as at 30 June 2006 was booked at €1,234.6m (€1,101.3m).

The company employs 60 staff at its headquarters and 4 branches.

- *Teleleasing S.p.A.*, Milan (80%-owned via *SelmaBipiemme Leasing*): this company earned a net profit of €2.9m (30/6/05: €11.8m, after extraordinary gains of €7.2m linked to elimination of tax interference from the balance sheet) after tax of €2m (€7.7m).

During the twelve months under review, the company executed 8,857 leases worth a gross amount of €263m, compared with 9,564 leases worth €251.3m the previous year. The net value of goods on or pending lease as at 30 June 2006 was booked at €419.4m (€379.6m).

The company employs a total of 28 staff.

- *Cofactor S.p.A.* (*non-recourse factoring*): this company recorded a net profit of €38,000 during the year (30/6/05: €47,000), after bad debt writeoffs totalling €14m (€13.8m).

At the reporting date Cofactor's loan book was carried at cost at €63.7m (€60.5m).

The company employs a total of 46 staff.

- *Creditech S.p.A.* (*credit management*): Creditech delivered a net profit of €731,000 (30/6/05: €357,000), after tax of €565,000 (€342,000). The company generated income of €6.6m (€6.2m) against accounts managed worth €298m (€290m).

Creditech employs 35 staff.

Private banking

	30/6/05 pro-forma	30/6/06	Change
	€m	€m	%
Total income	101.1	115.6	+14
<i>of which: net fee and commission income</i>	<i>70.5</i>	<i>82.8</i>	<i>+17</i>
Operating costs	(65.6)	(69.4)	+6
Profit from ordinary activities.....	35.5	46.2	+30
Other income (expenses)	2.2	2.7	+23
Taxation for the year	(2.9)	(4.9)	+69
Net profit attributable to Group	<u>34.8</u>	<u>44.0</u>	<u>+26</u>
AUM	10,781.7	11,216.9	+4
Securities under trust	1,031.8	1,077.6	+4

The aggregate figures, which include the Group's 48.5% share in the profits of Banca Esperia as well as the results of Compagnie Monégasque de Banque, reflect a net profit of €44m, up 26% from the €34.8m recorded in the previous twelve months, due to higher net fee and commission income, which rose 17%, from €70.5m to €82.8m, on the back of healthy growth in the client book and assets under management. AUM grew by 4%, from €10,781.7m to €11,216.9m, €7.1bn of which was attributable to CMB (representing growth of 1%), and €4.1bn pro-rata to Banca Esperia (up 10%). The net contribution by each company to the group total is shown in the table below:

Private banking 30/6/06	CMB	Banca Esperia 48.5%*	Others	Total PB
	€m	€m	€m	€m
Total income	75.0	34.2	6.4	115.6
<i>of which: net fee and commission income</i>	<i>45.6</i>	<i>31.0</i>	<i>6.2</i>	<i>82.8</i>
Operating costs.....	(40.5)	(22.8)	(6.1)	(69.4)
PROFIT FROM ORDINARY ACTIVITIES.....	34.5	11.4	0.3	46.2
Other income (expenses)	3.2	(0.1)	(0.4)	2.7
Income tax for the year	—	(4.6)	(0.3)	(4.9)
NET PROFIT.....	<u>37.7</u>	<u>6.7</u>	<u>(0.4)</u>	<u>44.0</u>
AUM.....	7,140.0	4,076.9	—	11,216.9

* Includes €3.3m in costs linked to the stock option scheme attributable to Mediobanca.

Private banking 30/6/05	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	69.7	24.7	6.7	101.1
<i>of which: net fee and commission income</i>	<i>41.4</i>	<i>22.6</i>	<i>6.5</i>	<i>70.5</i>
Operating costs.....	(42.0)	(17.1)	(6.5)	(65.6)
PROFIT FROM ORDINARY ACTIVITIES.....	27.7	7.6	0.2	35.5
Other income (expenses)	2.3	—	(0.1)	2.2
Income tax for the year	(0.2)	(2.1)	(0.6)	(2.9)
NET PROFIT.....	29.8	5.5	(0.5)	34.8
AUM.....	7,071.0	3,710.7	—	10,781.7

A review of the individual Group companies' performance is given below (data refers to accounts as at 31 December 2005 and has been compiled in accordance with local accounting practices for both Compagnie Monégasque de Banque and Banca Esperia):

— *Compagnie Monégasque de Banque, Monaco*

CMB's consolidated accounts reflect net profit of €35.2m (31/12/04: €29.5m), management fees of €47.6m (€42.5m), customer lendings of €536.9m (€390.3m) and funding of €1,317.1m (€1,222.5m).

In the first six months of 2006, CMB recorded a pre-tax profit of €20.4m (30/6/05: €15m), on management fees of €18.8m (€15.4m). Assets managed on a discretionary/non-discretionary basis totalled €7.14bn (€7.07bn).

During the year a new manager was appointed, with a view to relaunching the company's mission and growth.

The group employs a total of 144 staff.

— *Banca Esperia, Milan (48.5%- owned)*

In the period ended 31 December 2005, the group headed up by Banca Esperia recorded a profit of €14.8m (31/12/04: €8.5m), on management fees of €62.7m (€45.1m). Total deposits amounted to €8bn (€7bn).

In the six months ended 30 June 2006, a pre-tax profit of €13m (30/6/05: €7.8m) was recorded, on management fees of €34.7m (€24.7m) and AUM of €8.4bn (€7.6bn).

The group employs a total of 171 staff.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*, Milan

In the twelve months ended 30 June 2006, Spafid earned a net profit of €837,000 (30/6/05: €958,000), after writebacks to securities totalling €449,000. The company's net worth amounted to €33.6m. Securities under trust totalled €1,228.8m (€1,152.3m).

The company employs 21 staff.

— *Prudentia Fiduciaria S.p.A.*, Milan

In the 12 months ended 30 June 2006, this company earned a net profit of €115,000 (30/6/05: €49,000), after tax of €175,000. Securities under trust totalled €69.9m (€90.7m).

The company employs 26 staff.

OTHER INFORMATION

Related party disclosure

Financial accounts outstanding as at 30 June 2006 between companies forming part of the Mediobanca Group and other related companies are illustrated in Part H of the Notes to the Consolidated Accounts.

All such accounts, the impact of which on the consolidated balance-sheet and profit-and-loss aggregates is minimal, form part of the Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the companies concerned. No atypical or unusual transactions have been entered into with such counterparties.

* * *

Outlook

The new financial year should again see significant growth for all the Group's main areas of business, against a positive backdrop. Wholesale banking should record further improvement in net interest income, as a result of higher business volumes, while the flow of fee income, albeit driven by a healthy deal pipeline, will remain closely linked to the performance of financial markets. Trading activity is expected to contribute less to the Group's total income. Retail financial services should continue to benefit in terms of the top line from ongoing growth in consumer credit, while also confirming its prudential provisioning policy in order to safeguard asset quality. The equity investment portfolio shall remain linked to the performance of the companies accounted for on an equity basis and stock markets in general, while the Group's private banking operations should bear out growth in terms of AUM and profitability.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity €m	Net profit €m
Balance at 30/6/06 as per Mediobanca accounts	4,752.4	494.3
Adjustments following adoption of IAS/IFRS with respect to Mediobanca accounts	181.5	51.2
Balance at 30/6/06 as per Mediobanca IAS/IFRS-compliant accounts	4,933.9	545.5
Net surplus over book value for consolidated companies	16.4	134.9
Exchange rate differences arising from translation of accounts denominated in currencies other than the Euro	(5.7)	—
Other adjustments and restatements on consolidation, including effects of accounting for companies on equity basis	942.2	183.3
Dividends received during the year	—	(5.3)
	5,886.8	858.4

Milan, 15 September 2006

THE BOARD OF DIRECTORS

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

Assets	IAS-compliant 1/7/05	IAS-compliant 30/6/06
10. Cash and cash equivalents	6.0	5.4
20. Financial assets held for trading	7,084.1	8,128.9
30. Financial assets recognized at fair value	—	—
40. AFS securities	7,037.2	5,502.7
50. Financial assets held to maturity	239.0	626.5
60. Due from banks	2,946.2	4,974.0
<i>of which:</i>		
<i>other trading items</i>	2,483.9	4,232.1
<i>other items</i>	—	8.2
70. Due from customers	18,836.4	22,954.2
<i>of which:</i>		
<i>other trading items</i>	1,102.2	2,243.2
<i>other items</i>	5.3	32.2
80. Hedging derivatives	1,427.7	793.4
<i>of which:</i>		
<i>funding hedge derivatives</i>	1,010.6	745.1
<i>lending hedge derivatives</i>	351.1	3.0
90. Value adjustments to financial assets subject to general hedging	—	—
100. Equity investments	2,137.6	2,354.9
110. Total reinsurers' share of technical reserves	—	—
120. Property, plant and equipment	305.0	301.8
130. Intangible assets	5.6	3.9
<i>of which:</i>		
<i>goodwill</i>	—	—
140. Tax assets	332.3	321.5
a) current	199.8	175.6
b) advance	132.5	145.9
150. Other non-current and Group assets being sold	—	—
160. Other assets	149.4	149.4
<i>of which:</i>		
<i>other trading items</i>	22.6	46.4
TOTAL ASSETS	40,506.5	46,116.6

The balance sheet provided on p. 17 reflects the following restatements:

- *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the “other trading items” shown under asset headings 60, 70 and 160 and liability headings 10, 20 and 100, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10, 20 and 30 (excluding trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds* and other items) and the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives.

Liabilities and net equity	IAS-compliant 30/6/05	IAS-compliant 30/6/06
10. Due to banks	7,921.3	8,473.0
<i>of which:</i>		
<i>other trading items</i>	2,680.8	2,879.5
20. Due to customers	4,767.5	3,966.6
<i>of which:</i>		
<i>other trading items</i>	679.1	1,577.4
<i>other liabilities</i>	—	32.9
30. Debt securities	16,124.1	20,560.9
40. Trading liabilities	3,106.0	3,302.5
50. Liabilities recognized at fair value	—	—
60. Hedging derivatives	454.8	1,331.4
<i>of which:</i>		
<i>funding hedge derivatives</i>	60.0	1,302.2
<i>lending hedge derivatives</i>	376.0	27.4
70. Value adjustments to financial liabilities subject to general hedging	—	—
80. Tax liabilities	501.3	645.6
a) current	135.3	267.3
b) deferred	366.0	378.3
90. Liabilities in respect of Group assets being sold	—	—
100. Other liabilities	1,208.5	810.8
<i>of which:</i>		
<i>other trading items</i>	873.1	576.0
110. Staff severance indemnity provision	36.3	34.7
120. Provisions	153.4	156.6
a) post-employment and similar benefits	—	—
b) other provisions	153.3	156.6
130. Technical reserves	—	—
140. Revaluation reserves	377.3	351.2
150. Shares with right of withdrawal	—	—
160. Equities	—	—
170. Reserves	2,732.3	3,058.7
180. Share premium reserve	1,933.3	2,071.4
190. Share capital	397.5	406.0
200. Treasury shares	(0.4)	(0.4)
210. Net equity attributable to minorities	79.3	89.2
220. Profit (loss) for the year	714.0	858.4
TOTAL LIABILITIES AND NET EQUITY	40,506.5	46,116.6

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (IAS/IFRS-compliant)

	12 mths to 30/6/05 (excl. IAS 39)	12 mths to 30/6/05 (incl. IAS 39)	12 mths to 30/6/06
10. Interest and similar income	1,403.8	1,378.9	1,747.7
20. Interest expense and similar charges	(882.0)	(882.5)	(1,168.6)
30. Net interest income	521.8	496.9	579.1
40. Fee and commission income	233.3	230.8	280.6
50. Fee and commission expense	(71.5)	(30.8)	(24.5)
60. Net fee and commission income	161.8	200.0	256.1
70. Dividends and similar income	167.5	167.5	202.4
80. Net trading income	25.5	(33.8)	85.4
90. Net hedging income (expense)	—	—	(2.1)
100. Gain (loss) on disposal of:	38.5	40.7	96.5
a) loans and receivables	—	—	—
b) AFS securities	38.5	40.7	87.8
c) financial assets held to maturity	—	—	(0.2)
d) other financial assets	—	—	8.9
120. Total income	915.1	871.3	1,217.4
130. Adjustments for impairment to:	(41.4)	92.1	(119.4)
a) loans and receivables	(98.1)	(92.3)	(119.7)
b) AFS securities	—	—	—
c) financial assets held to maturity	—	—	0.3
d) other financial liabilities	56.7	0.2	—
140. Net income from financial operations	873.7	779.2	1,098.0
150. Net premium income	—	—	—
160. Income less expense from insurance operations	—	—	—
170. Net income from financial and insurance operations	873.7	779.2	1,098.0
180. Administrative expenses:	(349.5)	(349.5)	(381.8)
a) personnel costs	(200.7)	(200.7)	(208.7)
b) other administrative expenses	(148.8)	(148.8)	(173.1)
190. Net transfers to provisions for liabilities and charges	(2.3)	(2.3)	(5.3)
200. Net adjustments to property, plant and equipment	(10.5)	(10.5)	(10.1)
210. Net adjustments to intangible assets	(2.7)	(2.7)	(2.8)
<i>of which: goodwill</i>	—	—	—
220. Other operating income (expenses)	53.3	49.1	53.2
230. Operating costs	(311.7)	(315.9)	(346.8)
240. Profit (loss) from equity-accounted companies	285.0	285.0	337.5
270. Gain (loss) on disposal of investments	—	—	0.6
280. Profit (loss) before tax on ordinary activities	847.0	748.3	1,089.3
270. Income tax on ordinary activities for the year	(124.6)	(107.5)	(221.5)
280. Profit (loss) after tax on ordinary activities	722.4	640.8	867.8
310. Net gain (loss) on non-current assets being sold	—	—	—
330. Profit (loss) for the year attributable to minorities	(8.4)	(8.4)	(9.4)
340. Net profit (loss) for the year	714.0	632.4	858.4

The profit and loss account reported on p. 16 reflects the following restatements:

- *Net interest income* includes the totals reported under Heading 90, gains (losses) on financial liabilities as reported under Heading 100, plus margins on swaps reported under Heading 80 amounting to €16.6m and €7.2m respectively;
- *Net trading income* represents the sum of Heading 80 (net of margins on swaps as described above) and Heading 70 (excluding dividends in respect of AFS securities amounting to €40.2m and €65m respectively);
- amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €7.3m and €6.6m which net operating expenses.

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of Legislative Decree n. 58 of 24 February 1998
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2006, comprising the balance sheet, the profit and loss account, the statement of changes in shareholders' equity, the cash flow statement and related explanatory notes. These consolidated financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit. The above-mentioned consolidated financial statements were prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements include, for comparative purposes, the corresponding information for the prior year prepared in conformity with the same international accounting standards, except for the effects of IAS 32 and IAS 39, which have been applied starting from 1 July 2005 in accordance with the exemption allowed by IFRS 1. The section of the consolidated financial statements "IAS/IFRS First Time Adoption" discloses the effects of the transition to the International Financial Reporting Standards as adopted by the European Union, and includes the reconciliation statements required by IFRS 1, which were previously approved by the Board of Directors and published as an annex of the Quarterly Report for the three months ended 30 September 2005, and which have been audited by us. Reference should be made to our report dated 11 November 2005.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2006 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the consolidated financial position, results of operations, changes in shareholders' equity and cash flows of Mediobanca S.p.A. as of 30 June 2006 and for the year then ended.

Milan, 22 September 2006

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppo, partner

**CONSOLIDATED
FINANCIAL STATEMENTS**

CONSOLIDATED BALANCE SHEET

	Assets	30/6/06	30/6/05*
		(€'000)	(€'000)
10.	Cash and cash equivalents	5,389	6,002
20.	Financial assets held for trading	8,128,902	11,721,069
30.	Financial assets recognized at fair value	—	—
40.	Financial assets available for sale	5,502,675	1,736,891
50.	Financial assets held to maturity	626,456	—
60.	Due from banks	4,974,046	2,946,147
70.	Due from customers	22,954,200	17,668,205
80.	Hedging derivatives	793,395	965,695
90.	Value adjustments to financial assets subject to general hedging	—	—
100.	Equity investments	2,354,923	2,137,569
120.	Property, plant and equipment	301,814	304,982
130.	Intangible assets	3,909	5,557
140.	Tax assets	321,511	336,133
	a) current	175,591	204,133
	b) advance	145,920	132,000
150.	Other non/current and group assets being sold	—	—
160.	Other assets	149,333	396,948
	TOTAL ASSETS	46,116,553	38,225,198

* Figures as at 30 June 2005 have been restated in compliance with IAS/IFRS (except for IAS 39 in respect of treatment of financial instruments). In the light of new interpretations of the principles and for the purpose of facilitating comparison, certain items have been classified differently from the guidance issued in the Annex entitled "IAS/IFRS First-Time Adoption" found on pp. 157-69. This has no impact on equity or earnings.

Liabilities and shareholders' equity		30/6/06	30/6/05
		(€'000)	(€'000)
10.	Due to banks	8,473,086	7,926,914
20.	Due to customers	3,966,619	3,618,024
30.	Debt securities in issue	20,560,941	16,719,818
40.	Trading liabilities	3,302,459	1,838,903
60.	Hedging derivatives	1,331,387	58,239
70.	Value adjustments to financial liabilities subject to general hedging	—	—
80.	Tax liabilities	645,563	416,647
	a) current	267,260	103,783
	b) deferred	378,303	312,864
90.	Liabilities linked to assets being sold	—	—
100.	Other liabilities	810,817	1,609,604
110.	Staff severance indemnity provision	34,714	36,252
120.	Provisions:	156,557	153,369
	a) post-employment and similar benefits	—	—
	b) other provisions	156,557	153,369
130.	Technical reserves	—	—
140.	Valuation reserves	351,197	13,514
150.	Shares with right of withdrawal	—	—
160.	Equity instruments	—	—
170.	Reserves	3,058,670	2,708,792
180.	Share premium reserve	2,071,364	1,933,331
190.	Share capital	405,999	397,478
200.	Treasury shares	(434)	(434)
210.	Net equity attributable to minority shareholders	89,211	80,794
220.	Profit (loss) for the period	858,403	713,953
	TOTAL LIABILITIES AND NET EQUITY	46,116,553	38,225,198

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		12 mths to 30/6/06	12 mths to 30/6/05
10.	Interest and similar income	1,747,711	1,403,771
20.	Interest expense and similar charges	(1,168,611)	(881,997)
30.	Net interest income	579,100	521,774
40.	Fee and commission income	280,562	233,257
50.	Fee and commission expense	(24,450)	(71,481)
60.	Net fee and commission income	256,112	161,776
70.	Dividends and similar income	202,429	167,531
80.	Net trading income	85,398	25,527
90.	Net hedging income (expense)	(2,128)	—
100.	Gain (loss) on disposal/repurchase of:	96,540	38,461
	a) loans and advances	—	—
	b) AFS securities	87,839	38,461
	c) financial assets held to maturity	(167)	—
	d) financial liabilities	8,868	—
110.	Net income from financial assets/liabilities recognized at fair value	—	—
120.	Total income	1,217,451	915,069
130.	Adjustments for impairment to:	(119,406)	(41,424)
	a) loans and advances	(119,719)	(98,140)
	b) AFS securities	—	—
	c) financial assets held to maturity	313	(8)
	d) other financial transactions	—	56,724
140.	Net income from financial operations	1,098,045	873,645
150.	Net premium income	—	—
160.	Income less expense from insurance operations	—	—
170.	Net income from financial and insurance operations	1,098,045	873,645
180.	Administrative expenses:	(381,781)	(349,488)
	a) personnel costs	(208,709)	(200,679)
	b) other administrative expenses	(173,072)	(148,809)
190.	Net transfers to provisions	(5,293)	(2,326)
200.	Net adjustments to tangible assets	(10,145)	(10,489)
210.	Net adjustments to intangible assets	(2,812)	(2,699)
220.	Other operating income (expense)	53,165	53,396
230.	Operating costs	(346,866)	(311,606)
240.	Gain (loss) on equity-accounted investments	337,500	284,968
250.	Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—
260.	Adjustments to goodwill	—	—
270.	Gain (loss) upon disposal of investments:	615	(62)
	a) property	517	—
	b) other assets	98	(62)
280.	Profit (loss) on ordinary activities before tax	1,089,294	846,945
290.	Income tax for the year on ordinary activities	(221,519)	(124,623)
300.	Profit (loss) on ordinary activities after tax	867,775	722,322
310.	Gain (loss) on non-current assets being sold after tax	—	—
320.	Profit (loss) attributable to minorities	9,372	8,369
330.	Net profit (loss) for the year	858,403	713,953

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Part A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

As from the current financial year, the Mediobanca Group's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and adopted at EU level by European Commission and Parliament regulation 1606/02 dated 19 July 2002. Application of the new international standards to the reporting of Italian banks is governed by Bank of Italy circular no. 262 issued on 22 December 2005. A summary of the most significant accounting policies adopted by the Group is set out below.

Section 2

Significant accounting policies

Financial assets held for trading

This category comprises debt securities, equities, and the positive value of derivatives held for trading including those embedded in complex instruments such as structured bonds (recorded separately).

At the settlement date for securities and subscription date for derivatives, such assets are recognized at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through profit and loss.

After initial recognition they continue to be measured at fair value, which for listed instruments is calculated on the basis of market prices ruling at the reporting date. If no market prices are available, valuation methods and models are used based on market-derived data, e.g. valuations of listed instruments with similar features, discounted cash flow analysis, option price calculation methods, or valuations used in comparable transactions. Equities and linked derivatives for which it is not possible to reliably determine fair value using the methods described above are stated at cost. If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in earnings under the heading *Net trading income*.

AFS assets

This category includes all financial assets apart from derivatives not booked under the headings *Financial assets held for trading*, *Financial assets held to maturity* or *Loans and receivables*.

AFS assets comprise equities held for non-trading purposes which do not qualify as controlling interests, investments in associates or jointly-controlled operations.

AFS assets are initially recognized at fair value, which includes transaction costs and income directly attributable to them. Thereafter they continue to be measured at fair value. Changes are recognized in a separate equity reserve, which is then eliminated against the corresponding item in profit and loss as and when an asset is disposed of or impairment is recognized. Fair value is measured on the same principles as described for trading instruments. Equities for which it is not possible to reliably determine fair value are stated at cost. Debt securities included in this category are recognized at amortized cost, against the corresponding item in earnings.

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in profit and loss on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. If the reasons for which the loss was recorded subsequently cease to apply, the impairment is written back to profit and loss for debt securities and equity for shares, up to the value of amortized cost.

Financial assets held to maturity

These comprise debt securities with fixed or otherwise determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity.

Such assets are initially recognized at fair value, which is calculated as at the settlement date and includes any transaction costs or income directly attributable to them. Following their initial recognition they are measured at

amortized cost using the effective interest method. Differences between the initial recognition value and the amount receivable at maturity are booked to profit and loss pro-rata.

Assets are tested for impairment at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in profit and loss on the basis of market prices in the case of listed instruments, and of estimated future cash flows discounted according to the original effective interest rate in the case of unlisted securities. If the reasons which brought about the loss of value subsequently cease to apply, the impairment is written back to profit and loss up to the value of amortized cost.

Loans and receivables

These comprise loans to customers and banks which provide for fixed or otherwise determinable payments that are not quoted in an active market and which cannot therefore be classified as available for sale. Repos and receivables due in respect of finance leasing transactions are also included.

Loans and receivables are booked on disbursement at a value equal to the amount drawn plus (less) any income (expenses) directly attributable to individual transactions and determinable from the outset despite being payable at a later date. The item does not, however, include costs subject to separate repayment by the borrower, or which may otherwise be accounted for as ordinary internal administrative costs. Repos and reverse repos are booked as funding or lending transactions for the spot amount received or paid. Non-performing loans acquired are booked at amortized cost on the basis of an internal rate of return calculated using estimates of expected recoverable amounts.

Loans and receivables are stated at amortized cost, i.e. initial values adjusted upwards or downwards to reflect: repayments of principal, amounts written down/back, and the difference between amounts drawn at disbursement and repayable at maturity amortized on the basis of the effective interest rate. The latter is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

Individual items are tested at annual and interim reporting dates to show whether or not there is evidence of impairment. Items reflecting such evidence are then subjected to analytical testing, and, if appropriate, adjusted to reflect the difference between their carrying amount at the time of the impairment test (amortized cost), and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Future cash flows are estimated to take account of anticipated collection times, the presumed value of receivables upon disposal of any collateral, and costs likely to be incurred in order to recover

the exposure. Cash flows from loans expected to be recovered in the short term are not discounted.

The original effective interest rate for each loan remains unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through profit and loss.

If the reasons which brought about the loss of value cease to apply, the original value of the loan is recovered in profit and loss in subsequent accounting periods up to the value of amortized cost.

Accounts for which there is objective evidence of impairment, including those involving counterparties in countries deemed to be at risk, are subject to collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the impairment date on the basis of historical series of internal and external data. Collective value adjustments are credited or charged to earnings, as appropriate. At each annual and interim reporting date, any writedowns or writebacks are remeasured on a differentiated basis with respect to the entire portfolio of loans deemed to be performing at that date.

Leasing

IAS 17 defines finance leases as transactions whereby risks and benefits involved in owning the asset concerned are transferred to the lessee, and stipulates the criteria for identifying whether or not a lease is a finance or operating lease. All leases entered into by the Group qualify as finance leases under the terms of IAS 17. Accordingly, a receivable is booked at an amount equal to the net outlay involved in the finance lease transaction, plus any costs directly incurred in respect of negotiating and/or performing the contract.

Hedges

There are two types of hedge:

- fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;
- cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned.

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, while the gain or loss deriving from the ineffective portion is recognized through profit and loss only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

A hedge is considered to be effective when the changes in fair value or cash flow of the hedging instrument offset those of the hedged item within a range of 80-125%. The effectiveness of a hedge is assessed both prospectively and retrospectively at annual and interim reporting dates, the former to show expectations regarding effectiveness, the latter to show the degree of effectiveness actually achieved by the hedge during the period concerned. If an instrument proves to be ineffective, hedge accounting is discontinued and the derivative concerned is accounted for under trading securities.

Equity investments

This heading comprises:

- investments in associates, which are accounted for using the equity method. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment (which may not be less than 10%) is sufficient to ensure an influence in the governance of the investee company;
- jointly controlled companies, which are also recognized using the equity method;
- other investments of negligible value, which are stated at cost.

Where there is objective evidence that the value of an investment may be impaired, estimates are made of its current value using market prices where possible, and of the present value of estimated cash flows generated by the investment, including its terminal value. Where the value thus calculated is lower than the asset's carrying amount, the difference is taken through profit and loss.

Property, plant and equipment

This heading comprises land, core and investment properties, plant, furniture, fittings, equipment and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

These are stated at historical cost, which in addition to the purchase price, includes any ancillary charges directly resulting from their acquisition and/or usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in profit and loss.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Group are recorded separately, on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is defined as the higher of its fair value net of any sales costs and its related value of use, and adjustments, if any, are recognized through profit and loss. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back to earnings with the proviso that the amount credited may not exceed the value which the asset would have had net of depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill and long-term computer software applications.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates assets are tested for impairment, which is calculated as the difference between the initial recognition value of the goodwill and its realizable value, the latter being equal to the higher of the fair value of the cash-generating unit concerned net of any sales costs and its assumed value of use. Any adjustments are taken through profit and loss.

Other intangible assets are recognized at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise the cost of the asset is booked to profit and loss in the year in which the expense was incurred.

The cost of intangible assets is amortized on the straight-line basis over the useful life of the asset concerned. If useful life is not determinable the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in profit and loss as the difference between the carrying amount and the recoverable value of the asset concerned.

Derecognition of assets

Financial assets are derecognized as and when the Group is no longer entitled to receive cash flows deriving from them, or when they are sold and the related risks and benefits are transferred accordingly. Tangible and intangible assets are derecognized upon disposal, or when an asset is permanently retired from use and no further earnings are expected to derive from it.

Payables, debt securities in issue and subordinated liabilities

These include the items *Due to banks*, *Due to customers* and *Debt securities in issue* less any shares bought back. Amounts payable by the lessee under the terms of finance leasing transactions are also included.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected net of transaction costs incurred directly or indirectly in connection with the liability concerned. Thereafter liabilities are stated at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which continue to be stated at the original amount collected.

Derivatives embedded in structured bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through profit and loss.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recorded through profit and loss.

The sale of treasury shares over the market following a buyback is treated as a new issue. The new sale price is recorded as a liability without passing through profit and loss.

Trading liabilities

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are recognized at fair value.

Staff severance indemnity provision

This is stated to reflect the actuarial value of the deferred benefit obligation, which is calculated using the projected unit credit method. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtain are booked under labour costs as the net amount of contributions paid, prior year contributions not yet capitalized, interest accrued, and actuarial gains and losses.

Provisions for liabilities and charges

This heading comprises amounts set aside to cover risks not necessarily associated with defaults on loans or advances that could lead to future expenses. If the time effect is material, provisions are discounted using current market rates. Provisions are recognized in profit and loss.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to profit and loss in part or in full.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates ruling as at the reporting date to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the dates of the transactions. Differences on cash items due to translation are recorded through profit and loss,

whereas those on non-cash items are taken through profit and loss or to equity depending on their category.

Tax assets and liabilities

Income taxes are recorded in profit and loss, with the exception of tax payable on items debited or credited directly to equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. Advance and deferred tax is calculated on the basis of temporary differences – without time limits – between the carrying amount of an asset or liability and its tax base.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available already subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Group's own initiative that might lead to their being taxed.

Deferred tax arising on business combinations is recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, *inter alia* to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities.

Stock options

Stock options are treated as expenses. The fair value of the options is measured and recognized in equity at the grant date using an option pricing method adjusted to reflect historical series for previous financial years. The value thus determined is taken to profit and loss pro-rata to the vesting period for the individual awards.

Treasury shares

These are deducted from equity, and any gains/losses realized on disposal are recognized in equity.

Section 3

Area and method of consolidation

Subsidiaries are consolidated on the line-by-line basis, whereas investments in associates and jointly-controlled operations are consolidated and accounted for using the equity method.

When a subsidiary is fully consolidated, the carrying amount of the parent's investment and its share of the subsidiary's equity are eliminated against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

For equity-accounted companies, any differences in the carrying amount of the investment and investee company's net equity are reflected in the book value of the investment, the fairness of which is tested at the reporting date or when evidence emerges of possible impairment. The profit made or loss incurred by the investee company is recorded pro-rata in the profit and loss account under a specific heading.

1. *Subsidiaries and jointly-controlled companies (consolidated pro-rata)*

		Registered office	Type of relationship ¹	Shareholding		% voting rights ²
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	<i>Line-by-line</i>					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A.	Rome	1	A.1.1	70.00	70.00
3.	PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.70	99.70
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.90	99.90
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
12.	MONOIKOS 2000 SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.8	99.95	99.95
13.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.90	99.90
14.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.15	1.00	1.00
15.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
16.	MICOS BANCA S.p.A.	Milan	1	A.1.15	100.00	100.00
17.	COFACTOR S.p.A.	Milan	1	A.1.15	100.00	100.00
18.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	61.65	61.65
19.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.18	95.00	100.00
				A.1.19	5.00	
20.	TELELEASING S.p.A.	Milan	1	A.1.18	80.00	80.00
21.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
22.	RICERCH E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
23.	CREDITECH S.p.A.	Milan	1	A.1.15	100.00	100.00
24.	QUARZO S.r.l.	Milan	4	A.1.15	7.00	7.00
25.	QUARZO LEASE S.r.l.	Milan	4	A.1.18	10.00	10.00

Legend

1 Type of relationship:

1= majority of voting rights in ordinary AGMs

2= dominant influence in ordinary AGMs

3= agreements with other shareholders

4= other forms of control

5= unity of direction as defined in Article 26 paragraph 1 of Italian Legislative Decree 87/92

6= unity of direction as defined in Article 26 paragraph 2 of Italian Legislative Decree 87/92

7= jointly controlled

2 Effective and potential voting rights in ordinary AGMs.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Previously reported balance as at 30/6/05	Adjustments to opening balance	Balance at 1/7/05	Allocation of profit for previous year		Changes to reserves	Changes during accounting period					Profit (loss) for the period	Net equity at 30/6/06	
				Reserves	Dividends and other applications		New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes in equity instruments	Derivatives on treasury shares			Stock options
Share capital:	397,478	—	—	—	—	—	—	—	—	—	—	—	405,999	
a) ordinary shares	397,478	—	397,478	—	—	—	—	—	—	—	—	—	405,999	
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share premium reserve	1,933,331	—	1,933,331	—	—	—	—	—	—	—	—	—	2,071,364	
Reserves:	2,708,792	23,547	2,732,339	325,315	—	(4,486)	—	—	—	—	—	5,502	3,058,670	
a) retained earnings	2,708,792	23,547	2,732,339	325,315	—	(4,486)	—	—	—	—	—	5,502	3,058,670	
b) other	—	—	—	—	—	—	—	—	—	—	—	—	—	
Revaluation reserves:	13,514	363,786	377,300	—	—	(26,103)	—	—	—	—	—	—	351,197	
a) AFS securities	—	332,965	332,965	—	—	(21,051)	—	—	—	—	—	—	311,914	
b) cash flow hedges	—	30,821	30,821	—	—	(5,052)	—	—	—	—	—	—	25,769	
c) special laws	13,514	—	13,514	—	—	—	—	—	—	—	—	—	13,514	
d) other	—	—	—	—	—	—	—	—	—	—	—	—	—	
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	
Treasury shares	(434)	—	(434)	—	—	—	—	—	—	—	—	—	(434)	
Profit (loss) for the year	713,953	—	713,953	(325,315)	(388,638)	—	—	—	—	—	—	858,403	858,403	
Net equity	5,766,634	387,333	6,153,967	—	(388,638)	(30,589)	146,554	—	—	—	5,502	858,403	6,745,199	
Minority interest in net equity	80,794	(1,484)	79,310	—	(2,327)	2,856	—	—	—	—	—	9,372	89,211	

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Previously reported balance as at 30/6/04	Adjustments to opening balance	Balance at 1/7/04	Allocation of profit for previous year		Changes during accounting period						Profit (loss) for the period	Net equity at 30/6/05
				Reserves	Dividends and other allocations	Changes to reserves	Transactions involving net equity						
							New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes in equity instruments	Derivatives on treasury shares		
Share capital:	389,291	—	389,291	—	—	—	8,187	—	—	—	—	—	397,478
a) ordinary shares	389,291	—	389,291	—	—	—	8,187	—	—	—	—	—	397,478
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	1,807,340	—	1,807,340	—	—	—	125,991	—	—	—	—	—	1,933,331
Reserves:	2,435,766	(305,318)	2,130,448	220,018	—	—	—	—	—	—	14,637	—	2,708,792
a) retained earnings	2,435,766	(305,318)	2,130,448	220,018	—	343,689	—	—	—	—	14,637	—	2,708,792
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Revaluation reserves:	13,514	—	13,514	—	—	—	—	—	—	—	—	—	13,514
a) AFS securities	—	—	—	—	—	—	—	—	—	—	—	—	—
b) cash flow hedges	—	—	—	—	—	—	—	—	—	—	—	—	—
c) special laws	13,514	—	13,514	—	—	—	—	—	—	—	—	—	13,514
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Equities	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(970)	536	(434)	—	—	—	—	—	—	—	—	—	(434)
Profit (loss) for the year	536,380	—	536,380	(220,018)	(316,362)	—	—	—	—	—	—	713,953	713,953
Net equity	5,181,321	(304,782)	4,876,539	—	(316,362)	343,689	134,178	—	—	—	14,637	713,953	5,766,634
Minority interest in net equity	184,254	7,136	191,390	—	(1,795)	(117,170)	—	—	—	—	—	8,369	80,794

CONSOLIDATED CASH FLOW STATEMENT
Direct method

	Amount	
	30/6/06	30/6/05
A CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	965,610	622,350
– interest received	1,814,022	1,722,527
– interest paid	(947,320)	(904,065)
– dividends and similar income	209,776	113,213
– net fees and commission income	140,048	70,897
– cash payments to employees	(164,348)	(153,378)
– net premium income	—	—
– other income from insurance activities	—	—
– other expenses paid	(393,443)	(411,825)
– other income received	362,402	225,744
– income taxes paid	(55,527)	(40,763)
– net expense/income from groups of assets being sold	—	—
2. Cash generated/absorbed by financial assets	(4,817,411)	(736,337)
– financial assets held for trading	(1,546,479)	595,972
– financial assets recognized at fair value	—	—
– AFS securities	1,841,343	—
– due from customers	(4,677,209)	(3,100,921)
– due from banks: on demand	(657,559)	750,056
– due from banks: other	(266,876)	868,647
– other assets	489,369	149,909
3. Cash generated/absorbed by financial liabilities	4,359,097	194,147
– due to banks: on demand	(928,107)	(12,677)
– due to banks: other	1,056,062	886,397
– due to customers	(223,333)	364,463
– debt securities	4,731,227	(726,364)
– trading liabilities	116,185	67,197
– financial liabilities assets recognized at fair value	—	—
– other liabilities	(392,937)	(384,869)
Net cash flow (outflow) from operating activities	507,296	80,160
B. INVESTMENT ACTIVITIES		
1. Cash generated from	117,069	82,485
– disposals of shareholdings	2,200	534
– dividends received in respect of equity investments	112,197	81,588
– disposals/redemptions of financial assets held to maturity	—	—
– disposals of tangible assets	2,672	363
– disposals of intangible assets	—	—
– disposals of subsidiaries or business units	—	—
2. Cash absorbed by	(379,467)	(20,952)
– acquisitions of shareholdings	—	—
– acquisitions of held-to-maturity investments	(374,039)	(15,291)
– acquisitions of tangible assets	(4,940)	(4,841)
– acquisitions of intangible assets	(488)	(820)
– acquisitions of subsidiaries or business units	—	—
Net cash flow (outflow) from investment/servicing of finance	(262,398)	61,533
C. FUNDING ACTIVITIES		
– issuance/acquisition of treasury shares	146,554	2,814
– issuance/acquisition of equity instruments	—	—
– dividend payouts and other applications of funds	(392,065)	(141,955)
Net cash flow (outflow) from funding activities	(245,511)	(139,141)
NET CASH FLOW (OUTFLOW) DURING PERIOD	(613)	2,552

**RECONCILIATION OF MOVEMENTS IN CASH FLOW
DURING PERIOD**

	Amount	
	30/6/06	30/6/05
Cash and cash equivalents: balance at 1 July 2005	6,002	3,450
Total cash flow (outflow) during period	(613)	2552
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at 30 June 2006	5,389	6,002

PART B
NOTES TO THE CONSOLIDATED BALANCE SHEET*

Segmental information

Assets

Section 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents

	30/6/06	30/6/05
a) Cash	5,389	6,002
	5,389	6,002

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading

	30/6/06		30/6/05	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	3,749,026	218,431	8,786,684	1,390,961
2. Equities	1,966,146	—	1,490,311	5,000
3. OICR units	2,658	—	—	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized ¹	889,415	—	—	—
Total A	6,607,245	218,431	10,276,995	1,395,961
B. Derivative products				
1. Financial derivatives	8,035	1,267,678	1,966	28,693
2. Credit derivatives	—	27,513	—	17,454
Total B	8,035	1,295,191	1,966	46,147
Total (A+B)	6,615,280	1,513,622	10,278,961	1,442,108

¹ Relates to securities sold under repo agreements.

* Figures in €'000 save in footnotes, where figures are provided in full.

2.2 *Financial assets held for trading: by borrower/issuer*

	30/6/06	30/6/05
A. CASH ASSETS		
1. Debt securities	3,967,457	10,177,645
a. Governments and central banks	3,040,715	5,171,170
b. Other public agencies	5,156	48,179
c. Banks	321,106	2,231,934
d. Other issuers	600,480	2,726,362
2. Equities	1,966,146	1,495,311
a. Banks	710,325	250,685
b. Other issuers:	1,255,821	1,244,626
- insurances	735,055	—
- financial companies	16,780	26,760
- non-financial undertakings	173,137	1,217,866
- others	330,849	—
3. OICR units	2,658	—
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
5. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
6. Assets sold but not derecognized ¹	889,415	—
a. Governments and central banks	555,260	—
b. Other public agencies	—	—
c. Banks	49,247	—
d. Other entities	284,908	—
Total A	6,825,676	11,672,956
B. DERIVATIVE PRODUCTS		
a. Banks	1,031,446	48,113
b. Customers	271,780	—
Total B	1,303,226	48,113
Total A+B	8,128,902	11,721,069

¹ Relates to securities sold under repo agreements.

2.3 *Financial assets held for trading by borrower/issuer: derivative products*

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	30/6/06	30/5/05
A) Listed derivative products							
1) Financial derivatives:	549	—	7,486	—	—	8,035	1,966
– with exchange of principal	148	—	5,712	—	—	5,860	395
– options bought	—	—	—	—	—	—	—
– other derivatives	148	—	5,712	—	—	5,860	395
– without exchange of principal	401	—	1,774	—	—	2,175	1,571
– options bought	344	—	—	—	—	344	36
– other derivatives	57	—	1,774	—	—	1,831	1,535
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
Total A	549	—	7,486	—	—	8,035	1,966
B) Unlisted derivative products							
1) Financial derivatives:	454,024	23,733	751,507	—	38,414	1,267,678	28,693
– with exchange of principal	572	23,330	6,667	—	—	30,569	—
– options bought	572	—	6,667	—	—	7,239	—
– other derivatives	—	23,330	—	—	—	23,330	—
– without exchange of principal	453,452	403	744,840	—	38,414	1,237,109	28,693
– options bought	218	403	744,070	—	—	744,691	—
– other derivatives	453,234	—	770	—	38,414	492,418	28,693
2) Credit derivatives:	—	—	—	27,513	—	27,513	17,454
– with exchange of principal	—	—	—	27,513	—	27,513	17,454
– without exchange of principal	—	—	—	—	—	—	—
Total B	454,024	23,733	751,507	27,513	38,414	1,295,191	46,147
Total (A+B)	454,573	23,733	758,993	27,513	38,414	1,303,226	48,113

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities

	30/6/06		30/6/05	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	1,999,832	454,323	—	—
2. Equities	1,809,399	613,628	1,254,290	482,601
3. OICR units	245,754	—	—	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized ¹	259,601	120,138	—	—
	4,314,586	1,188,089	1,254,290	482,601

¹ Relates to securities sold under repo agreements.

4.2 AFS securities: by borrower/issuer

	30/6/06		30/6/05
	Listed	Unlisted	
1. Debt securities	1,999,832	454,323	—
a. Governments and central banks	620,075	—	—
b. Other public agencies	—	—	—
c. Banks	1,254,287	17,494	—
d. Other issuers	125,470	436,829	—
2. Equities	1,809,399	613,628	1,736,891
a. Banks	223,282	3	59,252
b. Other issuers:	1,586,117	613,625	1,677,639
- insurances	152,197	—	110,880
- financial companies	748,380	18,277	163,419
- non-financial undertakings	685,540	595,348	1,403,340
- other entities	—	—	—
3. OICR units	245,754	—	—
4. Loans and advances	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
5. Impaired assets	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
6. Assets sold but not derecognized ¹	259,601	120,138	—
a. Governments and central banks	—	—	—
b. Other public agencies	132,449	—	—
c. Banks	—	—	—
d. Other entities	127,152	120,138	—
	4,314,586	1,188,089	1,736,891

¹ Relates to securities sold under repo agreements.

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

	30/6/06		30/6/05	
	Book value	Fair value	Book value	Fair value
1. Debt securities	626,456	604,025	—	—
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	—	—	—	—
	626,456	604,025	—	—

5.2 Financial assets held to maturity: by borrower/issuer

	30/6/06	30/6/05
1. Debt securities	626,456	—
a. Governments and central banks	3,290	—
b. Other public agencies	—	—
c. Banks	64,992	—
d. Other issuers	558,174	—
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
3. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
4. Assets sold but not derecognized	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
	626,456	—

Section 6

Heading 60: Due from banks

6.1 Due from banks

	30/6/06	30/6/05
A. Due from central banks	52,225	85,439
1. Term deposits	—	—
2. Compulsory reserves	52,225	85,439
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	4,921,821	2,860,708
1. Current accounts and demand deposits	457,809	93,913
2. Term deposits	1,998,656	404,024
3. Other receivables:	2,442,457	2,362,644
3.1 amounts due under repo agreements	1,700,666	1,900,573
3.2 amounts due under finance leases	1,195	3,330
3.3 other amounts due	740,596	458,741
4. Debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized ¹	22,772	—
Total book value	4,974,046	2,946,147
Total fair value	4,969,789	—

¹ Relates to securities lending transactions.

6.3 Due under finance leases

Loan term	Explicit receivables	Receivables in respect of assets under construction	Principal	Interest	Gross investment	
Up to 3 months	—	—	437	45	482	—
Between 3 months and 1 year	—	—	415	93	508	39
Between 1 year and 5 years	—	—	343	30	373	25
Over 5 years	—	—	—	—	—	—
Unspecified	—	—	—	—	—	—
Total, gross	—	—	1,195	168	1,363	64
Value adjustments	—	—	—	—	—	—
Total, net	—	—	1,195	168	1,363	64

Section 7

Heading 70: Due from customers

7.1 Due from customers

	30/6/06	30/6/05
1. Current accounts	13,091	10,263
2. Amounts due under repo agreements	303,050	472,989
3. Mortgages	13,224,058	11,808,896
4. Credit cards, personal loans and salary-guaranteed loans	2,963,815	2,132,578
5. Amounts due under finance leases	3,425,431	2,737,469
6. Factoring	—	—
7. Other transactions	2,011,329	421,485
8. Debt securities	—	—
9. Impaired assets	103,830	84,526
10. Assets sold but not derecognized ¹	909,596	—
Total book value	22,954,200	17,668,205
Total fair value	23,511,858	—

¹ Relates to securities lending transactions and securitized assets.

7.2 Due from customers: by borrower/issuer

	30/6/06	30/6/05
1. Debt securities	—	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers:	—	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	—	—
- other entities	—	—
2. Loans and advances	21,940,774	17,668,205
a) Governments	181,547	196,805
b) Other public agencies	280,403	114,655
c) Other issuers:	21,478,824	17,356,745
- non-financial undertakings	12,839,537	10,922,773
- financial companies	2,567,218	1,978,330
- insurances	578,866	—
- other entities	5,493,203	4,455,642
3. Impaired assets	103,830	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers:	103,830	—
- non-financial undertakings	20,311	—
- financial companies	—	—
- insurances	—	—
- other entities	83,519	—
4. Assets sold but not derecognized ¹	909,596	—
a) Governments	—	—
b) Other public agencies	79	—
c) Other issuers:	909,517	—
- non-financial undertakings	321,723	—
- financial companies	164,629	—
- insurances	5	—
- other entities	423,160	—
	22,954,200	17,668,205

¹ Relates to securities lending transactions and securitized assets.

7.3 Due from customers: assets subject to individual hedging

	30/6/06	30/6/05
1. Receivables subject to individual fair value hedging:	564,493	—
a) interest rate risk	306,652	—
b) exchange rate risk	—	—
c) credit risk	257,841	—
d) more than one risk	—	—
2. Receivables subject to individual cash flow hedging:	795,383	—
a) interest rate	795,383	—
b) exchange rate risk	—	—
c) other	—	—
	1,359,876	—

7.4 Due under finance leases

Lease term	Explicit receivables	Receivables in respect of assets under construction	Principal	Interest	Gross investment	
						<i>of which: residual amount not guaranteed</i>
Up to 3 months	92,215	3,257	207,708 ¹	43,025	346,205	3,776
Between 3 months and 1 year	4,044	—	642,562 ¹	110,512	757,118	16,071
Between 1 and 5 years	5,575	—	1,931,580 ¹	279,791	2,216,946	51,922
Over 5 years	2,401	—	736,592 ¹	107,800	846,793	147,600
Unspecified	14,719	211,771	28,127	—	254,617	163,618
Total, gross	118,954	215,028	3,546,569	541,128	4,421,679	382,987
Value adjustments	(21,488)	—	(51,885)	—	(73,373)	—
Total, net	97,466	215,028	3,494,684	541,128	4,348,306	382,987

¹ Includes securitized finance lease receivables worth €360,626,000 and impaired assets amounting to €21,121,000.

Section 8

Heading 80: Hedging derivatives

8.1 Hedging derivatives

	Interest rates	Foreign currency/ gold	Equities	Loans and advances	Others	Total
A) Listed derivative products	—	—	—	—	—	—
1) Financial derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
- options bought	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
- options bought	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1) Financial derivatives:	789,328	2,719	—	—	—	792,047
– with exchange of principal	—	2,719	—	—	—	2,719
- options bought	—	—	—	—	—	—
- other derivative products	—	2,719	—	—	—	2,719
– without exchange of principal	789,328	—	—	—	—	789,328
- options bought	—	—	—	—	—	—
- other derivative products	789,328	—	—	—	—	789,328
2) Credit derivatives:	—	—	—	1,348	—	1,348
– with exchange of principal	—	—	—	417	—	417
– without exchange of principal	—	—	—	931	—	931
Total B	789,328	2,719	—	1,348	—	793,395
Total at 30/6/06	789,328	2,719	—	1,348	—	793,395
Total at 30/6/05	965,064	631	—	—	—	965,695

8.2 Hedging derivatives: by portfolio hedged and hedge type

	Fair value					Cash flow		
	Individual risks					General risks	Individual risks	General risks
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	—	—	—	—	—
2. Loans and advances	1,463	—	33	—	—	—	14,552	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	1,463	—	33	—	—	—	14,552	—
1. Financial liabilities	744,322	—	931	—	—	—	32,094	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	744,322	—	931	—	—	—	32,094	—

Section 10

Heading 100: Equity investments

10.1 Investments in jointly-controlled companies (equity-accounted) and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Type of relationship*	Extent of relationship		% voting rights
			Investor company	% interest	
A. Jointly-controlled companies					
B. Companies subject to significant influence					
1. Cartiere Burgo S.p.A.	Verzuolo, near Cuneo	2	Mediobanca	22.13	22.13
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.04	13.04
			Spafid	0.10	0.10
			Compass	0.97	0.97
3. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	13.66	13.66
4. Banca Esperia S.p.A.	Milan	2	Mediobanca	48.50	48.50
5. MB Venture Capital S.A.	Luxembourg	2	Technostart	35.00	35.00
6. MB Venture Capital Fund I Participating Co. A.N.V.	Amsterdam	2	Mediobanca	98.84	45.00
7. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.00	25.00
8. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	23.88	23.88

* Legend:

1 Jointly-controlled.

2 Subject to significant influence.

10.2 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: financial information

Name	Key financial data ¹		Consolidation data		Consolidated book value	Fair value
	Total assets	Total income	Profit (loss) ²	Net equity ²		
A. Wholly-owned subsidiaries						
B. Jointly-controlled companies						
C. Companies subject to significant influence						
1. Cartiere Burgo S.p.A.	2,574,898	2,210,869	67,853	465,883	101,174	—
2. Assicurazioni Generali S.p.A.	345,553,627	81,719,238	2,038,215	14,071,906	1,888,471	5,110,943
3. RCS MediaGroup S.p.A.	1,417,837	2,191,000	167,469	1,113,513	284,941 ³	414,862
4. Banca Esperia S.p.A.	351,148	62,367	18,731	71,357	34,608	—
5. MB Venture Capital Fund I Participating Co. A.N.V.	81,496	n.m.	(1,751)	9,597	9,485	—
6. Fidia SGR S.p.A.	12,964	6,390	(588)	9,041	2,261	—
7. Athena Private Equity S.A.	150,278	n.m.	10,786	148,281	33,920	—
Other	—	—	—	—	63	—
					2,354,923	

¹ From most recent approved financial statements.

² Calculated pro-forma based on financial situation at 31 March 2006 (gross of dividends distributed) or 30 June 2006.

³ Includes goodwill amounting to €144,826,000.

Section 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

	30/6/06	30/6/05
A. Core assets		
1.1 owned by the Group	271,959	274,746
a) land	83,636	83,636
b) buildings	169,627	173,766
c) furniture	9,796	9,771
d) electronic equipment	6,129	5,423
e) other assets	2,771	2,150
1.2 acquired under finance leases	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	271,959	274,746
B. Assets held for investment purposes		
2.1 owned by the Group:	29,855	30,236
a) land	20,350	20,350
b) buildings	9,505	9,886
2.2 acquired under finance leases	—	—
a) land	—	—
b) buildings	—	—
Total B	29,855	30,236
Total (A+B)	301,814	304,982

12.2 Core tangible assets: year-on-year changes

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	190,194	15,916	17,822	13,013	320,581
A.1 Total net value reductions	—	(16,428)	(6,145)	(12,399)	(10,863)	(45,835)
A.2 Net opening balance	83,636	173,766	9,771	5,423	2,150	274,746
B. Additions:	—	2,571	2,791	3,676	2,470	11,508
B.1 Purchases	—	—	2,791	3,384	2,067	8,242
B.2 Capitalized improvement expenses	—	977	—	—	—	977
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from assets held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	1,594	—	292	403	2,289
C. Reductions:	—	(6,710)	(2,766)	(2,970)	(1,849)	(14,295)
C.1 Disposals	—	(3,515)	(496)	(40)	(147)	(4,198)
C.2 Depreciation	—	(3,195)	(1,971)	(2,915)	(1,650)	(9,731)
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.4 Reductions in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	(299)	(15)	(52)	(3,668)
D. Net closing balance	83,636	169,627	9,796	6,129	2,771	271,959
D.1 Total net value reductions	—	20,841	7,778	18,349	12,029	58,997
D.2 Gross closing balance	83,636	190,468	17,574	24,478	14,800	330,956
E. Recognized at cost	—	—	—	—	—	—

12.3 Tangible assets held for investment purposes: year-on-year changes

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,886
B. Additions	—	33
B.1 Purchases	—	33
B.2 Capitalized improvement expenses	—	—
B.3 Increases in fair value	—	—
B.4 Revaluations	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core tangible assets	—	—
B.7 Other additions	—	—
C. Reductions	—	(414)
C.1 Disposals	—	—
C.2 Depreciation	—	(414)
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions due to exchange rates	—	—
C.6 Transfers to other asset portfolios:	—	—
a) core properties	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	9,505
E. Recognized at fair value	—	—

Section 13

Heading 130: Intangible assets

13.1 Intangible assets

	30/6/06		30/6/05	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	—	—	—
A.1.1 attributable to Group	—	—	—	—
A.1.2 attributable to others	—	—	—	—
A.2 Other intangible assets	3,909	—	5,557	—
A.2.1 Recognized at cost:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	3,909	—	5,557	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
	3,909	—	5,557	—

13.2 Intangible assets: year-on-year changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Gross opening balance	—	—	—	7,593	—	7,593
A.1 Total net value reductions	—	—	—	2,036	—	2,036
A.2 Net opening balance	—	—	—	5,557	—	5,557
B. Additions	—	—	—	832	—	832
B.1 Purchases	—	—	—	—	—	—
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	832	—	832
C. Reductions	—	—	—	3,166	—	3,166
C.1 Disposals	—	—	—	11	—	11
C.2 Value adjustments	—	—	—	—	—	—
– amortization	—	—	—	2,812	—	2,812
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss	—	—	—	—	—	—
C.3 Reductions in fair value recognized in:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	343	—	343
D. Net closing balance	—	—	—	3,909	—	3,909
D.1 Total net value adjustments	—	—	—	4,955	—	4,955
E. Gross closing balance	—	—	—	8,864	—	8,864
F. Recognized at cost	—	—	—	—	—	—

Section 14

Asset heading 140 and liability heading 80: Tax assets and liabilities

14.1 Advance tax assets

	30/6/06	30/6/05
Corporate income tax (IRES)	141,509	128,785
Regional production tax (IRAP)	4,411	3,215
	145,920	132,000

14.2 Deferred tax liabilities

	30/6/06	30/6/05
Corporate income tax (IRES)	352,963	308,939
Regional production tax (IRAP)	25,340	3,925
	378,303	312,864

14.3 Year-on-year changes in advance tax

	30/6/06	30/6/05
1. Balance at start of period	132,000	91,225
IAS 39 adoption	15,557	—
1. Opening balance	147,557	91,225
2. Additions	30,883	75,174
2.1 Advance tax originating during period	21,204	75,174
a) relating to previous years	—	—
b) due to changes in accounting policies	—	9,840
c) amounts written back	—	—
d) other	21,204	65,334
2.2 New taxes or increases in tax rates	9,611	—
2.3 Other additions	68	—
3. Reductions	32,644	34,399
3.1 Advance tax reversed during period	30,698	34,399
a) reclassifications	30,404	34,399
b) amounts written off as unrecoverable	294	—
c) due to changes in accounting policies	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	1,946	—
4. Balance at end of period	145,796	132,000

14.4 Year-on-year changes in deferred tax

	30/6/06	30/6/05
1. Balance at start of period	312,864	282,856
IAS 39 adoption	(36,244)	—
1. Opening balance	276,620	282,856
2. Additions	69,864	31,928
2.1 Advance tax originating during period	26,463	25,329
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) other	26,463	25,329
2.2 New taxes or increases in tax rates	37,301	—
2.3 Other additions	6,100	6,599
3. Reductions	26,553	1,920
3.1 Advance tax reversed during period	25,921	1,307
a) reclassifications	6,998	—
b) due to changes in accounting policies	—	—
c) other	18,923	1,307
3.2 Reductions in tax rates	—	—
3.3 Other reductions	632	613
4. Balance at end of period	319,931	312,864

14.5 Year-on-year changes in advance tax¹

	30/6/06	30/6/05
1. Balance at start of period	—	—
IAS 39 adoption	1,989	—
1. Opening balance	1,989	—
2. Additions	925	—
2.1 Advance tax originating during period	628	—
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) other	628	—
2.2 New taxes or increases in tax rates	149	—
2.3 Other additions	148	—
3. Reductions	2,790	—
3.1 Advance tax reversed during period	776	—
a) reclassifications	776	—
b) due to changes in accounting policies	—	—
c) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	2,014	—
4. Balance at end of period	124	—

¹ Tax in respect of cash flow hedges and disposals of AFS securities in an FTA scenario with respect to IAS 39.

14.6 Year-on-year changes in deferred tax¹

	30/6/06	30/6/05
1. Balance at start of period	—	—
IAS 39 adoption	56,930	—
1. Opening balance	56,930	—
2. Additions	23,251	—
2.1 Advance tax originating during period	7,748	—
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) other	7,748	—
2.2 New taxes or increases in tax rates	13,037	—
2.3 Other additions	2,466	—
3. Reductions	21,809	—
3.1 Advance tax reversed during period	21,809	—
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) other	21,809	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	58,372	—

¹ Tax in respect of cash flow hedges and disposals of AFS securities in an FTA scenario with respect to IAS 39.

Section 16

Heading 160: Other assets

16.1 Other assets

	30/6/06	30/6/05
1. Bills for collection	9,142	8,038
2. Amounts due from customers	46,337	101,275
– securities drawn by lot, bonds, and coupons being checked	10,280	488
– premiums, grants indemnities and other items in respect of lending transactions	5,964	11,899
– futures and other securities transactions	—	2,328
– advance payments on deposit commissions	3,452	4,722
– other items in transit	26,641	70,988
– invoices to be collected or issued	—	10,850
3. Interbank accounts, deferred value dates	—	28
4. Other items	48,744	270,249
5. Deposits paid on derivative products	45,110	17,358
6. Adjustments on consolidation	—	—
	149,333	396,948

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks

	30/6/06	30/6/05
1. Due to central banks	597,846	768,567
2. Due to banks	7,875,240	7,158,347
2.1 Current accounts and demand deposits	752,712	622,347
2.2 Term deposits	555,625	1,147,737
2.3 Borrowings	4,791,621	4,200,768
2.4 Amounts due under commitments to buy back own equity instruments	—	—
2.5 Liabilities in respect of assets sold but not derecognized	415,861	309,886
2.5.1 Amounts due under reverse repo agreements	415,861	309,886
2.5.2 Other	—	—
2.6 Other amounts due to banks	1,359,421	877,609
Total book value	8,473,086	7,926,914
Total fair value	8,473,086	—

1.2 Due to banks: items subject to individual hedging

	30/6/06	30/6/05
1. Items subject to individual fair value hedging:	55,055	—
a) interest rate risk	55,055	—
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to individual cash flow hedging:	720,500	—
a) interest rate risk	720,500	—
b) exchange rate risk	—	—
c) more than one risk	—	—

Section 2

Heading 20: Due to customers

2.1 Due to customers

	30/6/06	30/6/05
1. Current accounts and demand deposits	1,071,731	1,843,897
2. Term deposits	851,767	1,354,187
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	44,606	66,252
5. Amounts due under commitments to buy back own equity instruments	—	—
6. Liabilities in respect of assets sold but not derecognized	1,187,815	218,046
6.1 Amounts due under reverse repo agreements	441,888	218,046
6.2 Other	745,927	—
7. Other amounts due to customers	810,700	135,642
Total book value	3,966,619	3,618,024
Total fair value	3,967,122	—

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue

	30/6/06		30/6/05
	Book value	Fair value	Book value
A. Listed securities	17,307,423	17,285,449	13,322,822
1. bonds	17,307,423	17,285,449	13,322,822
2. other debt securities	—	—	—
B. Unlisted securities	3,253,518	3,249,460	3,396,996
1. bonds	2,896,779	2,892,721	2,916,443
2. other debt securities	356,739	356,739	480,553
	20,560,941	20,534,909	16,719,818

3.3 *Debt securities in issue: items subject to individual hedging*

	30/6/06	30/6/05
1. Items subject to individual fair value hedging	15,084,808	—
a) interest rate risk	15,084,808	—
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to individual cash flow hedging	500,000	—
a) interest rate risk	500,000	—
b) exchange rate risk	—	—
c) more than one risk	—	—

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities

	30/6/06			30/6/05		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
A. Cash liabilities						
1. Due to banks	24,294	26,738	—	—	—	—
2. Due to customers	2,069,888	2,030,848	—	1,792,580	1,792,580	—
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other securities	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other securities	—	—	—	—	—	—
Total A	2,094,182	2,057,586	—	1,792,580	1,792,580	—
B. Derivative products						
1. Financial derivatives	X	14,821	1,210,480	X	3,158	28,323
1.1 Trading	X	14,821	599,950	X	3,158	28,323
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Other	X	—	610,530	X	—	—
2. Credit derivatives	X	—	19,572	X	—	14,842
2.1 Trading	X	—	19,572	X	—	14,842
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Other	X	—	—	X	—	—
Total B	—	14,821	1,230,052	—	3,158	43,165
Total (A+B)	2,094,182	2,072,407	1,230,052	1,792,580	1,795,738	43,165

4.2 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	30/6/06	30/6/05
A) Listed derivative products							
1. Financial derivatives:	13,766	—	1,055	—	—	14,821	—
– With exchange of principal	12,927		1,032	—	—	13,959	—
– options issued	—	—	—	—	—	—	—
– other derivative products	12,927	—	1,032	—	—	13,959	—
– Without exchange of principal	839	—	23	—	—	862	3,158
– options issued	—	—	23	—	—	23	—
– other derivative products	839	—	—	—	—	839	3,158
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
Total A	13,766	—	1,055	—	—	14,821	3,158
B) Unlisted derivative products							
1. Financial derivatives:	341,863	4,391	772,444	91,782	—	1,210,480	28,323
– With exchange of principal	—	4,041	4,345	—	—	8,435	—
– options issued	—	49	4,345	—	—	4,394	—
– other derivative products	—	3,992	—	—	—	3,992	—
– Without exchange of principal	341,863	350	768,099	91,782	—	1,202,094	28,323
– options issued	820	350	734,787	—	—	735,957	28,323
– other derivative products	341,043	—	33,312	91,782	—	466,137	—
2. Credit derivatives:	—	—	—	19,572	—	19,572	14,842
– With exchange of principal	—	—	—	18,072	—	18,072	14,842
– Without exchange of principal	—	—	—	1,500	—	1,500	—
Total B	341,863	4,391	772,444	111,354	—	1,230,052	43,165
Total (A+B)	355,629	4,391	773,499	111,354	—	1,244,873	46,323

Section 6

Heading 60: Hedging derivatives

6.1 Hedging derivatives: by type of product/underlying asset

	Interest rates	Foreign currency/gold	Equities	Loans and receivables	Other	Total
A) Listed derivative products	—	—	—	—	—	—
1. Financial derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
- options issued	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
- options issued	—	—	—	—	—	—
- other derivative products	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products	1,321,437	5,740	—	4,210	—	1,331,387
1. Financial derivatives:	1,321,437	5,740	—	—	—	1,327,177
– With exchange of principal	—	5,740	—	—	—	5,740
- options issued	—	—	—	—	—	—
- other derivative products	—	5,740	—	—	—	5,740
– Without exchange of principal	1,321,437	—	—	—	—	1,321,437
- options issued	—	—	—	—	—	—
- other derivative products	1,321,437	—	—	—	—	1,321,437
2. Credit derivatives:	—	—	—	4,210	—	4,210
– With exchange of principal	—	—	—	4,111	—	4,111
– Without exchange of principal	—	—	—	99	—	99
Total B	1,321,437	5,740	—	4,210	—	1,331,387
Total at 30/6/06	1,321,437	5,740	—	4,210	—	1,331,387
Total at 30/6/05	55,211	2,802	—	45	181	58,239

6.2 Hedging derivatives: by portfolio hedged/hedge type

	Fair value					Cash flow		
	Individual risks					General risks	Individual risks	General risks
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	—	—	—	—	—
2. Loans and receivables	23,147	—	1,469	—	—	—	208	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	23,147	—	1,469	—	—	—	208	—
1. Financial liabilities	1,302,135	—	1,780	—	—	—	2,648	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	1,302,135	—	1,780	—	—	—	2,648	—

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	30/6/06	30/6/05
1. Bills for collection	13	18
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,127	2,067
– commissions payable to banks	54	75
– commissions payable to participants in underwriting syndicates	111	2,725
– sums available for payments to customers	15,957	22,273
– invoices pending settlement or receipt	134,643	149,779
– premiums, grants and other items relating to lending transactions	—	25,337
3. Due to tax revenue authorities	—	32,431
4. Wages accrued, contribution and amounts payable withheld from staff/customers	42,326	32,125
5. Interbank accounts, deferred value dates	—	85
6. Deposits paid on derivative products (marked to market)	576,013	859,806
7. Other items	39,573	482,883
8. Adjustments on consolidation	—	—
	810,817	1,609,604

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: year-on-year changes

	30/6/06	30/6/05
A. Balance at start of period	36,252	33,139
B. Additions	9,219	9,239
B.1 Transfers during period	8,874	8,101
B.2 Other additions	345	1,138
C. Reductions	10,757	6,126
C.1 Indemnities paid out	6,098	2,611
C.2 Other reductions ¹	4,659	3,515
D. Balance at end of period	34,714	36,252

¹ Includes transfers to external defined contribution provisions.

Section 12

Heading 120: Provisions

12.1 Provisions

	30/6/06	30/6/05
1. Company post-retirement benefit provisions	—	—
2. Other provisions	156,557	153,369
2.1 litigation	39	41
2.2 staff-related	—	—
2.3 other	156,518	153,328
	156,557	153,369

12.2 Provisions: year-on-year changes

	Company post-retirement benefit	Litigation	Other provisions	Total
A. Balance at start of period	—	41	153,328	153,369
B. Additions	—	15	5,588	5,603
B.1 Transfers during period	—	15	5,588	5,603
B.2 Additions due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	17	2,398	2,415
C.1 Transfers during period	—	17	2,398	2,415
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	39	156,518	156,557

Section 15

Headings 140, 160, 170, 180, 190, 200 and 220: Consolidated net equity

15.1 Consolidated net equity

	30/6/06	30/6/05
1. Share capital	405,999	397,478
2. Share premium reserve	2,071,364	1,933,331
3. Reserves	3,058,670	2,708,792
4. Treasury shares ¹	(434)	(434)
5. Revaluation reserves	351,197	13,514
6. Equity instruments	—	—
7. Gain (loss) for the period	858,403	713,953
	6,745,199	5,766,634

¹ Treasury shares owned by Group company Palladio Leasing S.p.A.

15.3 Share capital: Y.o.Y. changes in no. of Mediobanca shares in issue

Type of shares	No. of ordinary shares
A. Shares in issue at start of period	794,955,915
– released internally	794,955,915
– not released internally	—
A.1 Treasury shares	—
A.2 Shares in issue: balance at start of period	794,955,915
B. Additions	17,041,250
B.1 New share issuance:	17,041,250
– rights issues	—
– business combinations	—
– bond conversions	—
– exercise of warrants	—
– other	17,041,250
– bonus issues	—
– to staff members	—
– to directors	—
– other	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Business disposals	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	811,997,165
D.1 <i>Add:</i> treasury shares	—
– released internally	—
– not released internally	—

15.7 Valuation reserves

	30/6/06	30/6/05
1. AFS securities	311,914	—
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	25,769	—
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	13,514	13,514
	351,197	13,514

15.8 Valuation reserves: year-on-year changes

	AFS securities	Cash flow hedges	Special revaluation laws
A. Balance at start of period	—	—	13,514
IAS 39 adoption	332,965	30,821	—
A. Balance at start of period	332,965	30,821	13,514
B. Additions	322,834	26,675	—
B.1 Increases in fair value	304,607	26,675	—
B.2 Other additions	18,227	—	—
C. Reductions	343,885	31,727	—
C.1 Reductions in fair value	158,001	30,077	—
C.2 Other reductions	185,884	1,650	—
D. Balance at end of period	311,914	25,769	13,514

15.9 AFS securities valuation reserves

	30/6/06	
	Positive reserve	Negative reserve
1. Debt securities	30,768	22,042
2. Equities	429,190	130,972
3. OICR units	4,970	—
4. Loans and advances	—	—
	464,928	153,014

15.10 AFS valuation reserves: year-on-year changes

	Debt securities	Equities	OICR units	Total
1. Balance at start of period	—	—	—	—
IAS 39 adoption	33,392	297,422	3,151	332,965
1. Balance at start of period	33,392	297,422	3,151	332,965
2. Additions	26,257	294,758	1,819	322,834
2.1 Increases in fair value	15,027	287,761	1,819	304,607
2.2 Shortfalls on reserves charged back to profit and loss	—	6,997	—	6,997
– due to impairment	—	—	—	—
– due to disposals	—	6,997	—	6,997
2.3 Other additions	11,230	—	—	11,230
3. Reductions	49,923	293,962	—	343,885
3.1 Reductions in fair value	35,953	122,048	—	158,001
3.2 Adjustments for impairment	—	—	—	—
3.3 Surpluses on reserves credited back to profit and loss: from disposals	13,970	156,636	—	170,606
3.4 Other reductions	—	15,278	—	15,278
4. Balance at end of period	8,726	298,218	4,970	311,914

Section 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities

	30/6/06	30/6/05
1. Share capital	25,669	72,425
2. Share premium reserve	2,537	—
3. Reserves	49,181	—
4. Treasury shares	—	—
5. Revaluation reserves ¹	2,452	—
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	9,372	8,369
	89,211	80,794

¹ Relates to cash flow hedges.

Other information

1. Guarantees and commitments

	30/6/06	30/6/05
1. Financial guarantees given to:	1,499,611	618,804
a) Banks	810,645	12,049
b) Customers	688,966	606,755
2. Commercial guarantees given to:	5,839	2,162
a) Banks	—	—
b) Customers	5,839	2,162
3. Irrevocable commitments to lend funds to:	69,255,729	17,874,580
a) Banks	4,383,111	4,578,088
i) specific	2,594,234	2,605,007
ii) stand-by basis	1,788,877	1,973,081
b) Customers	64,872,618	13,296,492
i) specific	7,885,393	6,357,889
ii) stand-by basis	56,987,225 ¹	6,938,603
4. Commitments underlying credit derivatives: hedge sales	273,933	1,244,147
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	159,149	120,712
	71,194,261	19,860,405

¹ Of which €48,544,000,000 guaranteed by letters of credit.

2. Assets pledged as collateral for own obligations and commitments

	30/6/06	30/6/05
1. Financial assets held for trading	1,323,179	1,195,673
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	—
4. Financial assets held to maturity	—	—
5. Due to banks	—	—
6. Due to customers	334,895	301,953
7. Property, plant and equipment	—	—

4. Assets managed and traded for customers: Mediobanca Banking Group

	30/6/06	30/6/05
1. Securities traded for customers	40,837,772	30,780,669
a) Purchases	20,638,248	15,132,153
1. settled	20,077,303	14,349,355
2. pending settlement	560,945	782,798
b) Disposals	20,199,524	15,648,516
1. settled	19,638,579	14,865,718
2. pending settlement	560,945	782,798
2. Asset management ¹	4,497,000	4,310,000
a) individuals	1,247,000	1,153,000
b) groups	3,250,000	3,157,000
3. Securities under custody/managed on a non-discretionary basis	18,015,532	26,363,376
a) customer securities held on deposit in connection with the Bank's activity as depositary bank (excluding asset management) ²	4,289,689	13,175,355
1. securities issued by company responsible for preparing accounts	357,299	388,835
2. other securities	3,932,390	12,786,520
b) other customer securities held on deposit (excluding asset management): others	1,298,659	—
1. securities issued by company responsible for preparing accounts	44,324	—
2. other securities	1,254,335	—
c) customer securities held on deposit with customers	3,983,050	4,549,493
d) securities owned by Banking Group held on deposit with customers	8,444,134	8,638,528
4. Other transactions	—	—

¹ The Esperia group has assets under management totalling €7,007,000,000 (30/6/05: €5,359,000,000).

² The Esperia group manages assets on a non-discretionary basis worth €1,399,000,000 (30/6/05: €1,128,000,000).

PART C
NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1

Headings 10 and 20: Net interest income

1.1 *Interest and similar income*

	Performing assets		Impaired assets	Other assets	12 mths to 30/6/06	12 mths to 30/6/05
	Debt securities	Loans and advances				
1. Financial assets held for trading	150,084	—	—	16	150,100	247,854
2. AFS securities	51,361	—	—	37,117	88,478	—
3. Financial assets held to maturity	20,150	—	—	—	20,150	—
4. Due from banks	—	18,286	—	58,738	77,024	93,901
5. Due from customers	—	966,019	4,285	35,800	1,006,104	871,812
6. Hedging derivatives	—	—	—	336,864	336,864	108,901
7. Financial assets sold but not derecognized	—	64,404	—	1,626	66,030	73,754
8. Other assets	—	—	—	2,961	2,961	7,549
	221,595	1,048,709	4,285	473,122	1,747,711	1,403,771

1.2 *Interest and similar income: other information*

	12 mths to 30/6/06	12 mths to 30/6/05
1.3.1 Interest receivable on assets denominated in currencies other than the Euro	30,657	20,103
1.3.2 Interest receivable in respect of finance lease transactions	167,808	134,267
1.3.3 Interest on receivables using customers' funds managed on a non-discretionary basis	—	—
	198,465	154,370

1.4 Interest expense and similar charges

	Accounts payable	Securities	Other liabilities	12 mths to 30/6/06	12 mths to 30/6/05
1. Due to banks	(234,834)	—	—	(234,834)	(148,125)
2. Due to customers	(39,452)	—	(31,261)	(70,713)	(99,451)
3. Debt securities in issue	—	(804,786)	—	(804,786)	(583,093)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	—	—	(57,809)	(57,809)	(51,283)
7. Other liabilities	—	—	(469)	(469)	(45)
8. Hedging derivatives	—	—	—	—	—
	(274,286)	(804,786)	(89,539)	(1,168,611)	(881,997)

1.6 Interest expense and similar charges: other information

	12 mths to 30/6/06	12 mths to 30/6/05
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(23,068)	(12,553)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(225)	(228)
1.6.3 Interest payable on customer funds managed on a non-discretionary basis	—	—
	(23,293)	(12,781)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income

	12 mths to 30/6/06	12 mths to 30/6/05
a) guarantees given	4,391	3,228
b) credit derivatives	1,514	2,884
c) management, trading and advisory services:	123,103	122,302
1. securities trading	42,261	32,869
2. currency trading	81	72
3. asset management ¹	6,124	4,880
3.1 individuals	6,124	4,880
3.2 groups	—	—
4. securities under custody and non-discretionary management	3,737	3,621
5. bank deposits	—	—
6. securities placement	54,964	67,379
7. procurement of orders	2,288	—
8. advisory services	—	134
9. agency fees	13,648	13,347
9.1 asset management	13,648	13,347
9.1.1 individuals	13,648	13,347
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	512	473
e) securitization servicing	110	2,360
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) other services	150,932	102,010
	280,562	233,257

¹ Banca Esperia recorded net fee and commission income of €65,338,000 (30/6/05: €48,630,000).

2.2 Fee and commission income: by product/service distribution channel

	12 mths to 30/6/06	12 mths to 30/6/05
a) on the Bank's own premises:	74,736	85,606
1. asset management ¹	6,124	4,880
2. securities placement	54,964	67,379
3. agency fees	13,648	13,347
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
	74,736	85,606

¹ Banca Esperia recorded fee and commission income of €65,338,000 (30/6/05: €48,630,000).

2.3 Fee and commission expense

	12 mths to 30/6/06	12 mths to 30/6/05
a) guarantees received	—	(8)
b) credit derivatives	—	(1,527)
c) management and trading services:	(7,237)	(13,224)
1. securities trading	(4,786)	(2,538)
2. currency trading	—	—
3. asset management:	(2)	(2)
3.1 proprietary	(2)	(2)
3.2 customer	—	—
4. securities under custody/non-discretionary management	(1,971)	(2,535)
5. securities placement	(478)	(8,149)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	—	—
e) other services	(17,213)	(56,722) ¹
	(24,450)	(71,481)

¹ Of which €43,668,000 in dealers' fees.

Section 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income

	12 mths to 30/6/06		12 mths to 30/6/05	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	137,517	—	127,194	—
B. AFS securities	64,912	—	40,337	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
	202,429	—	167,531	—

Section 4

Heading 80: Net trading income

4.1 Net trading income

	Upward adjustments (A)	Trading profits (B)	Downward adjustments (C)	Trading losses (D)	Net income (loss) [(A+B)-(C+D)]
1. Trading assets	89,384	286,596	(138,077)	(306,296)	(68,393)
1.1 Debt securities	17,164	127,474	(82,407)	(135,653)	(73,422)
1.2 Equities	72,220	159,122	(55,670)	(170,643)	5,029
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Other	—	—	—	—	—
2. Trading liabilities	7,384	—	(718)	—	6,666
2.1 Debt securities	501	—	(718)	—	(217)
2.2 Other	6,883	—	—	—	6,883
3. Other financial assets and liabilities: exchange rate differences	14,464	—	(7,704)	—	6,760
4. Derivative products	371,416	1,292,127	(258,864)	(1,264,314)	140,365
4.1 Financial derivatives:	371,416	1,289,680	(252,506)	(1,261,578)	147,012
— on debt securities and interest rates ¹	165,109	724,584	(4,195)	(688,962)	196,536
— on equities and equity indexes	206,307	519,529	(248,311)	(510,516)	(32,991)
— on foreign currency/gold	—	45,567	—	(62,100)	(16,533)
— others	—	—	—	—	—
4.2 Credit derivatives	—	2,447	(6,358)	(2,736)	(6,647)
Total at 30/6/06	482,648	1,578,723	(405,363)	(1,570,610)	85,398
Total at 30/6/05	45,542	910,796	(68,191)	(862,620)	25,527

¹ Of which (€7,205,000) in margins on interest rate derivatives.

Section 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense)

	12 mths to 30/6/06	12 mths to 30/6/05
A. Income from:		
A.1 Fair value hedge derivatives	157,351	—
A.2 Financial assets hedged (fair value)	10,389	—
A.3 Financial liabilities hedged (fair value)	730,666	—
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	898,406	—
B. Expenses relating to:		
B.1 Fair value hedge derivatives	(792,373)	—
B.2 Financial assets hedged (fair value)	(44,580)	—
B.3 Financial liabilities hedged (fair value)	(63,581)	—
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(900,534)	—
C. Net hedging income (expense) (A-B)	(2,128)	—

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases

	12 mths to 30/6/06			12 mths to 30/6/05		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	200,493	(112,654)	87,839	38,461	—	38,461
3.1 Debt securities	19,778	(20,285)	(507)	—	—	—
3.2 Equities	180,715	(92,369)	88,346	38,461	—	38,461
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	(167)	(167)	—	—	—
Total assets	200,493	(112,821)	87,672	38,461	—	38,461
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	14,148	(5,280)	8,868	—	—	—
Total liabilities	14,148	(5,280)	8,868	—	—	—

Section 8

Heading 130: Adjustments for impairment

8.1 Net adjustments for impairment to loans and advances

	Value adjustments			Amounts recovered				12 mths to 30/6/06	12 mths to 30/6/05
	Individual		Portfolio	Individual		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	—	—	
B. Due from customers	(70,331)	(18,401)	(49,217)	453	11,687	113	5,977	(119,719)	(98,140)
C. Total	(70,331)	(18,401)	(49,217)	453	11,687	113	5,977	(119,719)	(98,140)

Legend

A = interest

B = other amounts recovered

8.3 Net adjustments for impairment to financial assets held to maturity

	Value adjustments			Amounts recovered				12 mths to 30/6/06	12 mths to 30/6/05
	Individual		Portfolio	Individual		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Debt securities	—	(266)	—	287	292	—	—	313	(8)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(266)	—	287	292	—	—	313	(8)

Legend

A = interest

B = other amounts recovered

8.4 Net adjustments for impairment to other financial transactions

	Value adjustments			Amounts recovered				12 mths to 30/6/06	12 mths to 30/6/05
	Individual		Portfolio	Individual		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Guarantees given	—	—	—	—	—	—	—	—	200
B. Credit derivatives	—	—	—	—	—	—	—	—	—
C. Commitments to disburse funds	—	—	—	—	—	—	—	—	—
D. Other transactions	—	—	—	—	—	—	—	—	56,524
E. Total	—	—	—	—	—	—	—	—	56,724

Legend

A = interest

B = other amounts recovered

Section 11

Heading 180: Administrative expenses

11.1 Personnel costs

	12 mths to 30/6/06	12 mths to 30/6/05
1. Employees	(198,619)	(191,530)
a) wages and salaries	(140,789)	(128,711)
b) social security charges	(36,322)	(33,254)
c) severance indemnities	(8,741)	(9,389)
d) pension contributions	—	—
e) transfers to severance indemnity provision	—	—
f) transfers to post-employment and similar benefits provision:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to external complementary pension schemes:	(6,706)	(5,496)
– defined contribution	(6,706)	(5,496)
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	(5,502)	(14,637)
i) other staff benefits	(559)	(43)
2. Other staff	(1,927)	(1,370)
3. Directors	(8,163)	(7,779)
	(208,709)	(200,679)

11.2 Average number of staff by category

	12 mths to 30/6/06	12 mths to 30/6/05
Employees:		
a) Senior executives	107	101
b) Executives:	637	644
of which: grade 3 and 4	333	322
c) Other employees	915	843
Other staff	86	80
	1,745	1,668

11.5 Other administrative expenses

	12 mths to 30/6/06	12 mths to 30/6/05
OTHER ADMINISTRATIVE EXPENSES		
– outside consultants' fees	(18,504)	(14,958)
– legal fees due in respect of credit recovery	(10,650)	(11,549)
– share and bond administration	(2,377)	(1,924)
– sundry insurances	(1,447)	(1,333)
– advertising	(13,938)	(13,984)
– rent and maintenance	(14,945)	(18,092)
– EDP costs and financial information subscriptions	(40,771)	(28,453)
– publications, stationery and utilities	(14,055)	(12,228)
– travel and entertainment	(5,753)	(6,464)
– other staff-related expenses	(6,517)	(7,150)
– bank charges	(12,379)	(8,105)
– transport costs	(1,901)	(293)
– outsourced activities	(4,113)	(2,233)
– expensed assets	(2,520)	(615)
– other expenses	(5,262)	(7,110)
Total other expenses	(155,132)	(134,491)
– indirect and other taxes	—	—
– asset tax	—	—
– substitutive and registration taxes and franking of reserves	(1,016)	(1,547)
– substitutive and various other taxes	(16,924)	(12,771)
Total indirect taxation	(17,940)	(14,318)
Total other administrative expenses	(173,072)	(148,809)

Section 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions

	12 mths to 30/6/06	12 mths to 30/6/05
TRANSFERS MADE TO COVER:		
– litigation	(15)	(250)
– advertising expenses	—	—
– certain or probable exposures or commitments ¹	(5,278)	(2,076)
	(5,293)	(2,326)

¹ Includes effect of discounting such items.

Section 13

Heading 200: Net adjustments to tangible assets

13.1 Net adjustments to tangible assets

	Depreciation	Value adjustments for impairment	Amounts recovered	Net adjustments
A. Tangible assets	(10,145)	—	—	(10,145)
A.1 Owned	(10,145)	—	—	(10,145)
– core	(9,731)	—	—	(9,731)
– for investment purposes	(414)	—	—	(414)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total at 30/6/06	(10,145)	—	—	(10,145)
Total at 30/6/05	(10,489)	—	—	(10,489)

Section 14

Heading 210: Net adjustments to intangible assets

14.1 Net adjustments to intangible assets

	Amortization	Value adjustments for impairment	Amounts recovered	Net adjustments
A. Intangible assets	(2,812)	—	—	(2,812)
A.1 Owned	(2,812)	—	—	(2,812)
– software	(2,812)	—	—	(2,812)
– other intangible assets	—	—	—	—
A.2 Goodwill	—	—	—	—
Total at 30/6/06	(2,812)	—	—	(2,812)
Total at 30/6/05	(2,699)	—	—	(2,699)

Section 15

Heading 220: Other operating income

15.1 Other operating income

	12 mths to 30/6/06	12 mths to 30/6/05
a) Income from leasing	6,797	5,102
b) Amounts recovered from customers	17,630	9,977
c) Other income	39,802	40,999
d) Costs and expenses	(11,064)	(2,682)
	53,165	53,396

Section 16

Heading 240: Gains (losses) on equity investments

16.1 Gains (losses) on equity investments

	12 mths to 30/6/06	12 mths to 30/6/05
1. Jointly-controlled companies	—	—
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposal	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expenses	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses on disposal	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	339,378	285,573
1. Revaluations	—	—
2. Gains on disposal	2,200	705
3. Amounts recovered	—	—
4. Other increases	337,178	284,868
B. Expenses	(1,878)	(605)
1. Writedowns	—	(510)
2. Adjustments for impairment	—	—
3. Losses on disposal	—	(34)
4. Other reductions	(1,878)	(61)
Net income	337,500	284,968
	337,500	284,968

Section 19

Heading 270: Net gain (loss) upon disposal of investments

19.1 Net gain (loss) upon disposal of investments

	12 mths to 30/6/06	12 mths to 30/6/05
A. Properties	517	—
– gains on disposals	517	—
– losses on disposals	—	—
B. Other assets	98	(62)
– gains on disposals	98	—
– losses on disposals	—	(62)
Net profit (loss)	615	(62)

Section 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities

	12 mths to 30/6/06	12 mths to 30/6/05
1. Current taxes	(194,882)	(161,716)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in current tax	19,494	30,602
5. Changes in deferred tax	(46,131)	6,491
Tax for the year	(221,519)	(124,623)

20.2 Reconciliation between theoretical and effective tax burden

	30/6/06
Profit before tax	1,089,294
Theoretical tax rate applicable	33%
Theoretical taxes	(359,467)
Dividends	40,786
Gains on disposals of investments (PEX)	29,799
Gains on equity-accounted associates	74,349
Changes in deferred tax from previous years	18,041
Different tax rates (non-Italian Group companies)	13,101
Other changes	(1,040)
TOTAL ITALIAN CORPORATE INCOME TAX (IRES)	(184,431)
ITALIAN REGIONAL PRODUCTION TAX (IRAP)	(37,088)
TOTAL HEADING 290	(221,519)

Section 22

Heading 330: Minority interest

22.1 Minority interest

	12 mths to 30/6/06	12 mths to 30/6/05
PALLADIO LEASING S.p.A.	3,540	2,959
SELMABIPIEMME LEASING S.p.A.	4,286	3,307
TELELEASING S.p.A.	5,017	3,504
OTHERS	(57)	72
ADJUSTMENTS ARISING ON CONSOLIDATION	(3,414)	(1,473)
	9,372	8,369

Section 24

Earnings per share

24.1 Earnings per share

	30/6/06			30/6/05		
	Profit attributable to Group	Weighted average ordinary shares	Earnings per share	Profit attributable to Group	Weighted average ordinary shares	Earnings per share
EPS basic	858,403	797,557,140	1.08	713,953	784,044,920	0.91
EPS diluted	858,403	832,590,415	1.03	713,953	822,019,665	0.87

PART D - SEGMENT REPORTING

A. PRIMARY SEGMENT REPORTING

A.1 Profit-and-loss figures by business segment (net contributions)

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
<i>Profit-and-loss figures</i>	€m	€m	€m	€m	€m
Net interest income	180.5	392.0	20.5	—	593.0
Dividends and similar income	65.0	—	—	—	65.0
Net trading income	205.9	0.9	8.9	—	215.7
Net commissions and fee income	213.0	41.2	48.5	—	302.7
Share of profits earned by equity-accounted companies	15.7	—	9.1	310.5	335.3
TOTAL INCOME	680.1	434.1	87.0	310.5	1,511.7
OPERATING COSTS	(190.3)	(156.9)	(46.2)	—	(393.4)
PROFIT FROM ORDINARY ACTIVITIES	489.8	277.2	40.8	310.5	1,118.3
Gain (loss) on disposal of AFS securities	85.9	—	1.9	—	87.8
Bad debt writeoffs	(4.2)	(115.2)	—	—	(119.4)
Other	1.7	—	0.9	—	2.6
PROFIT BEFORE TAX	573.2	162.0	43.6	310.5	1,089.3
Income tax for the period	(118.1)	(68.7)	(0.7)	(34.0)	(221.5)
Minority interest	1.5	(10.8)	(0.1)	—	(9.4)
NET PROFIT	456.6	82.5	42.8	276.5	858.4

Business divisions comprise:

- *wholesale banking*: Mediobanca, Mediobanca International, Prominvest, Seteci, R&S and Technostart;
- *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer finance), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
- *private banking*: Compagnie Monégasque de Banque, Spafid, Prudentia Fiduciaria, plus pro-rata share in profit earned by Banca Esperia;
- *equity investment portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.

A.2 Balance-sheet data by business segment (net contributions)

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
<i>Balance-sheet data</i>	€m	€m	€m	€m	€m
Treasury funds	5,827.7	221.3	271.6	—	6,320.6
AFS securities	4,065.8	—	1,436.9	—	5,502.7
<i>of which: equities</i>	2,404.0	—	19.0	—	2,423.0
Financial assets held to maturity	626.5	—	—	—	626.5
Equity investments	146.9	—	34.6	2,173.4	2,354.9
Loans and investments to customers	12,268.8	8,778.3	341.0	—	21,388.1
Funding	(18,881.2)	(8,444.9)	(1,741.6)	—	(29,067.7)

B. SECONDARY SEGMENT REPORTING

B.1 Profit-and-loss figures by geographical region (net contributions)

	Italy	Europe ¹	Group
<i>Profit-and-loss account</i>	€m	€m	€m
Net interest income	568.0	25.5	593.0
Dividends and similar income	65.0	—	65.0
Net trading income	206.2	9.5	215.7
Net fee and other income	254.0	48.7	302.7
Share of profits earned by equity-accounted companies	335.3	—	335.3
TOTAL INCOME	1,428.5	83.2	1,511.7
OPERATING COSTS	(350.5)	(42.9)	(393.4)
PROFIT FROM ORDINARY ACTIVITIES	1,078.0	40.3	1,118.3
Gains (losses) on AFS securities	85.9	1.9	87.8
Gains (losses) on other securities	2.0	0.6	2.6
Bad debt writeoffs	(119.9)	0.5	(119.4)
PROFIT BEFORE TAX	1,046.0	43.3	1,089.3
Income tax for the period	(221.0)	(0.5)	(221.5)
Minority interest	(9.4)	—	(9.4)
NET PROFIT	815.6	42.8	858.4

B.2 Balance-sheet data by geographical region (net contributions)

	Italy	Europe ¹	Group
<i>Balance-sheet data</i>	€m	€m	€m
Treasury funds	6,043.6	277.0	6,320.6
AFS securities	4,043.0	1,459.7	5,502.7
Equity investments	2,354.9	—	2,354.9
Loans and advances to customers	20,611.4	776.7	21,388.1
Funding	(25,642.6)	(3,425.1)	(29,067.7)

¹ Mediobanca International, Luxembourg, and Compagnie Monégasque de Banque, Principality of Monaco.

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Banking Group risks

1.1 Credit risk

QUALITATIVE INFORMATION

Corporate banking (Mediobanca)

The Bank's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of loans (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and if successful, are submitted for approval to the relevant bodies, i.e. the Risks or Executive Committee, depending on the amount required. After disbursement the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants are not breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the operating unit and the Bank's management.

Leasing

Individual applications are processed using similar methods to those described above for corporate banking. Applications for leases below a predetermined limit received via banks with which Mediobanca has agreements in place are approved by the banks themselves, against written guarantees from them covering a portion of the risk. At SelmaBipiemme, applications for assets worth less than €50,000 are approved on the basis of a credit scoring system developed from historical series of data, tailored to both the type of asset concerned and the individual applicant's sector of operation.

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the

specific risk profile of the account. All non-performing or potential problem accounts are tested analytically in order to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other doubtful accounts are valued individually on the basis of statistics.

Consumer credit (Compass)

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit *bureaux*. Points of sale are linked electronically to the company's headquarters in order to ensure that applications and credit scoring results are processed and transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at branch level, in accordance with the authorizations established by the company's Board of Directors.

From the first instance of non-payment accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, etc. After eight overdue instalments accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. After nine overdue instalments such accounts are sold to Cofactor, for a fraction of the value of the principal outstanding which reflects the estimated realizable value.

Mortgage lending (Micos Banca)

Mortgage applications are processed and approved centrally at Micos's head office. Approval depends partly on the outcome of a credit scoring system, which is largely determined through individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on monthly basis, ensuring the company's loan book is regularly appraised in view of a wide range of indicators, such as amount, sales channel, loan-to-value, etc.

All mortgage loans with four or more unpaid instalments are designated as potential problem accounts, and following the sixth unpaid instalment become non-performing and are handed over to the company's lawyers accordingly. Credit recovery is largely managed through property enforcement procedures.

QUANTITATIVE INFORMATION

CREDIT QUALITY

A.1 Impaired and performing accounts: amounts, adjustments, trends, segmentation by performance and geography

A.1.1. Financial assets by portfolio and credit quality (book value)

	Non-performing	Potential problem	Restructured	Overdue	Country risk	Other assets	Total
1. Financial assets held for trading	—	—	—	—	—	8,128,902	8,128,902
2. AFS securities	—	—	—	—	—	5,502,675	5,502,675
3. Financial assets held to maturity	—	—	—	—	—	626,456	626,456
4. Due from banks	127	—	—	—	—	4,973,919	4,974,046
5. Due from customers	80,381	20,479	1,846	7,581	29,891	22,814,022	22,954,200
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	793,395	793,395
Total at 30/6/06	80,508	20,479	1,846	7,581	29,891	42,839,369	42,979,674
Total at 30/6/05	75,372	5,217	1,252	2,685	—	34,953,454	35,037,980

A.1.2. Financial assets by portfolio and credit quality (gross and net values)

	Impaired assets				Other assets			Total
	Gross exposure	Individual adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	8,128,902	8,128,902
2. AFS securities	—	—	—	—	5,502,675	—	5,502,675	5,502,675
3. Financial assets held to maturity	—	—	—	—	632,937	(6,481)	626,456	626,456
4. Due from banks	2,325	—	(2,198)	127	4,981,742	(7,823)	4,973,919	4,974,046
5. Due from customers	259,596	(63,195)	(56,223)	140,178	22,944,342	(130,320)	22,814,022	22,954,200
6. Financial asset recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	X	793,395	793,395
Total at 30/6/06	261,921	(63,195)	(58,421)	140,305	34,061,696	(144,624)	42,839,369	42,979,674
Total at 30/6/05	159,550	(49,792)	(25,232)	84,526	35,034,111	(80,657)	34,953,454	35,037,980

A.1.3. Cash and off-balance-sheet exposures to banks: gross and net values

	Gross exposure	Individual adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a. Non-performing	127	—	—	127
b. Potential problem	—	—	—	—
c. Restructured	—	—	—	—
d. Overdue	—	—	—	—
e. Country risk	2,198	X	(2,198)	—
f. Other assets	4,981,742	X	(7,823)	4,973,919
TOTAL A	4,984,067	—	(10,021)	4,974,046
B. OFF-BALANCE-SHEET EXPOSURES				
a. Impaired	—	—	—	—
b. Other assets	7,586,048	X	—	7,586,048
TOTAL B	7,586,048	—	—	7,586,048

A.1.4. Cash exposures to banks: trends in gross impaired positions and accounts subject to country risk

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period - of which: accounts sold but not derecognized	127 —	— —	— —	— —	— —
B. Additions	—	—	—	—	—
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	2,198
C. Reductions	—	—	—	—	—
C.1 transfers to performing loans	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—
C.3 amounts collected	—	—	—	—	—
C.4 gains realized on disposals	—	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—	—
C.6 other reductions	—	—	—	—	—
D. Gross exposure at end of period - of which: accounts sold but not derecognized	127 —	— —	— —	— —	2,198 —

A.1.5. Cash exposures to banks: trends in value adjustments

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Adjustments at start of period - of which: accounts sold but not derecognized	— —	— —	— —	— —	— —
B. Additions	—	—	—	—	2,198
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	2,198
C. Reductions	—	—	—	—	—
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks based on amounts collected	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—	—
C.5 other reductions	—	—	—	—	—
D. Gross exposure at end of period - of which: accounts sold but not derecognized	— —	— —	— —	— —	2,198 —

A.1.6. *Cash and off-balance-sheet exposures to customers: gross and net values*

	Gross exposure	Value adjustments: individual	Value adjustments: portfolio	Net exposure
A. CASH EXPOSURES				
a. Non-performing	153,550	(53,314)	(19,855)	80,381
b. Potential problem	51,991	(5,184)	(26,328)	20,479
c. Restructured	2,085	(179)	(60)	1,846
d. Overdue	22,079	(4,518)	(9,980)	7,581
e. Country risk	29,891	X	—	29,891
f. Other assets	22,944,342	X	(130,320)	22,814,022
TOTAL A	23,203,938	(63,195)	(186,543)	22,954,200
B. OFF-BALANCE-SHEET EXPOSURES				
a. Impaired	—	—	—	—
b. Other assets	66,492,608	X	—	66,492,608
TOTAL B	66,492,608	—	—	66,492,608

A.1.7. *Cash exposures to customers: trends in gross impaired positions and accounts subject to country risk*

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period	131,175	25,587	1,307	12,115	—
- of which: accounts sold but not yet derecognized	14,764	6,007	—	286	—
IAS 39 adoption	3,025	2,660	—	—	—
A. Gross opening exposure	134,200	28,247	1,307	12,115	—
B. Additions	60,273	52,526	5,152	26,446	29,891
B.1 transfers from performing loans	28,020	42,682	711	13,385	—
B.2 transfers from other categories of impaired assets	5,292	6,571	3,767	10,654	—
B.3 other additions	26,961	3,273	674	2,407	29,891
C. Reductions	(40,923)	(28,782)	(4,374)	(16,482)	—
C.1 transfers to performing loans	(979)	(666)	(17)	—	—
C.2 amounts written off	(3,073)	(16,463)	—	(5,172)	—
C.3 amounts collected	(20,641)	(3,497)	(12)	(2)	—
C.4 gains realized on disposals	—	—	—	—	—
C.5 transfers to other categories of impaired assets	(8,944)	(6,216)	(2,872)	(8,252)	—
C.6 other reductions	(7,286)	(1,940)	(1,473)	(3,056)	—
D. Gross exposure at end of period	153,550	51,991	2,085	22,079	29,891
- of which: accounts sold but not yet derecognized	21,147	4,959	60	1,996	—

A.1.8. Cash exposures to customers: trends in value adjustments

	Non-performing	Potential problem	Restructured	Overdue	Country risk
Adjustments at start of period	(55,929)	(16,481)	(55)	(9,305)	—
- of which: accounts sold but not yet de recognized	(11,784)	(3,206)	—	(229)	—
IAS 39 adoption	(5,257)	(2,055)	—	—	—
A. Adjustments at start of period	(61,186)	(18,536)	(55)	(9,305)	—
B. Additions	(27,942)	(83,883)	(262)	(12,221)	—
B.1 value adjustments	(24,003)	(81,232)	(146)	(6,784)	—
B.2 transfers from other categories of impaired assets	(357)	(981)	—	(1,699)	—
B.3 other additions	(3,582)	(1,670)	(116)	(3,738)	—
C. Reductions	15,959	70,907	78	7,028	—
C.1 value adjustments based on valuations	423	487	1	117	—
C.2 value adjustments based on amounts collected	4,288	1,021	37	245	—
C.3 amounts written off	1,978	68,286	—	35	—
C.4 transfers to other categories of impaired assets	340	224	—	—	—
C.5 other reductions	8,930	889	40	6,631	—
D. Adjustments at end of period	(73,169)	(31,512)	(239)	(14,498)	—
- of which: accounts sold but not yet derecognized	(16,770)	(3,839)	(6)	(1,092)	—

A.2 Exposures by internal and external ratings

A.2.1 Cash and off-balance-sheet exposures by external rating (book values)

	External rating categories		Unrated
	Investment grade	Speculative grade	
A. Cash exposures	55.25%	4.51%	40.24%
B. Other exposures	82.62%	1.58%	15.80%

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees (1)				Personal guarantees (2)								Total (1) + (2)		
		Properties	Securities	Other assets	Credit derivatives				Endorsements							
					Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others					
1. Secured exposures to banks	388,468	—	—	—	—	—	—	—	—	—	—	—	142,722	301	203,146	346,169
2. Secured exposures to customer	13,482,245	4,033,214	1,856,858	198,030	—	—	—	—	—	—	—	—	—	608,684	3,557,214	10,382,000

A.3.2 Off-balance-sheet exposures to banks and customers

	Amount	Real guarantees (1)				Personal guarantees (2)								Total (1) + (2)		
		Properties	Securities	Other assets	Credit derivatives				Endorsements							
					Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others					
1. Secured exposures to banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured exposures to customer	50,226,666	—	—	—	—	—	—	—	—	—	—	—	—	48,544,000	—	48,544,000

B.1 Cash and off-balance-sheet exposures to customers by sector

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other counterparties
A. Cash exposures						
A.1 Non-performing						
Gross exposure	—	—	—	—	14,641	138,909
Value adjustments to gross exposure	—	—	—	—	(8,140)	(45,174)
Portfolio value adjustments	—	—	—	—	(1,437)	(18,418)
Net exposure	—	—	—	—	5,064	75,317
A.2 Potential problem						
Gross exposure	—	—	—	—	14,883	37,108
Value adjustments to gross exposure	—	—	—	—	(3,867)	(1,317)
Portfolio value adjustments	—	—	—	—	—	(26,328)
Net exposure	—	—	—	—	11,016	9,463
A.3 Restructured						
Gross exposure	—	—	—	—	900	1,185
Value adjustments to gross exposure	—	—	—	—	(128)	(51)
Portfolio value adjustments	—	—	—	—	(17)	(43)
Net exposure	—	—	—	—	755	1,091
A.4 Overdue						
Gross exposure	—	—	—	—	6,342	15,737
Value adjustments to gross exposure	—	—	—	—	(2,864)	(1,654)
Portfolio value adjustments	—	—	—	—	(1)	(9,979)
Net exposure	—	—	—	—	3,477	4,104
A.5 Other exposures						
Gross exposure	181,551	283,515	2,738,304	579,892	13,214,391	5,976,580
Value adjustments to gross exposure	—	—	—	—	—	—
Portfolio value adjustments	(4)	(3,033)	(6,457)	(1,026)	(53,132)	(66,668)
Net exposure	181,547	280,482	2,731,847	578,866	13,161,259	5,909,912
Total A						
Gross exposure	181,551	283,515	2,738,304	579,892	13,251,157	6,169,519
Value adjustments to gross exposure	—	—	—	—	(14,999)	(48,196)
Portfolio value adjustments	(4)	(3,033)	(6,457)	(1,026)	(54,587)	(121,436)
Net exposure	181,547	280,482	2,731,847	578,866	13,181,571	5,999,887
B. Off-balance-sheet exposures						
B.4 Other assets						
Gross exposure	—	4,226,686	4,378,757	772,826	54,027,666	3,086,673
Value adjustments to gross exposure	—	—	—	—	—	—
Portfolio value adjustments	—	—	—	—	—	—
Net exposure	—	4,226,686	4,378,757	772,826	54,027,666	3,086,673
Total at 30/6/06:						
Gross exposure	181,551	4,510,201	7,117,061	1,352,718	67,278,823	9,256,192
Value adjustments to gross exposure	—	—	—	—	(14,999)	(48,196)
Portfolio value adjustments	(4)	(3,033)	(6,457)	(1,026)	(54,587)	(121,436)
Net exposure	181,547	4,507,168	7,110,604	1,351,692	67,209,237	9,086,560
Total at 30/6/05	196,805	117,382	2,034,431	—	11,472,862	4,455,642

B.2 Loans to non-financial undertakings

1.1.3 Loans to non-financial undertakings and resident family firms

	30/6/06	30/6/05
a) Other sales services	5,196,817	3,222,039
b) Telecommunications services	334,937	1,482,056
c) Energy products	818,975	1,114,500
d) Transport industry	327,503	695,301
e) Transport-related services	1,022,488	476,488
f) Other groups of economic activity	3,894,856	3,353,843
	11,595,576	10,344,227

B.3 Cash and off-balance-sheet exposures to customers by geographical region (book value)

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	151,242	79,510	2,308	871	—	—	—	—	—	—
A.2 Potential problem	51,821	20,364	170	115	—	—	—	—	—	—
A.3 Restructured	2,085	1,846	—	—	—	—	—	—	—	—
A.4 Overdue	22,079	7,581	—	—	—	—	—	—	—	—
A.5 Other	18,668,114	18,553,391	4,067,687	4,053,224	219,955	219,266	18,477	18,032	—	—
Total A	18,895,341	18,662,692	4,070,165	4,054,210	219,955	219,266	18,477	18,032	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	13,338,263	13,338,263	52,780,109	52,780,109	317,601	317,601	9,439	9,439	47,196	47,196
Total B	13,338,263	13,338,263	52,780,109	52,780,109	317,601	317,601	9,439	9,439	47,196	47,196
Total at 30/6/06	32,233,604	32,000,955	56,850,274	56,834,319	537,556	536,867	27,916	27,471	47,196	47,196
Total at 30/6/05	—	25,673,986	—	8,835,743	—	3,014,740	—	—	—	—

B.4 Cash and off-balance-sheet exposures to banks by geographical region (book value)

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	127	127	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other	2,792,854	2,792,118	2,009,263	2,009,263	1,949	1,949	36,177	36,177	143,697	134,412
Total A	2,792,854	2,792,118	2,009,390	2,009,390	1,949	1,949	36,177	36,177	143,697	134,412
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other	2,758,841	2,758,841	3,013,361	3,013,361	206,661	206,661	50,289	50,289	1,556,896	1,556,896
Total B	2,758,841	2,758,841	3,013,361	3,013,361	206,661	206,661	50,289	50,289	1,556,896	1,556,896
Total at 30/6/06	5,551,695	5,550,959	5,022,751	5,022,751	208,610	208,610	86,466	86,466	1,700,593	1,691,308
Total at 30/6/05	—	1,412,876	—	1,369,227	—	19,292	—	—	—	144,752

B.5 Large risks

	30/6/06	30/6/05
a) Overall weighted amount	10,619,263	10,820,544
b) No. of exposures	10	10

C. Securitizations and asset disposals

C.1 Securitizations

Qualitative information

Securitization of debt securities is limited to certain securitized treasury transactions with a high credit profile, apart from the holdings in the Group's two existing securitization vehicles Quarzo S.r.l. and Quarzo Lease S.r.l.

Quantitative information

C.1.1 Exposures deriving from securitizations by underlying asset

	Cash exposures ¹					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets:	77,889	77,889	5,990	5,990	15,720	15,720
a) Impaired	—	—	—	—	—	—
b) Other	77,889	77,889	5,990	5,990	15,720	15,720
B) Using customers' underlying assets	581,511	581,511	31,215	31,215	—	—
a) Impaired	—	—	—	—	—	—
b) Other	581,511	581,511	31,215	31,215	—	—
Total at 30/6/06 ¹	659,400	659,400	37,205	37,205	15,720	15,720

¹ No off-balance-sheet exposures.

C.1.2 Exposures deriving from own securitizations by asset/exposure type

	Cash exposure ¹					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Fully derecognized	—	—	—	—	—	—
B) Partly derecognized	—	—	—	—	—	—
C) Not derecognized	77,889	77,889	5,990	5,990	15,720	15,720
C.1 Quarzo FLT2015 Class A	19,583	19,583	5,990	5,990	7,310	7,310
C.2 Quarzo Lease Srl 2015 ^o Lease instalments	58,306	58,306	—	—	8,410	8,410
Total at 30/6/06	77,889	77,889	5,990	5,990	15,720	15,720

¹ No off-balance-sheet exposures.

C.1.3 Exposures deriving from customer securitizations by asset/exposure type

	Cash exposure ¹					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writeback	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Fully derecognized	—	—	—	—	—	—
A.1 Agrisecurities 1B 8/9/10 Lease receivables IT0003119333	—	—	13,879	—	—	—
A.2 Scip 2 B2 26/4/25 Non-residential properties IT0003837082	—	—	17,336	—	—	—
A.3 Agrisecurities 8/9/2010 Lease receivables IT0003119325	32,600	—	—	—	—	—
A.4 CF Finance Srl A31/10/12 Factoring IT0003396493	5,027	—	—	—	—	—
A.5 Astrea Srl 17/01/2013 Other receivables IT0003331292	1,848	—	—	—	—	—
A.6 Entasi Srl 17/01/2013 Other receivables IT0003142996	30,077	—	—	—	—	—
A.7 Locat MTGE 34-24 FLT Lease receivables IT0003733083	36,936	—	—	—	—	—
A.8 SCIP 2 A5 26/4/25 Non-residential properties IT0003837074	39,226	—	—	—	—	—
A.9 Sintonia Finance Srl 2030 Non-residential properties XS0163298432	2,527	—	—	—	—	—
A.10 San Giorgio II 07/2017 FLT - Personal loans IT0003699557	433,270	—	—	—	—	—
Total at 30/6/06	581,511	—	31,215	—	—	—

¹ No off-balance-sheet exposures.

C.1.4 Exposures to securitizations by asset/portfolio type

	Trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	Total 30/6/06	Total 30/6/05
1. Cash exposures	220,748	—	491,577	—	—	712,325	965,734
- Senior	167,823	—	491,577	—	—	659,400	905,662
- Mezzanine	37,205	—	—	—	—	37,205	44,352
- Junior	15,720	—	—	—	—	15,720	15,720
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 30/6/06	220,748	—	491,577	—	—	712,325	965,734

C.1.5 Total amount of securitized assets underlying junior securities or other forms of financing

	Traditional securitizations
A. Own underlying assets:	
A.1 Fully derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
5. Other assets	—
A.2 Partly derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
5. Other assets	—
A.3 Not derecognized	849,891
1. Non-performing	18,876
2. Potential problem	3,644
3. Restructured	54
4. Overdue	931
5. Other assets	826,386
B. Customer underlying assets:	
B.1 Non-performing	—
B.2 Potential problem	—
B.3 Restructured	—
B.4 Overdue	—
B.5 Other assets	—
Total at 30/6/06	849,891

C.1.6 Interest in vehicle companies

Name	Registered office	Percentage shareholding
Quarzo S.r.l.	Milan	7%
Quarzo Lease S.r.l.	Milan	10%

C.1.7 Servicing (collecting receivables in respect of securitization and repayment of securities issued by vehicle company)

Quarzo S.r.l. (Compass)

Under the terms of this revolving securitization, the entire portfolio of receivables was restored on a quarterly basis for a total of fourteen quarters which ended in October 2005. At the end of the revolving period (the last disposal was completed on 15 October 2005) repayment of the securities issued against the receivables began. As at 30 June 2006 all the class A securities had been redeemed for a nominal amount of €192,737,000. Accounts between Compass and vehicle company Quarzo S.r.l. during the twelve months under review were as follows (figures in Euros):

Amounts collected on behalf of Quarzo	406,127,489
Servicing fees	630,187
Interest accrued on class C notes	219,378
Interest accrued on junior notes	22,025,717
Receivables sold to Quarzo (last 2 revolving periods)	197,398,221

Quarzo Lease S.r.l. (SelmaBipiemmeLeasing)

The purpose of this transaction was primarily to raise funds on competitive terms, and involved receivables totalling €600,870,000 being sold on a non-recourse basis to vehicle company Quarzo Lease S.r.l.

The terms of the securitization provided for a revolving period expiring in April 2005, whereby each quarter, on the back of amounts collected in respect of the underlying leases, the vehicle company acquired new receivables in the form of additional asset portfolios in order to preserve the quality of the original portfolio. New receivables acquired had to comply with various pre-established criteria chosen in order to safeguard the quality of the asset portfolio. At the end of the revolving period, the vehicle company proceeded to redeem the securities in order.

Accounts between SelmaBipiemme and vehicle company Quarzo Lease during the twelve months under review were as follows (figures in Euros):

Amounts collected on behalf of Quarzo Lease	216,263,017
Servicing fees	110,066
Interest accruing to Quarzo Lease	381,822
Interest accruing on class C notes	19,372,206

C.2 Asset disposals

C.2.1 Financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
	Financial assets and fully recognized (book value)					
A. Cash assets						
1. Debt securities	889,415 ¹	379,739	—	—	—	1,269,154
2. Equities	—	—	—	22,772	163,669	186,441
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	745,927	745,927
5. Impaired assets	—	—	—	—	—	—
B. Derivative products						
Total at 30/6/06	889,415	379,739	—	22,772	909,596	2,201,522

¹ Under repo agreements.

C.2.2 Financial liabilities in respect of financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Due from banks	Due from customers	Total
1. Due to customers					
a) in respect of fully recognized assets	158,081	120,138	—	909,596	1,187,815
b) in respect of partly recognized assets	—	—	—	—	—
1. Amounts due to banks					
a) in respect of fully recognized assets	731,334	259,601	22,772	—	1,013,707 ¹
b) in respect of partly recognized assets	—	—	—	—	—
Total at 30/6/06	889,415	379,739	22,772	909,596	2,201,522

¹ Of which: €597,846,000 due to transactions involving central banks.

1.2 MARKET RISK

QUALITATIVE RISK

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)¹ for the Bank's entire trading and investment portfolios. Such global measurement derives from all financial risk, i.e. on equities, interest and exchange rates and including risks linked to both lending and funding activities, being centred on the Bank's finance division.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that can be expected as a result of market movements within a single trading day. VaR is calculated using the Monte Carlo² and historical³ simulations as well as the parametric method. Pursuant to a resolution adopted by the Board of Directors of Mediobanca held on 8 March 2006, the confidence level used in calculating VaR was raised from 95% to 99%. However, figures for the financial year ended 30 June 2006 continue to be shown based on a 95% confidence level, in order to ensure a like-for-like basis for comparison.

Value at risk and expected shortfall

Risk factor (€'000)	12 mths to 30/6/06			12 mths to 30/6/05	
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	4,074	513	6,340	2,345	2,387
Equities	10,798	3,886	11,397	6,646	4,073
Exchange rates	810	211	1,595	818	663
<i>Diversification effect*</i>	(5,112)	(959)	(6,406)	(2,932)	(2,402)
TOTAL	10,570	4,286	11,547	6,877	4,721
Expected shortfall	11,183	7,888	19,388	10,894	8,457

* Due to mismatches between risk factors.

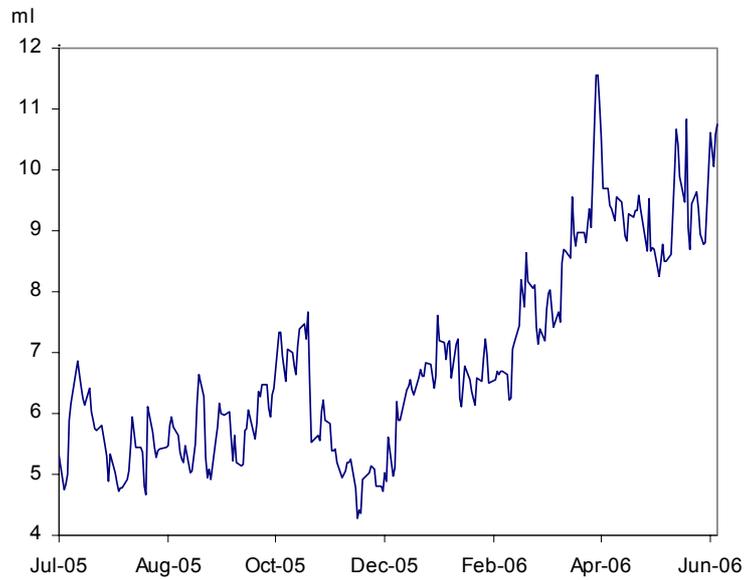
At the reporting date, VaR for market risk totalled almost €10.6m, more than double the €5.2m recorded one year previously. Comparison of average data shows a less pronounced increase, from €4.7m to €6.9m. Given the largely stable contribution from the interest and exchange rate components, the increase is attributable to equities, which rose from €4.1m to €6.6m due to higher equity market volatility levels.

¹ VaR: maximum potential loss over a specified time horizon and given confidence level.

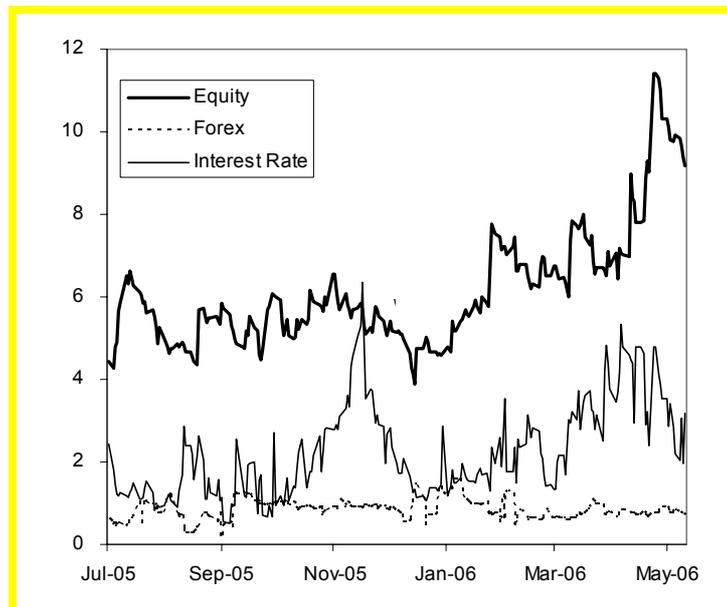
² Determines portfolio value based on random variations in risk factors.

³ Determines portfolio value based on historical variations in risk factors.

Trends in VaR at 95%



Trends in VaR constituents



Compagnie Monégasque de Banque recorded an average VaR reading for the twelve months of €9,000 (calculated using the same methods as Mediobanca).

Back-testing of the Bank's entire asset base reveals that the VaR threshold was breached on fewer occasions than the theoretical model constructed using a series of simulated gains and losses¹, with values of 4.6% and 4.2% in the simulated and operating models respectively.

Asset and liabilities management

The sensitivity of Mediobanca's portfolio of assets and liabilities to interest rate movements is calculated daily with respect to both its banking and trading books.

Liquidity risk is also calculated daily in view of the prospective timing of future cash flows, in order to establish the projected maturities for future cash requirements.

A steering committee analyses the Bank's asset structure and portfolio sensitivity on a fortnightly basis, to help management in taking strategic decisions on the Bank's operations by providing indications of profit trends and mismatches, if any, between the maturities of asset items implied in projected volume movements. The expected distribution of Mediobanca's interest income and its sensitivity to the different segments of the interest rate curve are also calculated as part of this analysis.

At 30 June 2006, the impact of a 1 basis point rise in interest rates on the Bank's net interest income was measured at €363,000, and minus €384,000 in the event of a negative shock. This confirms the substantial linearity in the Bank's exposure to interest rates, partly offset by the opposite situation at Compass, which in the same scenario would record a reduction of some €150,000 in net interest income.

Counterparty risk

This is measured in terms of expected potential market value, thereby doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to the Bank's various counterparties based on a given confidence level and over a specified time horizon.

¹ Based on repricing the previous day's positions using data from the next business day in order to eliminate intraday trading items.

Hedging

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties. All structured bond issues are fair-value hedged as to the interest-rate component, while index-linked issues are accounted for as part of the trading book. Fair value hedges are also used in corporate finance for certain bilateral fixed-rate transactions or in order to reduce credit risk.

Cash flow hedges

These are used chiefly as part of the Compass group's operations. The numerous, generally fixed-rate and relatively small transactions are hedged by floating-rate deposits made for large amounts. The hedge is intended to transform the latter into fixed-rate positions by correlating the relevant cash flows.

1.2.1 INTEREST RATE RISK: REGULATORY TRADING BOOK

1. Regulatory trading book by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Not specified
1. Cash assets	—	1,162,049	1,350,891	242,933	1,425,781	303,898	435,152	—
1.1 Debt securities	—	1,162,049	1,350,891	242,933	1,425,781	290,598	435,152	—
1.2 Other assets	—	—	—	—	—	13,300	—	—
2. Cash liabilities	—	(163)	(848)	(513)	(447,486)	(322,656)	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	(163)	(848)	(513)	(447,486)	(322,656)	—	—
3. Financial derivatives	—	28,957,301	27,567,577	2,868,023	9,125,280	4,440,979	3,910,578	—
3.1 With underlying securities	—	3,208,258	5,210,607	281,390	1,214,495	672,675	772,019	—
– Options	—	—	30,000	—	—	—	30,000	—
+ long positions	—	—	30,000	—	—	—	—	—
+ short positions	—	—	—	—	—	—	30,000	—
– Others	—	3,208,258	5,180,607	281,390	1,214,495	672,675	742,019	—
+ Long positions	—	1,751,989	2,586,026	98,528	557,285	468,032	187,862	—
+ Short positions	—	1,456,269	2,594,581	182,862	657,210	204,643	554,157	—
3.2 Without underlying securities	—	25,749,043	22,356,970	2,586,633	7,910,785	3,768,304	3,138,559	—
– Options	—	8,514,862	8,388,762	401,100	99,900	100,000	—	—
+ long positions	—	116,400	8,388,762	147,200	49,950	50,000	—	—
+ short positions	—	8,398,462	—	253,900	49,950	50,000	—	—
– Others	—	17,234,181	13,968,208	2,185,533	7,810,885	3,668,304	3,138,559	—
+ long positions	—	9,571,020	8,010,395	1,263,274	2,398,408	778,558	1,981,180	—
+ short positions	—	7,663,161	5,957,813	922,259	5,412,477	2,889,746	1,157,379	—

1.2.2 INTEREST RATE RISK: BANKING BOOK

1. *Banking book by outstanding maturity (repricing date) for cash assets and liabilities and financial derivatives*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Unspecified
1. Cash assets	2,627,877	15,395,851	4,471,030	1,937,730	3,251,197	927,967	729,326	303,936
1.1 Debt securities	—	668,991	1,211,228	179,937	419,487	571,920	438,835	—
1.2 Loans to banks	2,475,612	1,244,949	363,292	3,914	16,386	3,171	290,491	60,479
1.3 Loans to customers	152,265	13,481,911	2,896,510	1,753,879	2,815,324	352,876	—	243,457
– current accounts	77,044	800,918	—	—	—	—	—	—
– others	75,221	12,680,993	2,896,510	1,753,879	2,815,324	352,876	290,491	243,457
2. Cash liabilities	(2,226,144)	(11,683,899)	(3,151,710)	(2,793,029)	(7,095,722)	(5,194,060)	(164,142)	(33,741)
2.1 Due to customers	(795,852)	(1,134,477)	(880,487)	(85,945)	(111,362)	(375)	(125)	(33,453)
– current accounts	(748,981)	(322,750)	(118)	—	—	—	—	—
– other amounts due	(46,871)	(811,727)	(880,369)	(85,945)	(111,362)	(375)	(125)	(33,453)
2.2 Due to banks	(1,410,493)	(4,279,485)	(643,963)	(413,371)	(916,841)	—	—	(288)
– current accounts	(1,119,624)	(426,011)	(101,664)	—	—	—	—	—
– other amounts due	(290,869)	(3,853,474)	(542,299)	(413,371)	(916,841)	—	—	(288)
2.3 Debt securities	(19,799)	(6,269,937)	(1,627,260)	(2,293,713)	(6,067,519)	(5,193,685)	(164,017)	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	15,194,705	8,472,157	4,928,562	5,793,618	3,614,177	63,589	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	15,194,705	8,472,157	4,928,562	5,793,618	3,614,177	63,589	—
– Options	—	—	—	—	690,448	—	—	—
+ long positions	—	—	—	—	345,224	—	—	—
+ short positions	—	—	—	—	345,224	—	—	—
– Others	—	15,194,705	8,472,157	4,928,562	5,103,170	3,614,177	63,589	—
+ long positions	—	4,590,617	2,008,820	4,090,605	4,865,866	3,068,683	63,589	—
+ short positions	—	10,604,088	6,463,337	837,957	237,304	545,494	—	—

1.2.3 PRICE RISK - REGULATORY TRADING BOOK

1. Regulatory trading book: cash exposure in securities and OICR units

	Book value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	1,966,146 ¹	—
A.2 Innovative equity instruments	—	—
A.3 Other	—	—
B. OICR units		
B.1 Italian	—	—
– open, harmonized	—	—
– open, non-harmonized	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	2,658	—
– harmonized	2,658	—
– open, non-harmonized	—	—
– closed, non-harmonized	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
	1,968,804	—

¹ Of which over 90% Italian equities.

1.2.4 PRICE RISK - BANKING BOOK

1. Banking book: cash exposure in securities and OICR units

	Book value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	3,982,811 ¹	795,139
A.2 Innovative equity instruments	—	—
A.3 Other	—	—
B. OICR units		
B.1 Italian	—	—
– open, harmonized	—	—
– open, non-harmonized	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	245,754	—
– harmonized	245,754	—
– open, non-harmonized	—	—
– closed, non-harmonized	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
	4,228,565	795,139

¹ Of which over 90% Italian equities.

1.2.5 EXCHANGE RATE RISK

1. Assets, liabilities and derivatives by currency

	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Others ¹
A. Financial assets					
A.1 Debt securities	409,987	37,310	—	17,836	—
A.2 Equities	300,228	—	—	—	3
A.3 Loans and advances to banks	403,626	2,263	120,773	23,895	3,862
A.4 Loans and advances to customers	266,587	155,910	1,588	57,190	—
A.5 Other financial assets	—	—	—	—	—
B. Financial liabilities					
B.1 Due to banks	(694,446)	(58,138)	—	—	(760)
B.2 Due to customers	(334,577)	(38,553)	(6,757)	(12,169)	—
B.3 Debt securities	(20,188)	(470,199)	—	—	—
B.4 Other financial liabilities	(9,330)	(1,803)	—	(265)	—
C. Financial derivatives					
– Options	—	—	—	—	—
+ long positions	—	—	—	—	—
+ short positions	—	—	—	—	—
– Others	(365,075)	371,797	(52,790)	(2,532)	43,297
+ long positions	165,742	371,797	61,063	28,714	43,297
+ short positions	(530,817)	—	(113,853)	(31,246)	—
Total assets	1,546,170	567,280	183,424	127,635	47,162
Total liabilities	(1,589,358)	(568,693)	(120,610)	(43,680)	(760)
Mismatch (+/-)	(43,188)	(1,413)	62,814	83,955	46,402

¹ Chiefly Swedish Kroner.

1.2.6 FINANCIAL DERIVATIVE PRODUCTS

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: average and reporting-date notional amounts

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/06		Total 30/6/05	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	15,843,335	—	—	—	—	—	—	15,843,335	—	—	8,573,145
3. Domestic currency swaps	—	—	—	—	—	—	—	—	649,856	—	—	265,283
4. Currency interest rate swaps	—	—	—	—	—	649,856	—	—	557,868	—	—	437,524
5. Basis swaps	—	2,982,830	—	—	—	557,868	—	—	2,982,830	—	—	3,051,231
6. Share index swaps	—	—	—	1,353,640	—	—	—	—	1,353,640	—	—	432,901
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	6,531,932	—	72,525	—	—	—	—	—	6,604,457	—	2,435,652	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	8,611,862	30,000	3,378	5,594,628	—	9,450	—	—	8,615,240	5,634,078	449,052	7,142,726
- bought	8,611,862	30,000	74	2,808,504	—	9,450	—	—	8,611,936	2,847,954	447,626	3,849,461
- plain vanilla	8,611,862	30,000	74	2,678,504	—	9,450	—	—	8,611,936	2,717,954	447,626	3,719,461
- exotic	—	—	—	130,000	—	—	—	—	—	130,000	—	130,000
- written	—	—	3,304	2,786,124	—	—	—	—	3,304	2,786,124	1,426	3,293,265
- plain vanilla	—	—	3,304	2,656,124	—	—	—	—	3,304	2,656,124	1,426	3,163,265
- exotic	—	—	—	130,000	—	—	—	—	—	130,000	—	130,000
12. Repo agreements	734,189	2,350,345	123,402	122,202	—	298,154	—	—	857,591	2,770,701	4,137,908	2,474
- bought	297,373	1,158,898	121,189	62,459	—	150,852	—	—	418,562	1,372,209	1,821,855	1,311
- written	436,816	1,191,447	2,213	59,743	—	147,302	—	—	439,029	1,398,492	2,136,053	1,163
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	131,000	—	—	—	—	—	—	—	131,000	—	—
Total	15,877,983	21,337,510	199,305	7,070,470	—	1,515,328	—	—	16,077,288	29,923,308	7,022,612	19,905,284
Average values	14,107,142	17,359,102	457,455	6,850,383	—	1,098,283	—	—	14,564,597	25,307,768	8,864,725	18,094,901

A.2 Banking book: average and reporting-date notional amounts

A.2.1 Hedging derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/06		Total 30/6/05	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	18,385,830	—	—	—	—	—	—	18,385,830	—	—	14,609,180
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	25,465	—	—	—	25,465	—	26,583
5. Basis swaps	—	425,134	—	—	—	—	—	—	425,134	—	—	188,882
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
— bought	—	—	—	—	—	—	—	—	—	—	—	—
— written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
— bought	—	—	—	—	—	—	—	—	—	—	—	—
— written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	—	—	—	—	—	—	—	—	—
— bought	—	—	—	—	—	—	—	—	—	—	—	—
— plain vanilla	—	—	—	—	—	—	—	—	—	—	—	—
— exotic	—	—	—	—	—	—	—	—	—	—	—	—
— written	—	—	—	—	—	—	—	—	—	—	—	—
— plain vanilla	—	—	—	—	—	—	—	—	—	—	—	—
— exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	—	—	—	—	—	—	—	—	—	—
— bought	—	—	—	—	—	—	—	—	—	—	—	—
— written	—	—	—	—	—	—	—	—	—	—	—	—
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	18,810,964	—	—	—	25,465	—	—	18,836,429	—	—	14,824,645
Average values	—	15,489,648	—	—	—	56,341	—	—	15,545,989	—	—	14,737,837

A.2.2 Other derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/06		Total 30/6/05	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
5. Basis swaps	—	—	—	—	—	—	—	—	—	—	—	—
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	14,424,598	—	345,224	—	—	—	14,769,822	—	13,226,131
– bought	—	—	—	7,192,094	—	169,112	—	—	—	7,361,206	—	6,736,233
– plain vanilla	—	—	—	674,376	—	150,000	—	—	—	824,376	—	4,992,076
– exotic	—	—	—	6,517,718	—	19,112	—	—	—	6,536,830	—	1,744,157
– written	—	—	—	7,232,504	—	176,112	—	—	—	7,408,616	—	6,489,898
– plain vanilla	—	—	—	626,702	—	157,000	—	—	—	783,702	—	4,625,388
– exotic	—	—	—	6,605,802	—	19,112	—	—	—	6,624,914	—	1,864,510
12. Repo agreements	—	—	—	324,660	—	—	—	—	—	324,660	—	324,339
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	324,660	—	—	—	—	—	324,660	—	324,339
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	14,749,258	—	345,224	—	—	—	15,094,482	—	13,550,470
Average values	—	—	—	14,286,925	—	353,854	—	—	—	14,640,779	—	13,827,465

A.3 Financial derivatives: underlying exposures bought and sold

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/06		Total 30/6/05	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:	15,877,983	18,354,679	199,305	6,861,030	—	1,515,328	—	—	16,077,286	26,731,038	7,022,613	16,854,052
1. With exchange of principal	3,299,378	2,380,344	123,402	967,029	—	1,505,878	—	—	3,422,779	4,853,252	5,973,124	1,643,804
— bought	2,174,639	1,158,897	121,189	421,004	—	612,756	—	—	2,295,827	2,192,658	2,210,059	445,506
— written	1,124,739	1,221,447	2,213	546,025	—	645,217	—	—	1,126,952	2,412,689	3,763,065	1,198,298
— currency bought/sold for currency	—	—	—	—	—	247,905	—	—	—	247,905	—	—
2. Without exchange of principal	12,578,605	15,974,335	75,903	5,894,001	—	9,450	—	—	12,654,507	21,877,786	1,049,489	15,210,248
— bought	12,248,805	6,915,462	36,679	2,700,746	—	9,450	—	—	12,285,484	9,625,658	174,355	5,065,721
— written	329,800	9,058,873	39,224	3,193,255	—	—	—	—	369,023	12,252,128	875,134	10,144,527
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B. Banking book	—	18,385,830	—	14,749,257	—	370,689	—	—	—	33,505,777	—	27,781,894
B.1 Hedging	—	—	—	—	—	—	—	—	—	—	—	—
1. With exchange of principal	—	—	—	—	—	25,465	—	—	—	25,465	—	26,583
— bought	—	—	—	—	—	25,465	—	—	—	25,465	—	26,583
— written	—	—	—	—	—	—	—	—	—	—	—	—
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	18,385,830	—	—	—	—	—	—	—	18,385,831	—	14,529,180
— bought	—	14,762,154	—	—	—	—	—	—	—	14,762,154	—	11,766,438
— written	—	3,623,676	—	—	—	—	—	—	—	3,623,677	—	2,762,742
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
1. With exchange of principal	—	—	—	325,456	—	—	—	—	—	325,456	—	499,214
— bought	—	—	—	716	—	—	—	—	—	716	—	424,134
— written	—	—	—	324,740	—	—	—	—	—	324,740	—	75,080
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	—	—	14,423,801	—	345,224	—	—	—	14,769,025	—	12,726,917
— bought	—	—	—	7,159,128	—	169,112	—	—	—	7,328,240	—	6,277,508
— written	—	—	—	7,264,674	—	176,112	—	—	—	7,440,785	—	6,449,409
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—

A.4 OTC financial derivatives: positive fair value - counterparty risk

	Debt securities/ interest rates			Equities/ share indexes			Exchange rates/ gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, netted ¹	Future exposure
A. Regulatory trading book:														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	51,034	294,763	20,138	11,727	50,623	2,581	293	3,791	1,479	—	—	180,546	437,980	
A.4 Financial companies	46,138	35,000	3,965	1,141	5,904	18,559	—	—	—	—	—	1,300	22,786	
A.5 Insurances	—	3,257	—	5,644	2,740	8,740	—	—	—	—	—	—	16,468	
A.6 Non-financial undertakings	4,455	1,618	3,099	109	8,601	46	16,036	—	9,833	—	—	—	7,301	
A.7 Other counterparties	26	—	92	—	—	—	—	—	—	—	—	—	—	
Total A (30/6/06)	101,653	334,638	27,294	18,621	67,868	29,926	16,329	3,791	11,312	—	—	181,846	484,535	
Total (30/6/05)	114,311	29,815	25,067	148,760	436,038	64,922	—	6,591	—	—	—	271,838	36,831	
B. Banking book:														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	25,202	874,867	6,500	1,201	601,699	4	—	98	—	—	—	—	4,633	
B.4 Financial companies	2,391	30,808	—	2,456	11,668	—	—	—	—	—	—	—	750	
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	14,344	—	8,760	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	1	—	—	—	—	—	—	—	—
Total B (30/6/06)	41,937	905,675	15,260	3,657	613,367	5	—	98	—	—	—	—	—	5,383
Total (30/6/05)	284,896	1,034,310	24,836	2,375	23,991	1,240	—	—	—	—	—	227,233	30,701	

¹ Including offset agreements with trading counterparties.

A.5 OTC financial derivatives: negative fair value - financial risk

	Debt securities/ interest rates			Equities/ share indexes			Exchange rates/ gold			Other assets			Other underlying assets	
	Gross, netted	Gross, netted	Future exposure	Gross, netted	Future exposure	Gross, netted	Gross, netted	Future exposure	Gross, netted	Gross, netted	Future exposure	Gross, netted ¹	Future exposure	
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	
A.3 Banks	(1,470)	(11,691)	3,610	(1,173)	(140,740)	4,803	(535)	191	—	—	(5,050)	35,272		
A.4 Financial companies	(87,558)	(3,785)	4,836	(76,915)	(4,529)	49,805	—	—	—	—	(3,233)	13,070		
A.5 Insurances	—	(54,870)	—	(7,193)	(4,249)	3,442	—	—	—	—	(43,230)	20,557		
A.6 Non-financial undertakings	(14,944)	(11,631)	3,526	(3,499)	(32,022)	11,720	—	—	—	—	(34,943)	22,204		
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total A (30/6/06)	(103,972)	(81,977)	11,972	(88,780)	(181,540)	69,770	(535)	191	—	—	(86,456)	91,103		
Total (30/6/05)	(95,634)	(32,695)	43,827	(1,296)	(12,375)	—	(3,771)	—	—	—	(77,760)	12,336		
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.3 Banks	(62,434)	(892,745)	8,295	(440)	(47,823)	41	(4,318)	—	—	—	(230,814)	57,053		
B.4 Financial companies	(36,745)	(93,816)	3,795	—	(662)	—	(990)	—	—	—	(87,755)	30,857		
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.7 Other counterparties	—	—	—	(10)	—	—	—	—	—	—	—	—	—	
Total B (30/6/06)	(99,179)	(986,561)	12,090	(450)	(48,485)	41	(5,308)	—	—	—	(318,569)	87,910		
Total (30/6/05)	(147,639)	(203,173)	31,868	—	—	—	(1,819)	(2,302)	522	—	(115,011)	55,937		

¹ Including offset agreements with trading counterparties.

A.6 OTC financial derivatives by outstanding life: notional amounts

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	5,793,611	8,150,581	7,393,318	21,337,510
A.2 Financial derivatives on equities and share indexes	1,883,292	4,094,516	1,092,662	7,070,470
A.3 Financial derivatives on exchange rates and gold	948,009	567,319	—	1,515,328
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book				
B.1 Financial derivatives on debt securities and interest rates	3,169,356	9,016,717	6,624,891	18,810,964
B.2 Financial derivatives on equities and share indexes	1,606,856	8,724,444	4,417,958	14,749,258
B.3 Financial derivatives on exchange rates and gold	—	370,689	—	370,689
B.4 Financial derivatives on other assets	—	—	—	—
Total at 30/6/06	13,401,124	30,924,266	19,528,829	63,854,219
Total at 30/6/05	11,476,284	27,374,110	9,430,005	48,280,399

B. CREDIT DERIVATIVES

B.1 Credit derivatives: average and reporting-date notional amounts

	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
1.1 With exchange of principal	1,044,062	255,000	140,000	475,000
– Credit default	1,044,062	255,000	140,000	475,000
– Credit-linked notes	—	—	—	—
– Credit spread options	—	—	—	—
– Total rate of return swaps	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– Credit default	—	—	—	—
– Credit linked notes	—	—	—	—
– Credit spread options	—	—	—	—
– Total rate of return swaps	—	—	—	—
Total at 30/6/06	1,044,062	255,000	140,000	475,000
Total at 30/6/05	1,113,429	175,000	140,000	—
Average values	1,043,731	188,333	250,000	89,583
2. Hedge sales				
2.1 With exchange of principal	58,933	40,000	110,000	—
– Credit default	58,933	40,000	110,000	—
– Credit-linked notes	—	—	—	—
– Credit spread options	—	—	—	—
– Total rate of return swaps	—	—	—	—
2.2 Without exchange of principal	15,000	—	—	50,000
– Credit default	15,000	—	—	50,000
– Credit linked notes	—	—	—	—
– Credit spread options	—	—	—	—
– Total rate of return swaps	—	—	—	—
Total at 30/6/06	73,933	40,000	110,000	50,000
Total at 30/6/05	269,135	40,000	110,000	50,000
Average values	154,109	40,000	110,000	50,000

B.2 Credit derivatives: positive fair value - counterparty risk

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK	1,412,995	3,862	8,274
A.1 Hedge buys with counterparties	1,299,062	1,694	7,329
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	839,397	136	4,345
4. Financial companies	429,665	587	2,759
5. Insurances	15,000	971	225
6. Non-financial undertakings	15,000	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties:	113,933	2,168	945
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	58,933	1,486	395
4. Financial companies	55,000	682	550
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. BANKING BOOK	775,000	1,200	6,875
B.1 Hedge buys with counterparties:	615,000	417	5,825
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	465,000	307	4,375
4. Financial companies	150,000	110	1,450
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B.2 Hedge sales with counterparties:	160,000	783	1,050
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	160,000	783	1,050
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
Total at 30/6/06	2,187,995	5,062	15,149
Total at 30/6/05	2,832,576	13,648	15,140

B.3 Credit derivatives: negative fair value - financial risk

	Notional value	Negative fair value
A. REGULATORY TRADING BOOK		
1. Hedge buys with counterparties		
1. Governments and central banks	—	—
2. Other public agencies	—	—
3. Banks	839,397	(6,037)
4. Financial companies	429,665	(3,525)
5. Insurances	15,000	—
6. Non-financial undertakings	15,000	(5)
7. Other counterparties	—	—
Total at 30/6/06	1,299,062	(9,567)
Total at 30/6/05	937,080	(15,262)

B.4 Credit derivatives: outstanding life - notional amounts

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	138,263	1,049,732	225,000	1,412,995
A.1 Credit derivatives with “qualified” reference obligation	138,263	1,049,732	190,000	1,377,995
A.2 Credit derivatives with “unqualified” reference obligation	—	—	35,000	35,000
B. Banking book	50,000	400,000	325,000	775,000
B.1 Credit derivatives with “qualified” reference obligation	50,000	220,000	170,000	440,000
B.2 Credit derivatives with “unqualified” reference obligation	—	180,000	155,000	335,000
Total at 30/6/06	188,263	1,449,732	550,000	2,187,995
Total at 30/6/05	361,540	1,291,889	244,135	1,897,564

1.3 LIQUIDITY RISK

1. Financial assets and liabilities by outstanding life

	On demand	Between 2 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	2,637,054	722,498	677,321	1,308,465	2,141,928	3,061,568	2,606,151	12,197,310	8,809,171
A.1 Government securities	—	—	—	—	890	102,230	15,469	2,686,221	1,474,934
A.2 Listed debt securities	—	351	141,797	—	75,733	1,172,767	112,112	885,863	1,143,372
A.3 Other debt securities	—	—	—	—	—	10,693	—	92,224	496,446
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances:	2,637,054	722,147	535,524	1,308,465	2,065,305	1,775,878	2,478,570	8,533,002	5,694,419
– to banks	2,475,612	233,789	268,100	202,291	128,093	281,077	66,604	281,657	120,101
– to customers	161,442	438,358	267,424	1,106,174	1,937,212	1,494,801	2,411,966	8,251,345	5,574,318
Cash liabilities	(2,231,739)	(1,591,243)	(230,528)	(1,792,312)	(1,303,571)	(2,218,620)	(1,910,417)	(14,612,795)	(7,189,145)
B.1 Deposits	(2,211,940)	(1,521,567)	(97,606)	(760,983)	(1,107,150)	(1,687,421)	(702,194)	(2,075,762)	(508,151)
– with banks	(1,416,070)	(1,389,075)	(87,374)	(481,955)	(569,836)	(632,888)	(615,943)	(1,963,397)	(507,615)
– with customers	(795,870)	(132,492)	(10,232)	(279,028)	(537,314)	(1,054,533)	(86,251)	(112,365)	(536)
B.2 Debt securities	(19,799)	(69,676)	(132,922)	(1031,329)	(196,258)	(530,351)	(1,207,710)	(12,089,547)	(6,358,338)
B.3 Other liabilities	—	—	—	—	(163)	(848)	(513)	(447,486)	(322,656)
Off-balance-sheet transactions	616,747	4,466,573	508,973	751,054	979,403	6,069,422	638,136	2,196,902	2,832,953
C.1 Financial derivatives with exchange of principal	—	2,831,703	508,973	751,054	979,403	6,009,422	578,136	1,824,241	1,444,694
– long positions	—	1,419,044	446,169	421,877	570,623	3,022,037	250,095	943,970	655,894
– short positions	—	1,412,659	62,804	329,177	408,780	2,987,385	328,041	880,271	788,800
C.2 Deposits and loans for collection	—	380,096	—	—	—	60,000	—	134,315	305,781
– long positions	—	380,096	—	—	—	60,000	—	134,315	305,781
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments to disburse funds	616,747	1,254,774	—	—	—	—	60,000	238,346	1,082,478
– long positions	—	200,000	—	—	—	—	—	114,413	992,478
– short positions	616,747	1,054,774	—	—	—	—	60,000	123,933	90,000

2. *Financial liabilities by sector*

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings
1. Due to customers	—	1,604,915	5,972	670,042	1,685,690
2. Debt securities in issue	—	—	—	—	20,560,941
3. Trading liabilities	633,826	604,479	1,168,633	289,993	605,528
4. Liabilities at fair value	—	—	—	—	—
Total at 30/6/06	633,826	2,209,394	1,174,605	960,035	22,852,159
Total at 30/6/05	1,492,841	2,774,221	35,266	1,154,599	16,719,818

3. *Financial liabilities by geographical region*

	Italy	Rest of Europe	United States	Asia	Rest of world
1. Due to banks	6,135,874	2,337,189	—	—	23
2. Due to customers	1,892,290	2,073,912	—	417	—
3. Debt securities in issue	19,646,853	914,088	—	—	—
4. Trading liabilities	1,993,730	1,275,685	33,044	—	—
5. Liabilities at fair value	—	—	—	—	—
Total at 30/6/06	29,668,747	6,600,874	33,044	417	23
Total at 30/6/05	23,974,668	4,354,868	1,774,123	—	—

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1

Regulatory and supervisory capital requirements for banks

1.1. Regulatory capital for banks

	30/6/06
A. Tier 1 capital prior to application of prudential filters	5,743,732
Tier 1 prudential filters:	—
– IAS/IFRS positive prudential filters	—
– IAS/IFRS negative prudential filters	—
B. Tier 1 post-application of prudential filters	5,743,732
C. Tier 2 capital prior to application of prudential filters	1,524,070
Tier 2 prudential filters:	(177,576)
– IAS/IFRS positive prudential filters	—
– IAS/IFRS negative prudential filters	(177,576)
D. Tier 2 post-application of prudential filters	1,346,494
E. Total Tier 1 and Tier 2 post-application of prudential filters	7,090,226
Items for deduction from Tier 1 and Tier 2 capital	(136,017)
F. Regulatory capital	6,954,208

1.2 Capital adequacy: quantitative information

	Unweighted amounts	Weighted amounts/requirements
	30/6/06	30/6/06
A. RISK ASSETS		
A.1 Credit risk	55,386,399	35,526,505
Standard methodology		
Cash assets	34,077,506	26,090,992
1. Exposures (apart from equities or other subordinated assets) towards (or otherwise guaranteed by):	26,158,765	19,445,121
1.1 Governments and central banks	2,309,979	41,512
1.2 Public agencies	533,663	1
1.3 Banks	4,876,989	983,408
1.4 Other entities (apart from amounts receivable under mortgages on properties used for residential and non-residential purposes)	18,438,134	18,420,200
2. Amounts receivable under mortgages on residential properties	1,672,933	836,467
3. Amounts receivable under mortgages on non-residential properties	91,911	91,911
4. Equities, participating interests and subordinated assets	4,970,622	4,977,428
5. Other cash assets	1,183,275	740,066
Off-balance-sheet assets	21,308,893	9,435,513
1. Guarantees and commitments towards (or otherwise guaranteed by):	21,118,942	9,391,958
1.1 Governments and central banks	2,340,334	—
1.2 Public agencies	—	—
1.3 Banks	1,501,547	294,859
1.4 Other entities	17,277,061	9,097,099
2. Derivative agreements with (or otherwise guaranteed by):	189,951	43,555
2.1 Governments and central banks	—	—
2.2 Public agencies	—	—
2.3 Banks	171,404	34,281
2.4 Other entities	18,547	9,274
B. REGULATORY CAPITAL REQUIREMENTS		
B.1 Credit risk	X	2,842,120
B.2 Market risk	X	362,514
1. Standard methodology		
of which:		
+ risk position on debt securities	X	214,616
+ risk position on equities	X	132,444
+ risk position on exchange rates	X	15,454
+ other risks	X	—
B.3 Other prudential requirements	X	21,710
B.4 Total prudential requirements (B1+B2+B3)	X	3,226,344
C. RISK ASSETS AND SUPERVISORY MARGINS		
C.1 Risk-weighted assets	X	40,329,304
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	14.24%
C.3 Regulatory capital/risk-weighted assets (Total capital ratio)	X	17.24%

PART H - RELATED PARTY DISCLOSURE

1. Related party disclosure

Accounts with related parties, the impact of which on the Group's asset and earnings aggregates is limited (9% of total assets and 16% of total income respectively), fall within its ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered into with these counterparties. Related parties for the purposes hereof include directors, statutory auditors and strategic management, data in respect of whose remuneration is provided as an annex hereto.

Situation at 30 June 2006

	Directors, statutory auditors and strategic management	Associates	Other related parties	TOTAL
	€m	€m	€m	€m
Assets	696.5	598.6	2,875.5	4,170.6
Liabilities	16.6	9.6	1,385.7	1,411.9
Guarantees and commitments	500.6	260.0	1,116.7	1,877.3
Interest income	27.4	32.7	182.2	242.3
Interest expense	(1.8)	(1.1)	(49.3)	(52.2)
Net fee income	3.2	2.9	46.4	52.5
Other (costs)	(12.1) ¹	(2.5)	(99.2)	(113.8)

¹ Of which: short-term benefits amounting to €13.4m, stock options worth €3.4m, and other benefits totalling €0.5m.

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. Description

The schemes provide for options to be exercised over a period of ten years, vesting between twelve and thirty-six months. The life of options granted during the year under review has been reduced to eight years and the vesting period fixed at thirty-six months.

B. QUANTITATIVE INFORMATION

1. Year-on-year changes

	30/6/06		
	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	27,063,750	8.82	May 2013
B. Additions			
B.1 New issues	10,600,000	15.26	July 2014
B.2 Other additions	—	—	—
C. Reductions			
C.1 Options cancelled	29,250	9.69	—
C.2 Options exercised	17,041,250	8.60	—
C.3 Options lapsed	—	—	—
C.4 Other reductions	—	—	—
D. Balance at end of period	20,593,250	12.30	September 2013
E. Options exercised as at reporting date	2,378,250	9.06	December 2013

Annex

IAS/IFRS FIRST-TIME ADOPTION

As of the financial year ending 30 June 2006, Mediobanca, like all other companies whose shares are listed for trading on regulated markets in the European Union, has drawn up its consolidated accounts in accordance with the new international accounting and financial reporting standards (IAS/IFRS).

Under a first-time adoption (FTA) scenario, the following are required:

- preparation of an opening balance sheet as at the date of transition from national GAAP to adoption of IAS/IFRS;
- application of IAS/IFRS as from the first financial year and for the comparison periods (with certain exceptions and exemptions);
- disclosure regarding the main effects the transition from national GAAP to the new accounting standards will have on the company's accounts.

The Mediobanca Group is applying the new standards as from the financial year ending 30 June 2006. Accordingly, the following financial statements have been prepared:

- pro-forma, the consolidated balance sheet as at 1 July 2004 and the consolidated profit and loss account for the twelve months ended 30 June 2005, drawn up in accordance with the new standards (with the exception, by express provision, of IAS 32 and 39 governing recognition and measurement of financial assets);
- the consolidated balance sheet as at 1 July 2005, reflecting application of all the new accounting standards.

These statements reflect:

- recognition of all assets and liabilities required to be recognized by the new standards;
- derecognition of assets and liabilities recognized in adoption of national GAAP but not required to be recognized under the new accounting principles;

- reclassification of assets and liabilities recognized in the accounts on the basis of the new reporting requirements;
- application of valuation criteria provided for under IAS/IFRS to assets and liabilities.

The effects of the adjustments to the various balances have been taken directly to net equity.

The Group has availed itself of the following exceptions (as expressly provided under the new accounting standards):

- properties owned by the Group have been booked at cost net of cumulative depreciation and any value adjustments, including revaluations previously carried out. Under the new standards, provision is made for retaining previous revaluations as an integral part of cost in an FTA scenario;
- stock options granted prior to 7 November 2002 (the date on which the relevant standard came into force) or vesting before the date of transition to IAS/IFRS have not been valued;
- IAS 32 and 39 governing recognition and measurement of financial assets apply as from 1 July 2005.

Reconciliations and explanations

Reconciliations for purposes of the transition to the new accounting standards have been prepared on the basis of provisions laid down in IFRS1, as required by Consob resolution 14990 issued on 14 April 2005. They should not be viewed as taking the place of more detailed disclosure provided herein with the first annual report to be issued in conformity with IAS/IFRS. The balance-sheet data deriving from adoption of the new standards will be used for comparative purposes in drawing up the consolidated accounts for the year to 30 June 2006, and may be subject to variation in the event of one or other of the standards being revised or amended retrospectively prior to that date.

A brief description of the main effects of FTA on equity as at 1 July 2005 and on earnings for the year ended 30 June 2005 is provided below.

Loans and receivables

This item, which includes securitized receivables worth approx. €1bn in connection with the Compass group, reflect an upward value adjustment of €11.8m, compared to the figure disclosed in compliance with national GAAP. This represents the balance between:

- €58.5m added due to recognition of consumer credit lendings at amortized cost, in respect of dealer fees expensed at drawdown in accordance with the accounting principles previously adopted;
- a collective impairment charge of €39.8m, calculated on the basis of like-for-like categories of asset using loss estimates based on historical series for positions presenting no evidence of impairment. Insofar as the loan book of Mediobanca is concerned, which is made up entirely of performing items and which previously was covered by the provision for general banking risks, a collective adjustment has been made on the basis of client portfolio segmentation according to rating category, and for each category default and value loss probabilities have been adopted based on historical series of data for the European market over a one-year horizon;
- a €6.9m charge in respect of doubtful debt linked to the Compass group, calculated bearing in mind the recovery times involved.

Securities and derivatives

A portion of the securities which made up the non-investment portfolio (€6,035.7m out of €11,416.7m) and derivatives have been assigned to the category “Financial assets held for trading”.

Securities in this category are recognized at fair value, unlike previously when they were stated at the lower of cost and market price. Fair value for financial assets and derivatives quoted on active markets is defined as market price ruling as at the accounting date, and for other securities is determined by methodologies accepted in market practice.

Derivatives in this segment comprise those of the embedded variety where the different components can be separated out, and those which were previously indicated as for hedging purposes but which do not meet the IAS/IFRS requirements in terms of effectiveness.

The change in accounting treatment for this category of asset as at 1 July 2005 leads to a gain of some €29.6m, recognized in equity.

The following items have been reclassified:

- debt securities not held for trading purposes, and which do not present the necessary characteristics for inclusion as held-to-maturity assets or loans and receivables, have been classified as available for sale. Such securities amount to €4,416.1m, and their recognition at fair value has led to a gain of €51.7m being suspended in a reserve in equity;
- a portion of the Group's debt securities worth €239m which were acquired with the objective of being held until maturity in order to maximize interest income have duly been recognized as "Held to maturity".

Available for sale (AFS) securities

Listed and unlisted investments held for treasury management purposes and which do not qualify as controlling interests, investments in associates or jointly-controlled operations are classified as "Available for sale". Measurement of such assets at fair value has led to a €314.1m increase in this item against the valuation reserve in equity.

Hedges

Derivatives hedging assets and liabilities which were previously stated at cost have been measured to fair value along with the assets and liabilities which they hedge, and recognized accordingly. This has led to an increase of some €4.8m in the figure recorded in equity, which compared with the value of the items concerned, approx. €16bn, demonstrates the high degree of effectiveness of the hedges currently in place.

For cash flow hedges, the fair value of the derivative has been recognized in the reserve held in equity; the relative gain, of some €43.5m, regards the hedge for the mismatch between fixed-rate lendings and floating-rate funds raised by the Compass group, plus various open derivatives aimed at stabilizing the cash flows deriving from certain lendings by Mediobanca.

Investments in associates

Under IAS 28, investments in associates must be recognized using the equity method. Under an FTA scenario, all the Group's holdings in companies which exceed 20% of their share capital have been included in this category, i.e. Banca Esperia, Cartiere Burgo, Athena Private Equity, MB Venture Capital, Fidia and Scontofin, and also those in Assicurazioni Generali and RCS MediaGroup in view of their nature as permanent investments, the fact that the holdings in any case represent more than 10% of the respective companies' share capital, and that Mediobanca is represented in the governance bodies of both companies. Adoption of IAS 28 has led to a reserve of €298.6m being booked to equity, virtually all of which (€274.1m) is attributable to the Group's holding in Assicurazioni Generali. The valuation for RCS MediaGroup includes some €145m in goodwill, in view of a gain of approx. €340m compared with stock market prices as at 30 June 2005 and €200m at current prices.

Tangible and intangible assets

Under the new accounting standards, fixed assets are to be depreciated over the useful life of the individual assets, which means it is necessary to separate out the value of core properties from that of the land on which they are situated, because land by definition has an unlimited useful life and therefore need not be depreciated. Recovery of the share of depreciation charges attributable to land and of the value of properties which under the previous accounting policies had been depreciated entirely in the year of acquisition led to a gain of approx. €31m being recognized in equity.

Other effects

Net equity also reflects the following upward adjustments:

- €14.6m relating to the Group's stock option schemes;
- €6.3m due to reclassification of risk provisions and other transfers linked to leasing transactions;
- €1.7m due to application of IAS 39 in respect of securities in issue (amortized cost and buybacks).

Tax effects

The impact on net equity deriving from FTA has been calculated net of the related €77.5m tax effect determined on the basis of legislation currently in force, including Italian Legislative Decree 38/05. In particular:

- IRES (Italian corporate income tax) has been calculated assuming a tax rate of 33%;
- in terms of IRAP (Italian regional production tax), amounts credited or charged to equity are treated as extraordinary income or expenses and hence irrelevant for tax purposes, save where these are linked to income and charges relevant for tax purposes in previous or subsequent years; in such cases a rate of 4.25% has been applied, plus an extra additional regional charge where applicable.

Finally, deferred tax liabilities have been booked in an amount of €210m in connection with the provision for banking risks, but not amounts provided in tax-suspended reserves, on the grounds that the size of the reserves available and already subject to taxation makes it reasonably unlikely that transactions will be carried out at the Group's own initiative that might lead to such amounts being taxed.

* * *

In conclusion, FTA has generated an increase of €517.2m in net equity as at 1 July 2005, net of related tax effects and the €3m attributable to minorities.

* * *

In terms of earnings, the net profit for the twelve months ended 30 June 2005 as determined on the basis of the new accounting standards (excluding IAS 32 and 39) comes to €714m, some €173.7m higher than the figure recorded under national GAAP. The difference between the two figures is almost entirely attributable to the booking of equity-accounted investee companies net of writebacks of dividends from such companies, amounting to €191.7m, and higher labour costs of €15.8m due to expensing of stock options and revaluation of the staff severance indemnity provision. Other minor movements involved the effects of re-recognizing securitized assets (no impact on bottom line), valuing assets under lease at amortized cost, which added €1.1m to net profit, lower depreciation and amortization on fixed assets (€0.8m), and writebacks of provisions and other transfers for €4m.

**RECONCILIATION OF BALANCE SHEET AS AT 30 JUNE 2005
PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92
WITH THAT PURSUANT TO IAS/IFRS**

Assets	Balance at 30/6/05 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements required under IAS (excl. IAS 39) ¹	IAS-compliant balance at 30/6/05 (excl. IAS 39)	Adjustments and restatements required under IAS (incl. IAS 39) ²	IAS-compliant balance at 30/6/05
10. Cash and liquid assets	16,996	4	17,000	—	17,000
20. Financial assets held for trading	11,416,695	467,675	11,884,370	(4,821,979)	7,062,391
30. Financial assets recognized at fair value	—	—	—	—	—
40. AFS securities	—	1,736,891	1,736,891	5,300,280	7,037,171
50. Financial assets held to maturity	—	—	—	238,970	238,970
60. Due from banks	2,941,198	4,520	2,945,718	196,605	3,142,323
70. Due from customers	17,523,024	100,492	17,623,516	973,378	18,596,894
80. Hedge derivatives	—	949,487	949,487	478,257	1,427,744
90. Value adjustments to financial assets subject to general hedging	—	—	—	—	—
100. Equity investments	3,282,299	(1,144,730)	2,137,569	—	2,137,569
110. Reinsurers' share of technical reserves ..	—	—	—	—	—
120. Tangible assets	275,679	29,304	304,983	—	304,983
130. Intangible assets	1,263	4,301	5,564	—	5,564
<i>of which:</i>					
<i>goodwill</i>	—	—	—	—	—
140. Tax assets	122,160	9,840	132,000	—	132,000
<i>a) current assets</i>	—	—	—	—	—
<i>b) advance assets</i>	122,160	9,840	132,000	—	132,000
150. Non-current assets and groups of assets up for sale	—	—	—	—	—
160. Other assets	2,209,516	(1,609,574)	599,942	(253,663)	346,279
TOTAL ASSETS	37,788,830	548,210	38,337,040	2,111,848	40,448,888

¹ Chiefly due to changes in the area of consolidation, restatement of investments not in associates to financial assets available for sale, and reallocation of accrued income and prepaid expenses to the relevant asset and liability items.

² Chiefly due to reclassification of financial assets according to the division required under adoption of IAS 39 (including securitizations).

Liabilities and net equity	Balance at 30/6/05 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements required under IAS (excl. IAS 39) ¹	IAS-compliant balance at 30/6/05 (excl. IAS 39)	Adjustments and restatements required under IAS (incl. IAS 39) ²	IAS-compliant balance at 30/6/05
10. Amounts due to banks	7,883,467	37,082	7,920,549	—	7,920,549
20. Amounts due to customers	3,547,617	75,893	3,623,510	—	3,623,510
30. Securities in issue	16,393,966	325,852	16,719,818	497,398	17,217,216
40. Financial liabilities deriving from trading	—	1,942,057	1,942,057	1,163,932	3,105,989
50. Financial liabilities recognized at fair value	—	—	—	—	—
60. Hedge derivatives	—	73,890	73,890	380,702	454,592
70. Value adjustments to financial liabilities subject to general hedging	—	—	—	—	—
80. Tax liabilities	169,103	243,778	412,881	52,287	465,168
<i>a) current liabilities</i>	124,818	(24,374)	100,444	—	100,444
<i>b) deferred liabilities</i>	44,285	268,152	312,437	52,287	364,724
90. Liabilities in respect of group assets for sale	—	—	—	—	—
100. Other liabilities	4,062,060	(2,454,774)	1,607,286	(368,319)	1,238,967
110. Staff severance indemnity provision	34,279	1,973	36,252	—	36,252
120. Provisions for liabilities and charges ...	157,769	(4,400)	153,369	—	153,369
<i>a) post-retirement and similar obligations</i>	—	—	—	—	—
<i>b) other provisions</i>	157,769	(4,400)	153,369	—	153,369
130. Technical reserves	—	—	—	—	—
140. Valuation reserves	13,514	—	13,514	363,786	377,300
150. Shares with right of withdrawal.....	—	—	—	—	—
160. Equities	—	—	—	—	—
170. Reserves	2,579,451	129,341	2,708,792	23,547	2,732,339
180. Share premium reserve	1,933,331	—	1,933,331	—	1,933,331
190. Share capital	397,478	—	397,478	—	397,478
200. (Treasury shares)	(970)	536	(434)	—	(434)
210. Minority interest	77,473	3,321	80,794	(1,485)	79,309
220. Gain (loss) for the year	540,292	173,661	713,953	—	713,953
TOTAL LIABILITIES AND NET EQUITY	37,788,830	548,210	38,337,040	2,111,848	40,448,888

¹ Chiefly due to changes in the area of consolidation, restatement of investments not in associates to financial assets available for sale, and reallocation of accrued income and prepaid expenses to the relevant asset and liability items.

² Chiefly due to reclassification of financial assets according to the division required under adoption of IAS 39 (including securitizations).

RECONCILIATION OF PROFIT AND LOSS ACCOUNT FOR YEAR TO 30 JUNE 2005
PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92
WITH THAT PURSUANT TO IAS/IFRS

	Balance at 30/6/05 pursuant to Italian Legislative Decree 87/92	Changes due to IAS		IAS/IFRS- compliant balance at 30/6/05
		Value adjustments	Reclassifications	
Net interest income	483,052	(8,164)	61,216	536,104
Net fee income	143,596	9,270	10,601	163,467
Dividends and similar income	254,678	(87,170)	23	167,531
Net trading income	21,591	—	3,936	25,527
Net hedging income	—	—	—	—
Gain (loss) on disposal of:	39,005	—	(610)	38,395
<i>b) financial assets available for sale</i>	<i>39,005</i>	<i>—</i>	<i>(610)</i>	<i>38,395</i>
Total income	941,922	(86,064)	75,166	931,024
Value adjustments for impairment	(40,329)	(7,200)	6,067	(41,462)
Net profit (loss) from financial operations	901,593	(93,264)	81,233	889,562
Administrative expenses:	(333,035)	(15,775)	(7,019)	(355,829)
<i>a) labour costs</i>	<i>(175,081)</i>	<i>(15,775)</i>	<i>(3,091)</i>	<i>(193,947)</i>
<i>b) other administrative expenses</i>	<i>(157,954)</i>	<i>—</i>	<i>(3,928)</i>	<i>(161,882)</i>
Net transfers to provisions	(55,228)	3,200	168	(51,860)
Net value adjustments to tangible assets	(12,823)	2,427	(93)	(10,489)
Net value adjustments to intangible assets	(1,085)	(1,583)	(30)	(2,698)
<i>of which:</i>				
<i>goodwill</i>	—	—	—	—
Other operating income (costs)	102,941	—	(59,153)	43,788
Operating costs	(299,230)	(11,731)	(66,127)	(377,088)
Gain (loss) on investments stated on net equity basis	6,298	278,900	(230)	284,968
Gain (loss) on disposal of investments	—	—	—	—
Operating profit (loss) before tax	608,661	173,905	14,876	797,442
Income tax on ordinary operations for the year	(58,793)	(1,451)	(14,876)	(75,120)
Net operating profit (loss)	549,868	172,454	—	722,322
Profit (loss) for the period attributable to minorities	(9,576)	1,207	—	(8,369)
NET PROFIT (LOSS)	540,292	173,661	—	713,953

RECONCILIATION OF PROFIT AND LOSS ACCOUNT PURSUANT TO
ITALIAN LEGISLATIVE DECREE 87/92 AND IAS/IFRS

	12 mths ended 30/6/2005 (excl. IAS 39)
NET PROFIT PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92 ..	540,292
– amortized cost (pursuant to IAS 17)	1,106
– equity method application	191,730
– labour costs	(15,775)
– fixed assets	844
– other provisions/transfers written back	(4,000)
– profit and loss attributable to minorities	1,207
– income taxes for the year	(1,451)
TOTAL EFFECT, IAS/IFRS ADOPTION	173,661
NET PROFIT PURSUANT TO IAS/IFRS ADOPTION.....	713,953

**RECONCILIATION OF BALANCE SHEET PURSUANT TO ITALIAN
LEGISLATIVE DECREE 87/92 AND NET EQUITY PURSUANT TO IAS/IFRS**

	Balance at 1/7/04	Balance at 30/6/2005 (excl. IAS 39)	Balance at 1/7/05 (incl. IAS 39)
Net equity pursuant to Italian Legislative Decree 87/92	4,644,941	4,922,804	4,922,804
Recognition and measurement of loans at amortized cost	15,288	15,382	11,794
<i>analytic measurement of impaired loans</i>	—	—	(6,890)
<i>collective measurement of performing loans</i>	—	—	(39,801)
<i>fees effect</i>	15,288	15,382	58,485
Recognition and measurement of financial assets at fair value	—	—	443,716
<i>measurement of securities and derivatives held for trading</i>	—	—	29,628
<i>measurement of hedging derivatives</i>	—	—	4,782
<i>measurement of debt securities available for sale</i>	—	—	51,677
<i>measurement of equities available for sale</i>	—	—	314,119
<i>measurement of cash flow hedge derivatives</i>	—	—	43,510
Equity investment value adjustments	(44,371)	298,619	298,619
Tangible and intangible assets	31,800	31,023	31,023
Stock options	—	14,637	14,637
Changes to provisions for liabilities	(150,000)	—	—
Other effects	9,581	6,301	8,044
Tax effects	(159,944)	(231,006)	(287,579)
<i>deferred tax in respect of provision for general banking risks</i> ...	(191,674)	(210,048)	(210,048)
<i>deferred tax in respect of IAS first-time adoption</i>	(31,730)	(20,958)	(77,531)
IAS effects attributable to minorities	(7,136)	(5,079)	(3,043)
Total effect, IAS/IFRS first-time adoption	(304,782)	129,877	517,211
Net equity pursuant to IAS/IFRS	4,340,159	5,052,681	5,440,015

**RECONCILIATION OF BALANCE SHEET AS AT 30 JUNE 2004 PURSUANT TO
ITALIAN LEGISLATIVE DECREE 87/92 WITH THAT PURSUANT TO IAS/IFRS**

Assets	Balance at 30/6/04 pursuant to Italian Legislative Decree 87/92 restated	IAS adjustments (incl. consolidation area but excl. IAS 39) ¹	IAS-compliant balance at 30/6/04
10. Cash and liquid assets	11,573	7	11,580
20. Financial assets held for trading	9,555,732	(61,987)	9,493,745
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	—	2,130,268	2,130,268
50. Financial assets held to maturity	—	954	954
60. Due from banks	5,655,944	8,587	5,664,531
70. Due from customers	16,754,809	160,609	16,915,418
80. Hedge derivatives	—	760,789	760,789
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	3,073,624	(1,602,732)	1,470,892
110. Reinsurers' share of technical reserves	—	—	—
120. Tangible assets.....	271,617	26,931	298,548
130. Intangible assets	18,938	9,235	28,173
<i>of which:</i>			
<i>goodwill</i>	17,463	4,366	21,829
140. Tax assets	91,216	670	91,886
<i>a) current assets</i>	—	—	—
<i>b) advance assets</i>	91,216	—	91,216
150. Non-current assets and groups of assets for sale	—	—	—
160. Other assets	2,346,065	(1,872,914)	473,151
TOTAL ASSETS	<u>37,779,518</u>	<u>(439,583)</u>	<u>37,339,935</u>

¹ Chiefly due to changes in the area of consolidation, restatement of investments not in associates to financial assets available for sale, and reallocation of accrued income and prepaid expenses to the relevant asset and liability items.

Liabilities and net equity	Balance at 30/6/04 pursuant to Italian Legislative Decree 87/92 restated	IAS adjustments (incl. consolidation area but excl. IAS 39) ¹	IAS-compliant balance at 30/6/04
10. Due to banks	6,719,192	69,406	6,788,598
20. Due to customers	3,978,155	67,332	4,045,487
30. Securities in issue	16,807,800	2,088	16,809,888
40. Financial liabilities deriving from trading	—	2,848,564	2,848,564
50. Financial liabilities recognized at fair value	—	—	—
60. Hedge derivatives	—	39,627	39,627
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	303,678	159,944	463,622
<i>a) current liabilities</i>	251,725	—	251,725
<i>b) deferred liabilities</i>	51,953	159,944	211,897
90. Liabilities in respect of group assets for sale	—	—	—
100. Other liabilities	4,491,307	(3,428,843)	1,062,464
110. Staff severance indemnity provision	32,266	873	33,139
120. Provisions for liabilities and risks	64,082	(94,706)	158,788
<i>a) post-retirement and similar obligations</i>	—	—	—
<i>b) other provisions</i>	64,082	(94,706)	158,788
130. Technical reserves	—	—	—
140. Valuation reserves	13,514	—	13,514
150. Shares with right of withdrawal	—	—	—
160. Equities	—	—	—
170. Reserves	2,453,229	(300,952)	2,252,277
180. Share premium reserve	1,807,340	—	1,807,340
190. Share capital	389,291	—	389,291
200. (Treasury shares)	(970)	536	(434)
210. Equity attributable to minorities	184,254	7,136	191,390
220. Profit (loss) for the year	536,380	—	536,380
TOTAL LIABILITIES AND NET EQUITY	<u>37,779,518</u>	<u>(439,583)</u>	<u>37,339,935</u>

¹ Chiefly due to changes in the area of consolidation, restatement of investments not in associates to financial assets available for sale, and reallocation of accrued income and prepaid expenses to the relevant asset and liability items.

ANNUAL GENERAL MEETING
28 OCTOBER 2006

AGENDA

1. Adoption of accounts for year ended 30 June 2006, the Directors' review of operations and Statutory Audit Committee's report; related resolutions.
2. Election of Directors, after determining their number.
3. Election of members and chairman of Statutory Audit Committee and determining their annual fee.
4. Extension of mandate granted to Reconta Ernst & Young S.p.A. to audit Mediobanca's consolidated and statutory financial statements, interim accounts, and other activities prescribed under Article 155 of Italian Legislative Decree 58/98 to cover the years ending 30 June 2007, 2008 and 2009.

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

HIGHLIGHTS

In the twelve months ended 30 June 2006* Mediobanca earned a net profit of €494.3m (30/6/05: €440.1m), after net writebacks to investment securities based on average prices in the previous six months of €34.4m (€60.7m), gains on disposals of holdings amounting to €106.6m (€38.5m), and writedowns to treasury securities and derivatives totalling €186m (€28.5m). Profit from ordinary operations rose by over 30%, from €453.8m to €590.2m, on the back of 23.6% growth in interest income, from €146m to €180.4m, and a 27.8%, or €45.3m, rise in fees and commissions, while treasury income reduced from €160.9m to €150m.

With regard to the main balance-sheet items, loans and advances to customers rose from €14bn to €15.8bn, after absorbing the reduction in matched lending transactions, which fell from €1,598.1m to €83.8m. At the same time funding grew from €19.4bn to €23bn, with new bond issuance totalling €8.5bn during the period. Investment securities rose by €94.2m, after writebacks amounting to €34.4m, while treasury funds including the movements referred to above rose by €2,251.6m, taking this item back to previous years' levels.

* * *

* Accounts drawn up in accordance with principles established under Italian Legislative Decree 87/92.

FINANCIAL HIGHLIGHTS

The Bank's profit and loss account and balance sheet have been condensed and compared on a like-for-like basis with those of the two previous financial years, and are set out below in the customary format.

Profit and loss account

	12 mths to 30/6/04*	12 mths to 30/6/05	12 mths to 30/6/06
	€m	€m	€m
Interest income	477.6	444.6	562.2
Commissions received and other income	148.4	163.0	208.3
General costs and expenses	(150.2)	(153.8)	(180.3)
GROSS MARGIN FROM ORDINARY OPERATIONS ...	475.8	453.8	590.2
Net writedowns to treasury securities and derivatives	(7.3)	(28.5)	(186.0)
Net gain (loss) on disposal of investment securities	39.1	38.5	106.6
Net writebacks (writedowns) to investment securities	134.3	60.7	34.4
MARGIN BEFORE TAXATION AND PROVISIONS	641.9	524.5	545.2
Provisions for liabilities, charges and loan loss	(33.0)	— ¹	— ²
Taxation for the year	(181.3)	(84.4)	(50.9)
NET PROFIT (LOSS)	427.6	440.1	494.3

* Tax credit on dividends has been included in the item taxation for the year, and accelerated depreciation and amortization charges have been taken to general costs and expenses.

¹ Share of general banking risks provision taken to provisions for liabilities and charges.

² Balance between provisions for liabilities and charges and extraordinary income.

Balance sheet

	30/6/04	30/6/05	30/6/06
	€m	€m	€m
Assets			
Treasury funds	8,427.8	6,538.5	8,790.1
Loans and advances to customers	13,324.4	13,995.6	15,823.8
Investment securities	2,987.7	3,209.2	3,303.4
Property	11.6	11.6	11.7
Other assets	2,188.4	2,032.6	1,835.3
Total assets	<u>26,939.9</u>	<u>25,787.5</u>	<u>29,764.3</u>
Liabilities			
Funding	20,561.2	19,374.6	23,016.3
Provision for liabilities and charges	244.4	242.6	234.2
Other liabilities	1,323.6	1,202.2	1,267.1
Shareholders' equity	4,383.1	4,528.0	4,752.4
Profit (loss) for the year	427.6	440.1	494.3
Total liabilities	<u>26,939.9</u>	<u>25,787.5</u>	<u>29,764.3</u>
Memorandum accounts.....	<u>84,319.5</u>	<u>81,192.6</u>	<u>107,987.3</u>

Key indices and financial ratios for the period are as follows:

	30/6/04	30/6/05	30/6/06
Regulatory capital (€m)	5,408.5	5,799.5	6,034.4
Solvency margin (%)	22.11	19.91	17.93
Earnings per share	0.55	0.55	0.61
Net asset value per share	5.63	5.70	5.85
Price/earnings ratio	18.2	27.4	24.7
Price/book value ratio.....	1.6	2.5	2.4
Market capitalization (€m)	7,784.3	12,278.9	12,443.9
No. of shares in issue (millions)	778.6	795.0	812.0
Avg. no. of staff in year ended 30/6/06	386	385	395 ¹
Cost/income ratio	24.0	25.3	23.4

¹ Includes 13 staff employed by MB Finstrutture - Intersomer, which was merged into Mediobanca during the year under review.

REVIEW OF KEY ITEMS

Loans and advances to customers

The Bank's loan book performed as follows in the twelve months:

	12 mths to 30/6/04		12 mths to 30/6/05		12 mths to 30/6/06	
	€m	%	€m	%	€m	%
Balance at start of year	12,522	100.0	13,324	100.0	13,996	100.0
Movements during twelve months:						
– new loans	13,375	106.8	11,182	83.9	15,484	110.6
– repayments	12,573	100.4	10,510	78.9	13,656	97.6
– net new loans	802	6.4	672	5.0	1,828	13.0
Balance at year-end	13,324	106.4	13,996	105.0	15,824	113.0

Finance disbursed to customers during the period was up 13%, from €13,995.6m to €15,823.8m, which rises to 27% including repayment of matched lending transactions amounting to €1.5bn. The increase reflects: growth by Group companies operating in consumer credit and leasing, to which lendings by Mediobanca rose from €2,781.3m to €3,594.2m; higher business levels with non-Italian clientèle, due partly to the activity of the Paris branch and Mediobanca International, which transferred its registered office to Luxembourg during the year; and the Group's dynamic activity in the domestic and international syndicated loans market.

The item includes:

- a single non-performing item of €127,000 covered by SACE insurance, whom we are suing for the indemnity due;
- loans and advances to subsidiaries totalling €4,026.6m, up €73.9m, or 1.9%, which break down as follows:

	€m
<i>Micos Banca</i>	1,100.0
<i>Compass</i>	1,050.0
<i>Palladio Leasing</i>	619.3
<i>SelmaBipiemme Leasing</i>	448.9
<i>Mediobanca International</i>	432.4
<i>Teleleasing</i>	376.0
	4,026.6

As at 30 June 2006, there were a total of twelve significant exposures (including securities and equity investments), i.e. above 10% of the Bank's regulatory capital, two more than in June 2005, for a total of €11,734.5m (30/6/05: €10,493m).

Funding

	30/6/04	30/6/05	30/6/06
	€m	€m	€m
Time deposits and current accounts ...	3,069.8	2,134.0	729.6
Bonds and other debt securities	14,663.1	14,491.3	20,892.2
Other funds	2,828.3	2,749.3	1,394.5
	20,561.2	19,374.6	23,016.3

The reduction in time deposits and current accounts, from €2,134m to €729.6m, is due to closure of matched lending transactions, which accounted for €1,263.7m, a €123.8m reduction in certificates of deposit, and a €16.9m fall in current account balances.

Bonds and other debt securities rose from €14,491.3m to €20,892.2m, after new issues and interest accruals amounting to €8,762.1m, and €2,361.2m in conversions, redemptions (including early redemptions) and exchange rate adjustments. New issuance was divided virtually equally between securities linked to financial and real indicators, such as interest rates, share prices and stock indices, and plain vanilla bonds.

Other funds fell by €1,354.8m on the back of a reduction in funds raised through Mediobanca International, from €1,561.6m to €442.3m, and funds raised through banks and customers, which fell from €395.5m to €145m. Conversely, EIB funding rose from €792.2m to €807.2m.

Treasury accounts

	30/6/04	30/6/05	30/6/06
	€m	€m	€m
Cash and bank balances	131.0	124.4	148.2
Fixed-income securities	6,128.6	8,594.3	7,715.6
Equities	2,565.0	756.9	2,151.5
Other treasury funds	(396.8)	(2,937.1)	(1,225.2)
	8,427.8	6,538.5	8,790.1

The item cash and bank balances comprises €122.3m in current account balances held at banks, and €25.9m in compulsory reserves.

Fixed-income securities fell by €878.7m, from €8,594.3m to €7,715.6m. As at 30 June 2006, almost 54% of the portfolio consisted of government securities, 9% of Mediobanca bonds, and the balance of sundry other securities.

Equities totalled €2,151.5m, up €1,394.6m from last year, chiefly involving arbitrage transactions hedged *inter alia* by derivative products.

Other treasury funds comprise repo trading (including securities lending) worth €2,950.2m and reverse repos totalling €3,046.4m, technical shortfalls amounting to €1,946.1m and deposits of €817.1m.

Movements in the treasury securities portfolio are shown in Table A. Overall treasury management, including derivatives and arbitrage transactions, generated profits of €150m. At the reporting-date net writedowns of €186m were charged, including exchange rate adjustments, and unrealized gains at the same date amounted to €264.7m, €179.2m of which on derivatives and technical shortfalls.

Investment securities

These consist of:

	30/6/04	30/6/05	30/6/06
	€m	€m	€m
Bonds and other debt securities	76.7	—	—
Other investments	2,514.5	2,719.0	2,845.9
Investments in Group undertakings ..	396.5	490.2	457.5
Total investment securities	2,987.7	3,209.2	3,303.4

Movements during the year involved purchases and subscriptions of €379.2m and divestments of €378.6m, yielding a net gain of €106.6m. In addition to the movements described in the Review of Group Operations, following the merger of MB Finstrutture - Intersomer into Mediobanca, 3.2 million shares in Assicurazioni Generali worth €86.4m were booked and the €32.7m value of the original holding was written back; a 1% share in Mediobanca International was also sold to Compass for €0.8m. In June 2006, agreements between Fiat and the consortium responsible for placing

shares in Ferrari, whereunder Fiat holds a call option in the event of Ferrari not being listed, were extended for a further three months.

The composition of the Bank's investment portfolio, the movements therein during the period under review and writedowns charged as at 30 June 2006 are set out in Table B. Based on average prices in the six months ended 30 June 2006, the portfolio yielded a surplus of market over book value amounting to €4,538.1m (€4,506.1m based on prices and holdings at the time of writing).

The performance of the other Group companies not mentioned in the Review of Group Operations is described below based on the respective statutory accounts drawn up in accordance with traditional accounting policies:

— *Mediobanca International (Luxembourg) S.A.*, Luxembourg

This company's financial statements as at 30 June 2006 reflect profit of €4.3m, against €6m in the previous financial year. Funds raised through bond issuance amounted to €459.3m (30/6/05: €1,662.7m). After transferring its registered office from the Cayman Islands to Luxembourg in December 2005, the company launched a new lending activity, with loans and advances to customers totalling €432.4m, net interest income of €4.6m, and net fee and commission income amounting to €3.1m; the company's net worth stands at €73.1m (30/6/05: €67.1m).

The company has 5 staff, three of whom are seconded from Mediobanca.

— *Prominvestment S.p.A.*, Rome (70%-owned)

This company's accounts for the year ended 30 June 2006 reflect a loss of €247,000, compared with a profit of €61,000 twelve months earlier, after a reduction in commissions receivable and other income, from €3.3m to €1.9m.

The company employs 8 staff.

— *R. & S. - Ricerche e Studi S.p.A.*, Milan

This subsidiary's accounts for the twelve months to 30 April 2006 shown an even balance after charging Mediobanca €1.6m (unchanged versus last year).

The company produced new editions of all its main works, including entries on the leading Italian groups published in digital format via the web and, for a select group of the 50 largest listed Italian companies, in the thirtieth edition of its Annual Directory, plus the eleventh R&S survey of industrial and service-sector multinationals, the fourth edition of its survey of leading Italian banks, and its customary quarterly surveys of listed company's financial statements. The model R&S developed for credit-scoring small and medium-size Italian companies was used to produce an initial classification of companies included in the database set up by the Research Department of Unioncamere, which commissioned it.

R&S employs 11 staff.

— *Technostart S.p.A., Milan (69%-owned)*

This company's accounts for the twelve months ended 30 June 2006 reflect a loss of €44,000 (30/6/05: €37,000).

Technostart has no employees.

Group company Tradevco has been cancelled from the Liberian companies' register following completion of its liquidation.

Subsequent to the reporting date, Mediobanca subscribed for a 19.2% interest in Speed, the vehicle company set up in conjunction with other investor banks to acquire 39% of Pirelli Tyre. The transaction involved an outlay of €63.9m.

Table D provides restated accounts for each individual Group company.

Net fixed assets

These comprise:

- property, carried at a book value of €27.2m and depreciated as to €15.5m. Regarding properties acquired under leases via Group company SelmaBipiemme, there are leases outstanding on the premises in Via Filodrammatici opposite the Bank's head office, with principal outstanding of €19.4m and expiring in 39 months, and the garage below

the same premises, with principal outstanding of €1.8m and expiring in 82 months;

- furniture and intangible assets, consisting of furniture, office machinery, computer equipment and software owned by the Bank. As usual, the cost of these items is written off in full in the year in which it is incurred, which this year has resulted in a €2.9m charge to profit and loss.

Provisions for liabilities and charges

These comprise:

- provision for taxation, amounting to €65.2m;
- staff termination indemnity provision, amounting to €14.2m, which includes all indemnities due to Bank staff as at 30 June 2006;
- provisions for liabilities and charges, established in an amount of €154.8m following transfers of €4.8m for the year.

Shareholders' equity, regulatory capital and solvency margin

The Bank's net worth of €4,752.4m (30/6/05: €4,528m), includes:

- share capital amounting to €406m, up €8.5m due to share issuance as a result of stock options being exercised;
- reserves and retained earnings of €3,488.3m, up €215.9m; these consist of:
 - legal reserve, €79.6m, up €1.7m, and statutory reserve, €1,054.2m, up €49.6m, reflecting allocation of profit adopted by company shareholders in Annual General Meeting on 28 October 2005;
 - share premium reserve, €2,071.4m, up €138.1m against share issuance as a result of stock options being exercised;
 - surplus arising on merger of €275.5m, up €26.5m due to the merger with MB Finstrutture - Intersomer;
 - revaluation reserves pursuant to Italian Laws 72/83 and 413/91, both unchanged at €7.6m;
- provision for general banking risks, amounting to €858.1m.

Regulatory capital totalled €6,034.4m, up €234.9m from the figure recorded at 30 June 2005, reflecting allocation of profit for the year.

* * *

Assets subject to monetary revaluations are listed in Table F.

Interest income

	12 mths to 30/6/04	12 mths to 30/6/05	12 mths to 30/6/06
	€m	€m	€m
Interest receivable.....	614.3	599.4	684.0
Less cost of funding	(473.9)	(453.4)	(503.6)
Interest receivable on loans	140.4	146.0	180.4
Income from treasury transactions	225.1	160.9	150.0
Dividends	112.1	137.7	231.8
Net interest income	477.6	444.6	562.2

Net interest income climbed 26.5%, from €444.6m to €562.2m, on the back of a rise in interest receivable on loans, which grew 23.6%, from €146m to €180.4m, in line with the rise in volumes traded. Dividend income also rose appreciably, from €137.7m to €231.8m, roughly one-third of which was due to the Bank's holding in Assicurazioni Generali; conversely, there was a slight reduction in income from treasury management, which declined from €160.9m to €150m.

Commissions received and other income

The main item under this heading is fee income generated by corporate and investment banking activities, which totalled €198.7m (30/6/05: €154.5m), reflecting the Bank's higher business volumes. Other items included here are: €4.3m (€4.2m) in rent received, €1m (€2.7m) in expenses recovered from clients, and €4.3m (€1.6m) in other income.

General costs and expenses

The main items under this heading, which rose from €153.8m to €180.3m, were as follows:

- labour costs of €98.1m (30/6/05: €80.3m), the increase in which reflects the Bank's improved earnings performance;
- bank charges of €4.9m (€3.5m);
- sundry expenses of €77.3m (€70m), the main items in which were: outside service fees of €16.5m (€14.9m), which includes fixed fees paid to the Board of Directors; EDP and financial information subscriptions of €14.5m (€15.2m); ordinary lease instalments and ancillary charges on the Bank's premises in Via Filodrammatici in Milan amounting to €7.1m (€7.1m); rent, equipment leasing and maintenance charges of €6.2m (€7.8m); share and bond administration expenses of €5.6m (€4.8m); travel, transfer and entertainment expenses of €3.4m (€2.8m); ordinary depreciation charges of €3.1m (€2.4m); stationery, printing and utility charges of €3.1m (€3m); research and publication costs of €2.2m (€2.3m); sundry taxes net of rebates amounting to €1.8m (€3.3m); contingent and sundry liabilities of €1m (€0.7m).

Provisions for liabilities and charges

This item consists of a €4.8m provision set aside on a prudential basis to cover exposures in relation to performing export finance transactions. This is offset by an equivalent contingent asset due to fees already collected in respect of such transactions and prudentially suspended being released to profit and loss.

Taxation for the year

The reduction in the tax burden this year is chiefly due to changes in the regime whereby income deriving from shareholdings is taxed (i.e. gains realized on disposals and dividends). Furthermore, deferred tax payable in respect of transfers to loan loss provision made in pursuance of Article 106 of the Italian Consolidated Income Tax Act has not been recognized, on the grounds that such amounts are unlikely to be taxed in the future.

RISK MANAGEMENT

Credit risk

The Bank's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are informed by individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of loans (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and if successful, are submitted for approval to the relevant bodies, i.e. the Risks or Executive Committee, depending on the amount required. After disbursement the account is monitored on an ongoing basis, via analysis of published financial statements and a series of other controls to ensure that the covenants are not breached. Any deterioration in the risk profile of a loan is brought swiftly to the attention of the operating unit and the Bank's management.

Market risk

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)¹ for the Bank's entire trading and investment portfolios. Such global measurement derives from all financial risk, i.e. on equities, interest and exchange rates and including risks linked to both lending and funding activities, being centred on the Bank's finance division.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that can be expected as a result of market movements within a single trading day. VaR is calculated using the Monte Carlo² and historical³ simulations as well as the parametric method. Pursuant to a resolution adopted by the Board of Directors of Mediobanca held on 8 March 2006, the confidence

¹ VaR: maximum potential loss over a specified time horizon and given confidence level.

² Determines portfolio value based on random variations in risk factors.

³ Determines portfolio value based on historical variations in risk factors.

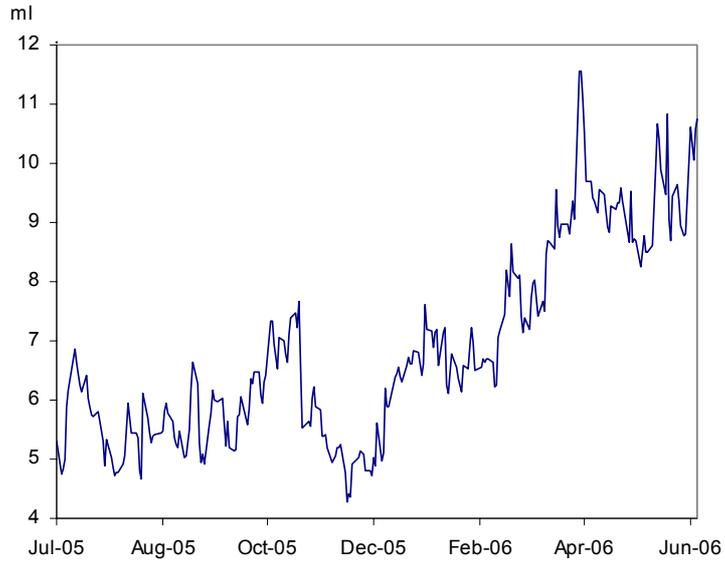
level used in calculating VaR was raised from 95% to 99%. However, figures for the financial year ended 30 June 2006 continue to be shown based on a 95% confidence level, in order to ensure a like-for-like basis for comparison.

Value at risk and expected shortfall

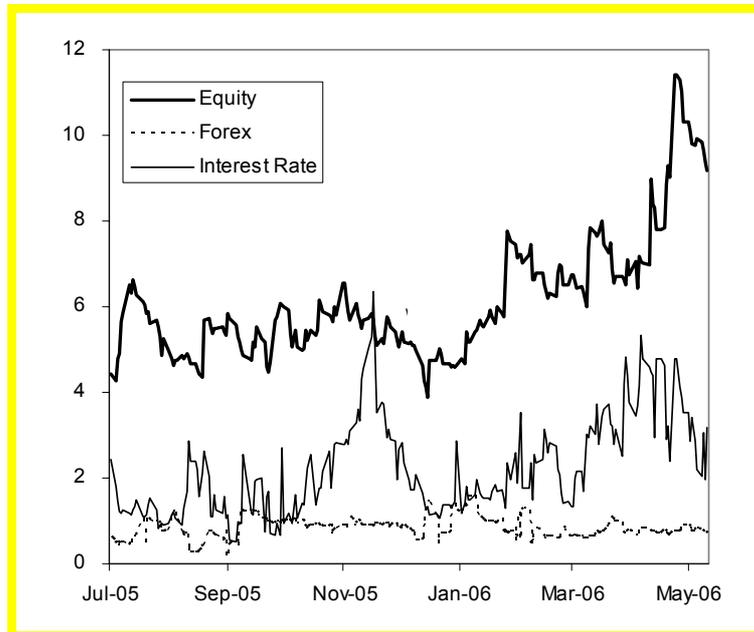
Risk factor (€'000)	12 mths to 30/6/06			12 mths to 30/6/05	
	30/6	Min.	Max.	Avg.	Avg.
Interest rates	4,074	513	6,340	2,345	2,387
Equities	10,798	3,886	11,397	6,646	4,073
Exchange rates	810	211	1,595	818	663
<i>Diversification effect</i>	(5,112)	(959)	(6,406)	(2,932)	(2,402)
TOTAL	10,570	4,286	11,547	6,877	4,721
<i>Expected shortfall</i>	11,183	7,888	19,388	10,894	8,457

At the reporting date, VaR for market risk totalled almost €10.6m, more than double the €5.2m recorded one year previously. Comparison of average data shows a less pronounced increase, from €4.7m to €6.9m. Given the largely stable contribution from the interest and exchange rate components, the increase is attributable to equities, which rose from €4.1m to €6.6m due to higher equity market volatility levels.

Trend in VaR at 95%



Trends in VaR constituents



Back-testing of the Bank's entire asset base reveals that the VaR threshold was breached on fewer occasions than the theoretical model constructed using a series of simulated gains and losses¹, with values of 4.6% and 4.2% in the simulated and operating models respectively.

Table E as usual shows all our open positions in derivatives at the reporting date, together with information on their credit quality as required by Bank of Italy regulations. Gross positive fair value rose from €663.7m to €838.1m due to a reduction in exposures to interest rates which also impacted on the Bank's current exposure, taking into account existing offset agreements, which fell from €499.1m to €353.8m. Conversely, the credit equivalent amount rose from €422.9m to €471.2m, due to the higher proportion accounted for by non-banking counterparties.

Counterparty risk

This is measured in terms of expected potential market value, thereby doing away with the need to set arbitrary weightings for each type of fund employed, and identifies a maximum potential exposure to the Bank's various counterparties based on a given confidence level and over a specified time horizon.

Asset and liabilities management

The sensitivity of Mediobanca's portfolio of assets and liabilities to interest rate movements is calculated daily with respect to both its banking and trading books.

Liquidity risk is also calculated daily in view of the prospective timing of future cash flows, in order to establish the projected maturities for future cash requirements.

A steering committee analyses the Bank's asset structure and portfolio sensitivity on a fortnightly basis, to help management in taking strategic decisions on the Bank's operations by providing indications of profit trends and mismatches, if any, between the maturities of asset items implied in

¹ Based on repricing the previous day's positions using data from the next business day in order to eliminate intraday trading items.

projected volume movements. The expected distribution of Mediobanca's interest income and its sensitivity to the different segments of the interest rate curve are also calculated as part of this analysis.

At 30 June 2006, the impact of a 1 basis point rise in interest rates on the Bank's net interest income was measured at €363,000, and €384,000 in the event of a negative shock. This confirms the substantial linearity in the Bank's exposure to interest rates.

OTHER INFORMATION

Regarding the claims brought against Mediobanca jointly and severally with the other parties involved in what is purported to be their failure to launch a full takeover bid for La Fondiaria in 2002, in May 2006 the court of Milan issued a first-degree ruling in respect of a second set of proceedings whereby Mediobanca in conjunction with Fondiaria-SAI was ordered to pay damages of €2.7m plus legal fees. An appeal has been lodged against this ruling. This is in addition to the ruling issued last year whereby Mediobanca and Fondiaria-SAI were ordered to pay €3.4m in damages plus legal fees. An appeal against this ruling is still pending. A total of eleven claims have now been made for damages amounting to €155.4m.

* * *

With regard to the Bank's securities trading operations, a total of 168.3 million Mediobanca shares were traded on behalf of customers worth €2,675.1m.

Staff and stock option schemes

The Bank's staff, who deployed their skills with their customary diligence and professionalism during the year under review, rose in number from 383 to 407 as at 30 June 2006, due partly to the merger of MB Finstrutture - Intersomer into Mediobanca with its 13 employees. The staff now comprise 66 senior executives, 154 executives and 187 clerical staff.

Details of the stock option schemes currently operated by Mediobanca are provided in the following table:

	No. of options	Avg. strike price €
Options outstanding at start of financial year ...	25,145,000	8.82
Options granted	9,820,000	15.26
Options lapsed	29,250	9.69
Options exercised	15,962,500	8.60
Options outstanding at financial year-end	18,973,250	12.30
<i>Of which: exercisable</i>	<i>1,698,250</i>	<i>9.06</i>

The schemes provide for options to be exercised over a period of ten years, vesting between twelve and thirty-six months. The life of options granted during the year under review has been reduced to eight years and the vesting period fixed at thirty-six months.

Credit rating

Standard & Poor's continue to rate Mediobanca as AA- for mid-/long-term debt and A-1+ for short-term debt. The outlook is stable.

Research

On the research side, work has continued as in the past on company and capital market surveys (see pp. 187-88), carried out by both Mediobanca's Research Department and Group research arm R&S.

Related party disclosure

Financial accounts with such parties at 30 June 2006 and intra-group and other related party transactions during the year ended at the same date were as follows:

	Directors, statutory auditors and strategic management	Group undertakings	Associates	Other related parties	Total
	€m	€m	€m	€m	€m
Assets	696.0	4,419.2	598.6	2,785.5	8,499.3
Liabilities	16.6	1,106.0	9.6	1,311.5	2,443.7
Guarantees and com- mitments	500.6	4,194.1	260.0	1,112.1	6,066.8
Interest income	27.4	101.4	32.7	177.4	338.9
Interest expense	(1.8)	(82.0)	(1.1)	(47.3)	(132.2)
Net fee income	3.2	1.9	2.9	46.4	54.4
Other income (costs) ..	(4.2) ¹	(27.1)	0.9	(96.3)	(126.7)

¹ Includes short-term benefits amounting to €14.5m.

All such accounts, the impact of which on the Bank's asset and earnings aggregates is limited, fall within its ordinary operations, are maintained on an arm's length basis, and are entered into in the interests of the Bank itself, *inter alia* in its capacity as parent company to the Mediobanca Banking Group. In this regard, certain services provided by Group subsidiaries, such as EDP, share and bond administration, and research, are paid for at cost. No atypical or unusual transactions have been entered into with these counterparties. There are no shareholders in the Bank in a controlling position.

Personal data protection pursuant to Italian Legislative Decree 196/03

The Bank has updated its "Data security planning document" for 2006, as required under Articles 33ff of the above legislative decree.

OUTLOOK

For the new financial year, in which the new International Accounting/Financial Reporting Standards will be adopted, there should again be significant growth for Mediobanca, with a rise in net interest income on the back of higher interest rates and volumes, and a likely reduction in treasury income, where results will be marked to market. Fee income from wholesale banking operations, driven by a healthy deal pipeline, will remain linked to the performance of financial markets, as too, obviously, will the results of the equity investment portfolio.

PROPOSALS TO SHAREHOLDERS

The net profit for the year was €494,333,932.45. We propose the following allocation of this profit:

€	1,892,825.00	to the Legal reserve, taking this to €81.6m, or 20% of the Bank's share capital;
€	47,540,568.25	to the Statutory reserve;
€	473,002,565.70	to be paid by way of a dividend equal to €0.58 on each of the 815,521,665 shares in issue as at 15 September 2006 by withdrawing €34,374,778.32 from the Statutory reserve which accordingly will amount to €1,067.4m.

* * *

The Board has also approved a resolution to freeze the Directors' fees at last years' levels.

You are therefore invited to approve the following allocation of profit:

Net profit for the year	€	494,333,932.45
To the Legal reserve	€	1,892,825.00
To the Statutory reserve.....	€	<u>47,540,568.25</u>
Distributable profit	€	444,900,539.20
Withdrawal from Statutory reserve.....	€	34,374,778.32
Dividend of €0.58 on 815,521,665 shares	€	473,002,565.70
Directors' fees:		
— fees due under Article 30 of the Bank's Articles of Association		7,772,751.82
— less fixed fees due under Article 18 of the Bank's Articles of Association	1,500,000.00	<u>€ 6,272,751.82</u>

The shares will go ex-rights on 20 November 2006, and the €0.58 per share dividend will be payable as from 23 November 2006.

* * *

Carlo SALVATORI has left his position as Deputy Chairman of Mediobanca, and we should like to take this opportunity to thank him for his contribution to the activities of both the Board of Directors and Executive Committee, which have been greatly appreciated.

The terms of office of Directors Matteo ARPE, Jean AZEMA, Tarak BEN AMMAR, Vincent BOLLORE', Ennio DORIS and Gabriele GALATERI DI GENOLA have expired, as has that of Dieter RAMPL, who was co-opted to the Board at its meeting held today.

You are invited to elect Directors accordingly.

The Statutory Audit Committee's three-year term of office has expired. Accordingly, you are invited to renew its term of office and fix the remuneration due in respect thereof.

With reference to the above appointments, it should be noted that, in accordance with recent changes in legislation, and pending adoption of the requisite amendments to the company's Articles of Association:

- the post of Chairman of the Statutory Audit Committee will be given to the standing auditor elected from the list, if any, submitted by minority shareholders in accordance with the procedure laid down under Article 25 of the Articles of Association;
- Board members will be elected by means of a secret ballot.

* * *

Under a resolution adopted by shareholders of Mediobanca at an Annual General Meeting held on 28 October 2003, Reconta Ernst & Young S.p.A. were appointed as auditors to Mediobanca and the Mediobanca Group in respect of their interim and annual financial statements, and to perform other duties required under Article 155 of Italian Legislative Decree 58/98, for the three-year period ending 30 June 2006. This term has now expired.

Changes to the regulatory framework reflected in Article 159 of the Italian Consolidated Financial Act as amended by Article 18 of Italian Law 262/05, now require that appointments of external auditors for the statutory and consolidated financial reporting of listed issuers have a life of six years

renewable one time only, with the added obligation of changing the person responsible for the audit upon the occasion of renewal. This extension in the term of auditing mandates from three to six years led Consob to make provision, in a statement issued on 23 March 2006, for companies to extend their outstanding mandates with external auditors to six years in line with the changes in regulations. It was therefore decided to ask Reconta Ernst & Young to submit an offer to extend their mandates for a further three-year period, in view of the extensive knowledge of the company and Group they have built up as a result of their recent work in relation to first-time adoption of IAS/IFRS for our consolidated reporting. Compared to the terms of the existing mandates, the proposal was to include a limited audit of the interim statements, in line with normal market practice, plus audit activity with respect to the signing of the company's tax declarations.

The Internal control committee of Mediobanca, as required by the code of conduct in respect of listed companies to which Mediobanca adheres, expressed a favourable opinion on the proposal and audit plan submitted by Reconta Ernst & Young.

Accordingly you are invited to adopt the following resolutions:

“Having received and considered the Directors' report and the favourable opinion of the Statutory Audit Committee, the shareholders of Mediobanca gathered in Annual General Meeting hereby resolve:

- 1) to extend, pursuant to legislation currently in force, the mandate granted to Reconta Ernst & Young S.p.A. to audit the statutory and consolidated financial statements of Mediobanca and the Mediobanca Group and perform other duties stipulated under paragraph 1, letter a) of Article 155 of Italian Legislative Decree 58/98 for the years ending 30 June 2007, 2008 and 2009, for annual fees of €134,000 based on an estimated time of 1,100 man hours for the financial statements of Mediobanca, and of €26,000 based on an estimated time of 200 man hours for the consolidated reporting;
- 2) to extend the mandate granted to Reconta Ernst & Young S.p.A. in respect of limited audit activity for the interim statements as at 31 December 2006, 2007 and 2008 for an annual fee of €60,000 based on a total estimated time required of 500 man hours;
- 3) to mandate Reconta Ernst & Young S.p.A. to act as auditors with respect to signing the Bank's tax declarations for the years ending 30 June 2007, 2008 and 2009 for an annual fee of €15,000,

having duly noted that such fees shall be adjusted each year as from 1 July 2007 on the basis of (i) the change in the ISTAT cost of living index, base date 30 June 2006, and (ii) any exceptional or unforeseen circumstances, including significant changes in the structure of the Group and its operations, which may require extra man hours. The fees do not include direct expenses, general administrative expenses or VAT.”

Milan, 15 September 2006

THE BOARD OF DIRECTORS

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT

as required by Article 153 of Italian Legislative Decree 58/98

The following is a review of the Statutory Audit Committee's activities in the year to 30 June 2006, in accordance with Article 153 of Italian Legislative Decree 58/98.

Inspection of Mediobanca's accounts and statutory and consolidated financial statements under the foregoing Legislative Decree is the responsibility of external auditors Reconta Ernst & Young S.p.A. Reference is made to their reports contained herein for further information in this regard. Such reports raise no matters of significance or requests for further information.

During the year under review, we have carried out our supervisory duties as required by law, in accordance with Bank of Italy and Consob regulations and in line with the guidance for Statutory Audit Committee members drawn up by the Italian association of chartered and ordinary accountants.

In particular we have:

- met on eight occasions;
- taken part in eight Board meetings and nine Executive Committee meetings held in the course of the year under review;
- received from the Directors during the course of the above meetings information concerning the business and most significant financial transactions carried out by the Company and its subsidiaries;
- met regularly with the external auditors, the head of Internal control and the various heads of division;
- ascertained that transactions involving potential conflicts of interest have all been approved in accordance with legal and statutory requirements;
- duly noted that no atypical or unusual transactions have taken place;
- noted that no ordinary intra-group transactions or transactions involving related parties have been entered into which are counter to, or otherwise not in accordance with, the interests of the Company (such trans-

actions are illustrated by the Directors in their review of operations and the notes to the accounts);

- noted that the instructions provided for under Article 114, paragraph 2 of Italian Legislative Decree 58/98 have duly been transmitted to all Group companies;
- appraised the company's internal control, administrative and accounting systems, and found them to be adequate to ensure the smooth running of its business on the basis of information received from managerial staff, regular reports prepared by the head of internal control, regular meetings with the Bank's external auditors involving a two-way exchange of data and information, and participation in Internal control committee meetings;
- noted, through contact with the corresponding governing bodies, that no major issues have arisen at other Group companies;
- monitored the implementation of organizational measures linked to developments in the company's business;
- monitored compliance by the company with the provisions of law and the company's Articles of Association;
- appraised the independence of the external auditors, *inter alia* pursuant to the most recent Consob regulations in this respect;
- noted that no opinions have been given by the external auditors as defined under law;
- noted that, with respect to the adoption of IFRS/IAS, the external auditors have duly audited the requisite reconciliations, received further advisory mandates in respect of preparing accounting information, and signed the Bank's tax declarations as required by the Italian income revenue authority, for a total consideration of €263,000;
- noted that further mandates have been granted to the external auditors in respect of issuing statements concerning the information prospectus drawn up in connection with bond issuance in Luxembourg, for a total consideration of €45,000;
- noted that no other professional mandates have been granted to parties linked to the external auditors on an ongoing basis.

With regard to complaints contemplated under Article 2408 of the Italian Civil Code, at the Annual General Meeting held on 28 October 2005, one shareholder asked the Statutory Audit Committee to check the exis-

tence of an alleged cross-shareholding that would contravene the provisions of Article 121 of the Italian Consolidated Finance Act.

No other complaints have been received.

With regard to the question of corporate governance, we would point out that Mediobanca seeks to comply with guidance given in the Code of Conduct for Listed Companies on the terms set out in the Directors' statement, which has recently been updated and made available for your information.

During the course of our activity and on the basis of the information we have received, no omissions, censurable actions, irregularities or otherwise significant facts have been noted such as would require being reported to the supervisory authorities or as are worthy of mention herein.

As required by the second paragraph of Article 153 of Italian Legislative Decree 58/98, we recommend that the accounts for the year and the proposed dividend payout be adopted.

* * *

The terms of office of Directors Gabriele GALATERI di GENOLA, Matteo ARPE, Jean AZEMA, Tarak BEN AMMAR, Vincent BOLLORE', Ennio DORIS and Dieter RAMPL have all expired. You are invited to elect Directors accordingly.

The Statutory Audit Committee's term of office expires with this Annual General Meeting. Accordingly, you are invited to elect Statutory Auditors and the Chairman of the Committee and to determine their remuneration.

Milan, 26 September 2006

STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of Legislative Decree n. 58 of 24 February 1998

(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2006. These financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the audit opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated 22 September 2005.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2006 comply with Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position of Mediobanca S.p.A. as of 30 June 2006, and the results of its operations for the year then ended.

Milan, 22 September 2006

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppo, partner

Accompanying Schedules

TABLE A

MOVEMENTS IN TREASURY SECURITIES

	Holding at 30/6/05 € '000	Amounts bought and subscribed € '000	Sales and redemptions € '000	Gain (Loss) € '000	Exchange adjustments € '000	(Writedowns) Writedowns € '000	Holding at 30/6/06 € '000	Value based on avg. share prices in 1 month prior to 30/6/06 € '000	Gain € '000
Government securities denominated in currencies other than the Euro ¹	—	127,713	124,473	796	(1,720)	—	2,316	2,316	—
Euro-denominated government securities ¹	5,029,973	29,543,846	30,351,310	(5,859)	—	(42,213)	4,174,437	4,176,172	1,735
Bonds denominated in Euros and other Eurozone currencies	3,560,150	7,425,255	7,362,636	(5,888)	—	(81,918)	3,534,963	3,564,283	29,320
Bonds denominated in non-Eurozone currencies ...	4,135	6,991	7,006	18	(205)	—	3,933	4,067	134
Arbitrage/derivative transactions and technical shortfalls	8,594,258	37,103,805	37,845,425	(10,933)	(1,925)	(124,131)	7,715,649	7,746,838	31,189
TOTAL (A)				(5,582)		6,570			200,396
Non-investment equities	756,921	10,015,630	8,554,396	31,779	756	(99,161)	2,151,529	2,205,811	54,282
Arbitrage/derivative transactions and technical shortfalls				134,765		39,613			(21,149)
TOTAL (B)				166,544		(59,548)			33,133
GRAND TOTAL (A+B)				150,029		(177,109)			264,718

¹ Issued by sovereign states.

TABLE B

MOVEMENTS IN INVESTMENT SECURITIES

	Opening balance		Purchased and subscribed		Sold		Other movements §		Gain (Loss) € '000	(Writedowns) Writebacks € '000	Closing balance		Avg. price in six months to 30/6/06 € '000	Gain € '000
	Number	%*	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number			Amount € '000	Number		
EQUITY INTERESTS														
SHARES LISTED IN ITALY														
Assicurazioni Generali	163,335,059	12.80	749,789	—	—	—	3,200,487	86,362 ¹	—	—	166,535,546	13.04	836,151	4,064,990
Fiat, <i>ordinary</i>	21,152,587	2.64 + 2.15	121,077	—	40 ²	—	—	—	40	30,593	21,152,587	1.94 + 1.66	151,670	202,789
Fimmeccanica	82,380,000	0.98	61,373	—	—	(78,261,000) ³	—	—	—	13,168	4,119,000	0.97	74,541	74,541
Fondaria-SAI, <i>ordinary</i>	2,574,500	1.98 + 1.50	34,189	—	—	—	—	—	—	—	2,574,500	1.92 + 1.45	34,189	80,299
Gemina, <i>ordinary</i>	46,132,781	12.66 + 12.53	55,728	—	—	—	—	—	—	9,215	46,132,781	12.66 + 12.53	64,943	121,606
GIM, <i>ordinary</i>	5,708,194	2.69 + 2.53	5,866	—	—	—	—	—	—	(1,732)	5,708,194	2.69 + 2.53	4,134	4,134
GIM 2005-2008 <i>warrants</i>	2,023,146	—	120	—	—	—	—	—	—	—	2,023,146	—	120	509
Italmobiliare, <i>ordinary</i>	2,106,888	9.50 + 5.47	34,593	—	—	—	—	—	—	—	2,106,888	9.50 + 5.47	34,593	105,009
Mediolanum	14,300,000	1.97	76,691	—	—	—	—	—	—	12,198	14,300,000	1.96	88,889	88,889
Pininfarina	317,625	3.41	2,985	—	—	45,136	—	—	—	—	272,489	2.92	2,502	7,736
Pirelli & C., <i>ordinary</i>	233,001,859	4.50 + 4.38	171,641	—	—	—	—	—	—	—	233,001,859	4.50 + 4.38	171,641	181,601
Ratti	2,860,000	9.17	1,536	—	—	—	—	—	—	87	2,860,000	5.50	1,627	1,627
Ratti rights	2,860,000	—	115	—	—	(2,860,000)	—	(115)	—	—	—	—	—	—
RCS MediaGroup, <i>ordinary</i>	104,106,005	14.21 + 13.66	253,701	—	—	—	—	—	—	—	104,106,005	14.21 + 13.66	253,701	187,500
Telecom Italia, <i>ordinary</i>	206,464,069	1.54 + 1.06	550,268	102,558,480	238,828	—	—	—	(203)	(71,890)	206,464,069	1.54 + 1.06	478,378	478,378
			2,119,672	239,946	241,198	—	—	86,362	658	(8,361)	2,197,079	—	6,724,053	4,526,974
SHARES LISTED OUTSIDE ITALY														
Ciments Français, Paris	2,524,215	6.58	62,578	—	151,312	2,524,215	—	—	88,734	—	—	—	—	—
Commerzbank, Frankfurt	3,487,500	0.58	59,252	—	—	—	—	—	—	40,272	3,487,500	0.53	99,524	102,915
Koenig & Bauer Albert, Würzburg, <i>ordinary</i>	760,000	4.69	12,312	—	—	—	—	—	—	—	760,000	4.69	12,312	20,018
			134,142	—	151,312	—	—	—	88,734	40,272	111,836	—	122,933	11,097

TABLE C

INVESTMENTS IN GROUP UNDERTAKINGS
(figures in Euros unless otherwise stated)

	Share capital	Par value per share	No. of shares held	Equity interest %	Par value € '000 Other currency '000	Book value € '000
* COMPASS S.p.A., Milan	87,500,000	5	17,500,000	100	87,500	77,985
* COMPAGNE MONEGASQUE DE BANQUE - CMB S.A. Monte Carlo	111,100,000	200	555,535	100	111,107	371,508
* MEDIUMBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10,000,000	10	990,000	99	9,900	5,943
* PROMINVESTMENT S.p.A., Rome	743,000	0.52	1,000,000	70	520	819
* PRUDENTIA FIDUCIARIA S.p.A., Milan	100,000	5	20,000	100	100	103
RICERCHE E STUDI S.p.A., Milan	100,000	5	20,000	100	100	103
SADE FINANZIARIA - INTERSOMER S.r.l., Milan	25,000		1	100	25	25
* SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan	500,000	5	100,000	100	500	522
* SPAFID S.p.A., Milan	100,000	10	10,000	100	100	26
* TECHNOSTART S.p.A., Milan	60,000	0.50	828,000	69	414	396
						<u>457,430</u>

* Member of the Mediobanca Banking Group.

TABLE C (cont.)

	Parent company	Share capital	Par value per share	No. of shares held	Equity interest %	Par value € '000
INDIRECT INVESTMENTS HELD THROUGH SUBSIDIARIES						
* COFACTOR S.p.A., Milan	Compass S.p.A.	7,500,000	0.50	15,000,000	100	7,500
CREDITTECH S.p.A., Milan	Compass S.p.A.	250,000	1	250,000	100	250
* MEDIUMBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	Compass S.p.A.	10,000,000	10	10,000	1	100
* MICOS BANCA S.p.A., Milan	Compass S.p.A.	70,000,000	0.50	140,000,000	100	70,000
* PALLADIO LEASING S.p.A., Vicenza	SelmaBipiemme Leasing S.p.A.	8,700,000	0.50	16,482,500	95.1	8,241
* SELMABPIEMME LEASING S.p.A., Milan	Compass S.p.A.	40,200,000	0.50	49,564,777	61.65	24,782
* TELELEASING S.p.A., Milan	SelmaBipiemme Leasing S.p.A.	9,500,000	1	7,600,000	80	7,600
* C.M.I. Compagnie Montégasque Immobilière SCI - Monte Carlo	Compagnie Montégasque de Banque S.A.	2,400,000	1,525	1,599	99.94	2,438
* C.M.G. Compagnie Montégasque de Gestion S.A.M. - Monte Carlo	Compagnie Montégasque de Banque S.A.	160,000	160	997	99.7	160
* SMEF Soc. Montégasque des Etudes Financières S.A.M. - Monte Carlo	Compagnie Montégasque de Banque S.A.	775,000	155	4,995	99.90	774
INDIRECT INVESTMENTS HELD THROUGH SUBSIDIARIES						
* MONOECI Soc. Civile Immobilière - Monte Carlo	Compagnie Montégasque de Banque S.A.	1,600	5.5	99	99.00	2
MONOIKOS 2000 Soc. Civile Immobilière - Monte Carlo	C.M.I. Compagnie Montégasque Immobilière SCI	2,000	1	1,999	99.95	2
MOULINS 700 S.A.M. - Monte Carlo	C.M.I. Compagnie Montégasque Immobilière SCI	160,000	160	999	99.90	160

* Member of the Mediobanca Banking Group.

† The remaining shares are held by the company itself.

TABLE D

GROUP BANKING AND FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	COMPASS (€'000)	MICOS BANCA (€'000)	COFACTOR (€'000)	SELMARPIEMME LEASING (€'000)	PALLADIO LEASING (€'000)	TELELEASING (€'000)	MEDIOBANCA INTERNATIONAL (€'000)	TECHNOSTART (€'000)	PROMINVESTMENT (€'000)	SADE FINANZIARIA - INTERSOMER (€'000)	COMPAGNIE MONECASQUE DE BANQUE (€'000)	COMPAGNIE MONECASQUE DE GESTION (€'000)
ASSETS												
10. Cash in hand	14,209	3,218	19	16	6	1	5,279	—	1	—	28,778	11,295
20. Amounts due from banks	31,247	64	—	5,127	51	726	970,422	14	525	24	277,238	—
30. Amounts due from financial companies	69,763	—	—	6,551	—	150,286	—	2	—	—	—	—
40. Trade accounts receivable	2,918,206	1,669,990	63,705	37,396	14,735	37,160	432,214	—	7,863	—	536,896	—
50. Debt securities and other fixed-income securities	13,300	—	912	8,410	—	—	5,449	566	—	—	901,300	109
60. Equities, participating interests and other floating-rate securities	—	—	—	—	—	—	—	—	—	—	151,856	—
70. Equity investments	259,749	—	—	2,035	—	—	—	14	—	—	18,758	8
80. Investments in Group undertakings	125,135	—	—	51,040	—	—	—	—	—	—	58,027	—
90. Intangible fixed assets	—	—	—	—	—	—	32	—	3	—	645	5
100. Tangible fixed assets	8,699	1,089	108	2,087,219	1,234,635	419,355	65	—	16	—	4,115	10
120. Own shares and stock units	—	—	—	—	970	—	—	—	—	—	—	—
130. Other assets	56,450	5,149	306	67,618	67,565	15,336	2,847	—	216	—	5,207	2,725
140. Accrued income and prepaid expenses	11,466	9,618	22	20,690	1,879	4,381	55,911	9	—	—	4,571	8
	3,508,224	1,689,128	65,072	2,286,102	1,319,841	627,245	1,472,219	605	8,624	24	1,987,391	14,160
LIABILITIES												
10. Amounts due to banks	3,110,543	1,568,117	31	1,562,751	1,117,548	530,641	—	—	—	—	370,295	—
20. Amounts due to financial companies	677	—	49,763	499,845	27,086	24	432,421	1	—	—	—	—
30. Trade accounts payable	—	5,000	—	28,258	2,964	336	—	—	—	—	1,331,311	—
40. Debt securities in issue	—	—	—	—	—	—	947,288	—	—	—	525	—
50. Other liabilities	30,467	10,136	1,014	36,684	50,289	13,806	169	31	5,935	—	18,975	1,700
60. Accrued expenses and deferred income	15,675	5,598	—	32,123	27,365	17,980	13,936	—	598	—	12,219	—
70. Provision for staff termination indemnities	10,426	1,535	1,065	2,778	1,322	256	—	—	110	—	—	—
80. Provisions for liabilities and charges	62,140	4,926	1,774	27,779	20,236	18,964	970	—	553	—	746	1,000
90. Loan loss provisions	—	—	—	—	—	—	—	—	—	—	—	—
100. Provision for general financial risks	4,648	10,212	—	10,329	11,500	—	—	—	—	—	—	—
110. Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—	—
120. Share capital	87,500	70,000	7,500	40,200	8,675	9,500	10,000	600	743	25	111,110	160
130. Share premium reserve	—	—	—	6,254	—	—	—	—	462	—	4,573	—
140. Reserves	118,769	6,822	429	27,729	43,270	30,416	63,100	17	470	—	104,102	16
150. Revaluation reserves	2,677	—	—	—	816	2,435	—	—	—	—	—	—
160. Retained earnings (accumulated loss)	40	—	3,458	—	77	—	1,896	—	—	—	1	147
170. Profit (loss) for the year	64,662	6,782	38	11,372	8,693	2,887	2,439	(44)	(247)	(1)	33,534	11,137
	3,508,224	1,689,128	65,072	2,286,102	1,319,841	627,245	1,472,219	605	8,624	24	1,987,391	14,160
GUARANTEES AND COMMITMENTS												
10. Guarantees given	152,722	—	—	—	—	—	—	—	2,727	—	117,313	—
20. Commitments	638,563	151,204	—	60,930	190,010	—	2,011,433	—	—	—	29,741	—
30. Credit derivatives	—	—	—	—	—	—	—	—	—	—	—	—
	791,285	151,204	—	60,930	190,010	—	2,011,433	—	2,727	—	147,054	—
SHAREHOLDERS' EQUITY												
(LIABILITY HEADINGS 100, 110, 120, 130, 140, 150, 160 and 170)	278,296	93,816	11,425	95,884	73,031	45,238	77,435	573	1,428	24	253,320	11,460

¹ Figures relate to period from 21 December 2005 (date when registered office transferred to Luxembourg) to 30 June 2006.

TABLE D (cont.)

GROUP BANKING AND FINANCIAL UNDERTAKINGS:
PROFIT AND LOSS ACCOUNTS

	MICOS BANCA	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION
	(€'000)	(€'000)	(€'000)
10. Interest receivable and similar income	71,274	41,052	—
20. Interest payable and similar expenses	(39,970)	(28,985)	—
30. Dividends and other income	—	10,006	—
40. Commissions receivable	6,695	32,552	13,641
50. Commissions payable	(4,732)	(3,984)	—
60. Gains (losses) on dealing transactions	—	19,919	—
70. Other operating income	4,091	21	5
80. Administrative expenses	(19,076)	(33,785)	(2,935)
90. Adjustments to intangible and tangible fixed assets	(251)	(1,099)	—
100. Provisions for liabilities and charges	(1,002)	—	—
110. Other operating expenses	(1,342)	—	(1)
120. Value adjustments on receivables and provisions for guarantees and commitments ..	(5,148)	(332)	—
130. Writebacks of receivables and provisions for guarantees and commitments	670	—	—
140. Transfers to loan loss provisions	—	—	—
170. Profit (loss) on ordinary activities	<u>11,209</u>	<u>35,365</u>	<u>10,710</u>
180. Extraordinary income	76	1,347	664
190. Extraordinary expenditure	(103)	(3,178)	(237)
200. Extraordinary profit (loss)	(27)	(1,831)	427
210. Changes to provision for general banking risks	—	—	—
220. Income taxes for the year	(4,400)	—	—
230. Profit (loss) for the year	<u><u>6,782</u></u>	<u><u>33,534</u></u>	<u><u>11,137</u></u>

TABLE D (cont.)

GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	COMPASS (€'000)	COFACTOR (€'000)	SELMARPEMME LEASING (€'000)	PALLADIO LEASING (€'000)	TELELEASING (€'000)	MEDIOBANCA INTERNATIONAL ¹ (€'000)	TECHNOSTART (€'000)	PROMINVESTMENT (€'000)	SADE FINANZIARIA - INTERSOMER (€'000)
EXPENSES									
10. Interest payable and similar expenses	(70,937)	(1,113)	(43,910)	(29,614)	(15,254)	(58,428)	—	—	—
20. Commissions payable	(58,192)	(23)	(10,147)	(1,838)	(2,801)	(1,905)	(2)	(942)	—
30. Loss on dealing transactions	—	(56)	—	—	—	(3,095)	(8)	—	—
40. Administrative expenses	(75,292)	(4,938)	(16,683)	(7,801)	(4,931)	(1,139)	(50)	(1,119)	(1)
50. Adjustments to intangible and tangi- ble fixed assets	(2,141)	(27)	(601,783)	(287,673)	(181,102)	(24)	—	(56)	—
60. Other operating expenses	(33,317)	—	(34,422)	(1,707)	(40,934)	—	—	—	—
70. Transfers to provisions for liabilities and charges	(4,000)	(118)	(11,093)	(3,303)	(15)	—	—	(15)	—
80. Transfers to loan loss provisions	—	—	—	—	—	—	—	—	—
90. Adjustments to accounts receivable and provisions for guarantees and commitments	(95,776)	(14,026)	(1,166)	(447)	(45)	(1,000)	—	—	—
100. Adjustments to financial fixed assets	—	—	—	—	—	—	—	—	—
110. Extraordinary expenses	(37)	(22)	(7)	(6)	(3)	—	—	(67)	—
120. Increase in provision for general financial risks	—	—	—	—	—	—	—	—	—
130. Income tax for the year	(32,164)	(839)	(4,451)	(5,725)	(2,039)	(636)	—	(27)	—
140. Profit for the year	64,662	38	11,372	8,693	2,887	2,440	—	—	—
INCOME									
10. Interest receivable and similar income	365,407	1,144	2,065	259	4,491	63,739	16	12	—
20. Dividends and other income	8,732	—	5,321	—	—	—	—	—	—
30. Commissions receivable	13,958	—	—	—	—	4,927	—	1,922	—
40. Gain on dealing transactions	—	—	9	—	—	—	—	—	—
50. Writebacks on accounts receivable and provisions for guarantees and commit- ments	882	1,142	1,290	1,398	87	—	—	—	—
60. Writebacks on financial fixed assets	38	292	—	—	—	—	—	—	—
70. Other operating income	46,543	18,325	725,938	345,079	245,240	1	—	—	—
80. Extraordinary income	958	297	411	71	193	—	—	45	—
100. Loss for the year	—	—	—	—	—	—	(44)	(247)	(1)

¹ Figures relate to period from 21 December 2005 (date when registered office transferred to Luxembourg) to 30 June 2006.

TABLE D (cont.)

OTHER GROUP UNDERTAKINGS: BALANCE SHEETS

	PRUDENTIA FIDUCIARIA	RICERCH E STUDI ¹	SETECI	SPAFID	CREDITECH	COMPAGNE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MONOKOS 2000	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
ASSETS										
B) Fixed assets:										
I) Intangible assets	—	7	189	105	—	91	—	—	—	—
II) Tangible assets	—	16	2,003	61	94	17,424	9	760	—	—
III) Financial fixed assets	16	—	20	22,182	—	162	—	—	—	—
	16	23	2,212	22,348	94	17,677	9	760	—	—
C) Current assets:										
I) Inventories	—	188	—	—	—	—	—	—	—	33,459
II) Accounts receivable	266	712	1,236	3,511	2,541	15	470	—	210	2,367
III) Financial assets other than fixed assets	1,004	—	—	8,854	—	—	—	—	—	17
IV) Cash	334	165	50	3,805	2,124	643	1,455	170	531	96
	1,604	1,065	1,285	16,170	4,665	658	1,934	170	741	35,939
D) Accrued income and prepaid expenses	8	30	694	41	9	5	138	—	—	—
	1,628	1,118	4,192	38,559	4,768	18,340	2,072	930	741	35,939
LIABILITIES										
A) Shareholders' equity:										
I) Share capital	100	100	500	100	250	2,440	775	2	2	160
II) Revaluation reserves	—	—	—	—	—	—	—	—	—	—
III) Legal reserve	24	3	17	778	50	—	—	—	—	—
IV) Statutory reserve	—	—	—	—	—	—	—	—	—	16
V) Other reserves	443	—	15	32,700	—	—	13	—	—	—
VIII) Retained earnings (accumulated loss)	1	—	—	—	1,507	(2,108)	121	(106)	(615)	(126)
IX) Profit (loss) for the year	115	—	2	837	731	184	43	39	1,352	(7)
	683	103	534	34,415	2,538	516	952	(65)	739	43
B) Provisions for liabilities and charges	—	—	—	425	21	—	—	—	—	—
C) Provision for staff termination indemnities	495	585	453	628	281	—	—	—	—	—
D) Accounts payable:										
3) Amounts due to banks	—	—	—	—	—	17,791	—	991	—	—
4) Amounts due to other lenders	—	—	—	—	—	—	670	—	—	35,892
5) Advances from customers	—	—	—	—	—	—	—	—	—	—
6) Trade accounts payable	39	63	1,041	95	992	18	—	—	—	—
8) Amounts due to subsidiaries	—	—	—	58	—	—	—	—	—	—
9) Amounts due to associated companies	—	—	—	—	—	—	—	—	—	—
10) Amounts due to parent companies	—	14	626	—	—	—	—	—	—	—
11) Taxes payable	57	125	166	1,326	668	—	13	—	—	—
12) Amounts due to social security institutions	102	128	142	183	81	—	—	—	—	—
13) Other accounts payable	252	90	309	1,429	61	15	437	4	2	4
	450	420	2,284	3,091	1,802	17,824	1,120	995	2	35,896
E) Accrued expenses and deferred income	—	10	921	—	126	—	—	—	—	—
	1,628	1,118	4,192	38,559	4,768	18,340	2,072	930	741	35,939
MEMORANDUM ACCOUNTS										
Assets held by third parties	—	—	—	—	—	—	—	—	—	—
Commitments	—	—	—	—	19	—	—	—	—	—
Value items pledged as collateral or held for safekeeping	10,787	—	500	210,255	—	—	—	—	—	—
Depositors for value items	70,908	—	—	1,232,963	—	—	—	—	—	—
Other accounts	—	—	—	27,135	—	—	—	—	—	—
	81,695	—	500	1,470,353	19	—	—	—	—	—
Securities and value items held on trustee basis	59,120	—	—	1,018,498	—	—	—	—	—	—

1 12 months ended 30/4/06.

TABLE D (cont.)

OTHER GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	PRUDENTIA FIDUCIARIA	RICERCHE E STUDI ¹	SETECI	SPAFID	CREDITECH	COMPAGNE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MONOIKOS 2000	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
A) Value of production	2,243	1,743	10,833	4,346	6,588	1,370	1,793	102	—	—
B) Costs of production:										
6) Raw materials, secondary materials consum- ables, semi-finished and finished goods	(1)	(29)	(100)	(46)	(31)	—	—	—	—	—
7) Services	(327)	(238)	(3,755)	(1,009)	(2,782)	(435)	(373)	—	—	—
8) Use of third parties' assets	—	(135)	(1,318)	(571)	(194)	—	—	—	—	—
9) Personnel	(1,639)	(1,231)	(2,719)	(2,374)	(2,204)	—	(226)	—	—	—
10) Depreciation, amortization and writedowns	—	(15)	(1,560)	(168)	(66)	(741)	(2)	(25)	(40)	—
12) Provision for liabilities	—	—	—	—	—	—	(12)	—	—	—
13) Other provisions	—	—	—	—	—	—	—	—	—	—
14) Sundry operating expenses	(11)	(14)	(1,064)	(286)	(42)	—	(1,635)	(7)	(11)	(7)
	(1,978)	(1,662)	(10,516)	(4,454)	(5,319)	(1,176)	(2,248)	(32)	(51)	(7)
Value of production less costs of production ...	265	81	317	(108)	1,269	194	(455)	70	(51)	(7)
C) Interest income (charges)	34	4	(26)	807	27	(557)	(7)	(31)	(65)	—
D) Value adjustments to financial fixed assets	(3)	—	—	442	—	—	—	—	—	—
E) Extraordinary income (expenses)	(5)	(2)	(86)	(4)	—	547	527	—	1,468	—
Profit (loss) before tax	291	83	205	1,137	1,296	184	65	39	1,352	(7)
Income taxes for the year	(176)	(83)	(203)	(300)	(565)	—	(22)	—	—	—
Profit (loss) for the year	115	—	2	837	731	184	43	39	1,352	(7)

1 12 months ended 30/4/06.

TABLE E

OPEN POSITIONS IN DERIVATIVES
AS AT 30 JUNE 2006

A. NOTIONAL PRINCIPAL AMOUNTS BY UNDERLYING EXPOSURE

	Interest rate contracts €'000	Foreign exchange contracts €'000	Index-linked contracts €'000	Total €'000
Over-the-counter (OTC) traded contracts				
<i>Forwards</i>	—	201,368	—	201,368
<i>Swaps</i>	39,984,378	1,067,218	1,353,640	42,405,236
<i>Options purchased</i>	70,500	178,562	10,000,597	10,249,659
<i>Options written</i>	90,500	176,112	10,093,076	10,359,688
Exchange traded contracts				
<i>Futures (long positions)</i>	5,844,009	—	36,679	5,880,688
<i>Futures (short positions)</i>	687,923	—	35,846	723,769
<i>Options purchased</i>	8,611,862	—	74	8,611,936
<i>Options written</i>	—	—	3,304	3,304
Total derivatives	55,289,172	1,623,260	21,523,216	78,435,648
<i>of which:</i>				
– <i>trading</i>	38,546,236	891,351	5,660,380	45,097,967

N.B. - Notional principal amounts are amounts corresponding to the assets and liabilities underlying contracts held for trading and hedging purposes. These amounts are given solely for reference purposes, since the Bank's effective exposure is limited to the net margins on individual transactions.

B. INFORMATION ON CREDIT QUALITY OF OTC CONTRACTS

Counterparty type	Gross positive market value ¹ €'000	Current credit exposure ² €'000	Potential credit exposure ³ €'000	Credit equivalent amount ⁴ €'000
Banks	573,095	185,029	654,654	245,550
Other intermediaries	264,974	168,766	186,298	225,636
Total	838,069	353,795	840,952	471,186
<i>of which:</i>				
– <i>interest rate contracts</i>	413,350	228,362	387,495	270,385
– <i>exchange rate contracts</i>			5,372	1,383
– <i>equity and equity index-linked contracts</i>	424,719	125,433	448,085	199,418

¹ Represents the cost of replacing the contract in the event of a counterparty default.

² Gross positive market value less reduction in credit exposure under netting arrangements.

³ Approximate valuation of the "add-on" risk inherent in market volatility.

⁴ Current credit exposure plus potential credit exposure, risk-weighted by counterparty category under Bank of Italy regulations.

TABLE F

ASSET REVALUATION STATEMENT AS REQUIRED BY
ARTICLE 10 OF LAW No. 72 OF 19 MARCH 1983

Revaluations effected under Law 576/75:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	2,609,651.24	—	2,609,651.24
Property in Piazza Paolo Ferrari 6, Milan	815,743.67	—	815,743.67
			<u>3,425,394.91</u>

Revaluations effected under Law 72/83:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
6,375,000 shares in <i>Assicurazioni Generali S.p.A.</i> , Trieste	21,174,732.86	—	21,174,732.86
2,574,500 shares in <i>Fondiarìa-SAI S.p.A.</i> (formerly <i>La Fondiarìa Assicurazioni</i>), Florence	1,766,071.64	—	1,766,071.64
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	11,620,280.23	—	11,620,280.23
Property in Piazza Paolo Ferrari 6, Milan	4,389,883.64	—	4,389,883.64
			<u>38,950,968.37</u>

Revaluation effected under Law 413/91:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	4,174,707.04	—	<u>4,174,707.04</u>

ASSOCIATED INSURANCE UNDERTAKINGS

TABLE C

BALANCE SHEETS

	ASSICURAZIONI GENERALI 31/12/05 (€'000)	ASSICURAZIONI GENERALI 31/12/05 (€'000)
ASSETS		
B) Total intangible assets	32,070	
C) Investments		
I) Land and buildings (total)	1,316,370	1,276,017
II) Investments in Group and other undertakings (total)	15,897,194	7,452,780
III) Other financial investments		916,814
1) Shares and stock units	759,845	9,645,611
2) Mutual fund units	325,018	750,000
3) Bonds and other fixed-income securities	2,828,077	
4) Loans	42,601	
6) Deposits with banks	41,684	
7) Other financial investments	2,094	
Total other financial investments	3,999,319	
IV) Deposits with reinsurers	11,667,029	20,309,993
Total investments (C)	32,879,912	170,954
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	172,173	68,792
Db) Reinsurers' share of technical reserves		83,401
I) General business (total)	1,106,419	
II) Life business (total)	165,943	
Total reinsurers' share of technical reserves (Db)	1,272,362	
E) Accounts receivable		99,194
I) Amounts due in respect of primary insurances (total)	965,126	207,732
II) Amount due in respect of reinsurances (total)	446,774	2,500,000
III) Other accounts receivable	460,842	55,076
Total accounts receivable (E)	1,872,742	2,027,865
F) Other assets		22,584
I) Tangible assets and inventories (total)	2,030	425,012
II) Cash (total)	441,726	639,907
III) Own shares or stock units	9,999	
IV) Other assets (total)	544,080	5,977,370
Total other assets (F)	997,835	285,443
G) Accruals and prepayments (total)	64,470	37,291,564
TOTAL ASSETS (B+C+D+Db+E+F+G)	37,291,564	11,479,778
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
I) Share capital or equivalent fund		1,276,017
II-VII) Reserves (total)		7,452,780
IX) Profit (loss) for year		916,814
Total shareholders' equity (A)		9,645,611
B) Subordinated liabilities		750,000
C) Technical reserves		
I) General business (total)		7,687,096
II) Life business (total)		12,622,897
Total technical reserves (C)		20,309,993
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)		170,954
E) Provision for risks and charges (total)		68,792
F) Deposits received from reinsurers		83,401
G) Accounts payable and other liabilities		
I) Amounts payable in respect of primary insurances		99,194
II) Amounts payable in respect of reinsurances		207,732
III) Bond issues		2,500,000
IV) Amounts payable to banks and financial institutions		55,076
V) Secured debt		—
VI) Loans and other debt		2,027,865
VII) Staff termination indemnity provision		22,584
VIII) Other accounts payable		425,012
IX) Other liabilities		639,907
Total accounts payable and other liabilities (G)		5,977,370
H) Accruals and deferrals (total)		285,443
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)		37,291,564
GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)		11,479,778

TABLE G (cont.)

STATEMENT OF EARNINGS (NON-TECHNICAL ACCOUNTS)

	ASSICURAZIONI GENERALI 31/12/05
	(€ '000)
1) Underwriting profit (loss) from general business	284,418
2) Underwriting profit (loss) from life business	231,763
3) Investment income in general business	
a) Dividends	399,715
b) Other investment income (total)	135,649
c) Writebacks in book value of investments	92,939
d) Gain on disposal of investments	136,414
Total investment income in general business	764,717
4) Portion of investment income transferred from technical accounts of life business	365,869
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid	(43,456)
b) Writedowns to investments	(82,661)
c) Loss on disposal of investments	(50,880)
Total operating and financial expenses in general business	(176,997)
6) Portion of investment income transferred from technical accounts of general business	(372,985)
7) Other income	223,218
8) Other expenditure	(561,536)
9) Profit (loss) on ordinary operations	758,467
10) Extraordinary income	183,886
11) Extraordinary expenditure	(66,033)
12) Net extraordinary income (expenditure) (10-11)	117,853
13) Earnings before tax	876,320
14) Taxation for the year	40,494
15) Profit (loss) for the year (13-14)	916,814

TABLE G (cont.)

ASSOCIATED FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	FIDIA S.p.A. 31/12/05	MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY A N.V. 31/12/05	BANCA ESPERIA S.p.A. 31/12/05	ATHENA PRIVATE EQUITY S.A. 30/9/05
	(€ '000)	(€ '000)	(€ '000)	(€ '000)
ASSETS				
10. Cash in hand	1	16	58	28,347
20. Amounts due from banks	4,169	—	75,392	—
30. Amounts due from financial companies	—	—	—	—
40. Trade accounts receivable	—	—	204,021	—
50. Debt securities and other fixed-income securities	—	—	6,257	8,125
60. Equities, participating interests and other floating rate securities	8,568	—	33,314	—
70. Equity investments	—	16,598	201	113,662
80. Investments in Group undertakings	—	—	19,126	—
90. Intangible fixed assets	—	—	888	—
100. Tangible fixed assets	62	—	892	—
110. Unpaid call on capital	—	—	—	—
130. Other assets	114	—	28,197	164
140. Accrued income and prepaid expenses	50	—	39	—
	<u>12,964</u>	<u>16,614</u>	<u>368,385</u>	<u>150,298</u>
LIABILITIES				
10. Amounts due to banks	381	—	20,139	—
20. Amounts due to financial companies	17	—	—	—
30. Trade accounts payable	175	—	265,152	—
50. Other liabilities	609	—	13,746	2,979
60. Accrued expenses and deferred income	—	—	7	—
70. Provision for staff termination indemnities	253	—	1,476	—
80. Provisions for liabilities and charges	72	—	7,754	—
90. Loan loss provisions	—	—	—	—
120. Share capital	15,600	50	13,000	50,000
130. Share premium reserve	—	16,579	38,646	—
140. Reserves	—	—	464	86,511
160. Retained earnings (accumulated loss)	(497)	(14)	(5,378)	(2,965)
170. Profit (loss) for the year	(3,646)	(1)	13,379	13,773
	<u>12,964</u>	<u>16,614</u>	<u>368,385</u>	<u>150,298</u>
GUARANTEES AND COMMITMENTS				
10. Guarantees given	—	—	40,100	—
20. Commitments	—	—	6,550	—
	<u>—</u>	<u>—</u>	<u>46,650</u>	<u>—</u>

TABLE G (cont.)

**ASSOCIATED FINANCIAL UNDERTAKINGS:
PROFIT AND LOSS ACCOUNTS**

	FIDIA S.p.A. 31/12/05	MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY A N.V. 31/12/05	BANCA ESPERIA S.p.A. 31/12/05	ATHENA PRIVATE EQUITY S.A. 30/9/05
	(€ '000)	(€ '000)	(€ '000)	(€ '000)
EXPENSES				
10. Interest payable and similar expenses	—	—	8,908	47
20. Commissions payable	431	—	2,847	—
30. Loss on dealing transactions	—	—	—	—
40. Administrative expenses	2,758	1	26,391	202
50. Adjustments to intangible and tangible fixed assets	25	—	1,204	—
60. Other operating expenses	18	—	370	4,432
70. Transfer to provisions for liabilities and charges ..	—	—	—	—
80. Transfer to loan loss provisions	—	—	—	—
90. Adjustments to accounts receivable and provisions for guarantees and commitments	—	—	274	—
100. Adjustments to financial fixed assets	3,038	—	—	4,047
110. Extraordinary expenses	48	—	43	—
130. Income tax for the year	72	—	7,232	—
140. Profit for the year	—	—	13,379	13,773
	<u>6,390</u>	<u>1</u>	<u>60,648</u>	<u>22,501</u>
INCOME				
10. Interest receivable and similar income	49	—	10,189	787
20. Dividends and other income	—	—	17	21,714
30. Commissions receivable	2,681	—	42,761	—
40. Gain on dealing transactions	—	—	4,345	—
70. Other operating income	—	—	2,924	—
80. Extraordinary income	14	—	412	—
100. Loss for the year	3,646	1	—	—
	<u>6,390</u>	<u>1</u>	<u>60,648</u>	<u>22,501</u>

TABLE G (cont.)

OTHER ASSOCIATED UNDERTAKINGS: BALANCE SHEETS

	RCS MEDIA GROUP S.p.A. 31/12/05	CARTIERE BURGO S.p.A. 31/12/05	GEMINA S.p.A. 31/12/05
	(€ '000)	(€ '000)	(€ '000)
ASSETS			
B) Fixed assets:			
I) Intangible assets	647	8,843	6
II) Tangible assets	88,959	858,993	103
III) Financial fixed assets	807,042	500,113	807,547
Total (B)	896,648	1,367,949	807,656
C) Current assets:			
I) Inventories	—	207,287	—
II) Accounts receivable:			
1) Trade receivables	643	334,599	4,012
2) Amounts due from subsidiaries	54,870	155,776	2,710
3) Amounts due from associated companies	418	8,250	257
4bis) Tax receivable	79,794	6,194	4,599
4ter) Advance tax receivable	5,967	12,152	—
5) Other accounts	297	5,940	1,390
	141,989	522,911	12,968
III) Financial assets other than fixed assets	287,610	146,729	12,120
IV) Cash	89,175	46,998	9,163
Total (C)	518,774	923,925	34,251
D) Accrued income and prepaid expenses	2,415	3,488	2,086
TOTAL ASSETS (B+C+D)	1,417,837	2,295,362	843,993
LIABILITIES			
A) Shareholders' equity:			
I) Share capital	762,019	205,443	368,240
II-VII) Reserves	285,338	113,711	143,059
VIII) Retained earnings (accumulated loss)	28,154	133,393	32,325
IX) Profit (loss) for the year	123,900	74,145	2,523
Total (A)	1,199,411	526,692	546,147
B) Provisions for liabilities and charges	17,370	43,927	1,445
C) Provision for staff termination indemnities	2,280	80,730	376
D) Accounts payable:			
1) Bonds	—	—	—
3) Amounts due to shareholders by way of loans	—	897,719	—
4) Amounts due to banks	51,057	221,988	289,914
5) Amounts due to other lenders	—	897,719	—
6) Advances and deposits	—	—	—
7) Trade accounts payable	6,527	339,203	1,775
9) Amounts due to subsidiaries	94,007	105,024	80
10) Amounts due to associated companies	26,987	15,373	2,297
12) Taxes payable	10,540	9,371	835
13) Amounts due to social security institutions	516	8,586	118
14) Other debt	8,631	26,976	497
Total (D)	198,265	1,624,240	295,516
E) Current, deferred and advance tax for the year	511	19,773	509
TOTAL LIABILITIES (A+B+C+D+E)	1,417,837	2,295,362	843,993
MEMORANDUM ACCOUNTS			
Personal guarantees given	294,461	42,163	124,432
Collateral given	—	—	—
Commitments, contingencies and other memorandum accounts ..	558,295	179,134	120,109
	852,756	221,297	244,541

TABLE G (cont.)

OTHER ASSOCIATED UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	RCS MEDIA GROUP S.p.A. 31/12/05	CARTIERE BURGO S.p.A. 31/12/05	GEMINA S.p.A. 31/12/05
	(€ '000)	(€ '000)	(€ '000)
A) Value of production:			
1) Revenue from sales and services	9,655	1,655,295	274
2) Increase (decrease) in work-in-progress, semi-finished and finished products	—	20,613	—
4) Internal additions to fixed assets	—	115	—
5) Other income	15,244	61,452	313
Total (A)	24,899	1,737,475	587
B) Costs of production:			
6) Raw materials, secondary materials, consumables, semi-finished and finished goods	(419)	(945,380)	—
7) Services	(13,180)	(462,878)	(5,275)
8) Assets leased or rented	(7,918)	(1,509)	(395)
9) Personnel	(17,714)	(158,203)	(2,096)
10) Depreciation, amortization and writedowns	(2,282)	(79,812)	(479)
11) Increase (decrease) in raw materials, secondary materials, consumables, semi-finished and finished goods	—	13,201	—
12) Provisions for liabilities	(102)	(1,850)	—
13) Other provisions	—	(1,198)	—
14) Sundry operating expenses	(1,808)	(7,900)	(1,046)
Total (B)	(43,423)	(1,645,529)	(9,291)
Value of production less cost of production	(18,524)	91,946	(8,704)
C) Interest income (charges):			
15) Dividends from investments	47,605	64,153	7,186
16) Other interest income	12,781	2,900	7,202
17) Interest and other financial charges	(3,872)	(54,374)	(4,059)
17bis) Gain (loss) on exchange rates	(41)	82	—
Total (C)	56,473	12,761	10,329
D) Value adjustments to financial fixed assets:			
18) Revaluations	23,823	36	406
19) Writedowns	(6,390)	—	(2,825)
Total (D)	17,433	36	(2,419)
E) Extraordinary income (expenses):			
20) Extraordinary income	45,547	—	1,936
21) Extraordinary expenses	(570)	(6,804)	—
Total (E)	44,977	(6,804)	1,936
Profit (loss) before tax (A-B+C+D+E)	100,359	97,939	1,142
22) Income taxes for the year	23,541	(23,794)	1,381
26) Profit (loss) for the year	123,900	74,145	2,523

TABLE H

**BENEFICIAL INTERESTS OF DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES IN THE SHARE CAPITAL OF THE BANK**

Disclosure required under Article 79 of CONSOB resolution 11971/99

Name	Company in which interest held	No. of shares held at end of previous financial year	No. of shares acquired during year	No. of shares sold during year	No. of shares held at end of financial year
Gilberto BENETTON	MEDIOBANCA	—	127,500	—	127,500
Antoine BERNHEIM	MEDIOBANCA	60,000	—	—	60,000
Vincent BOLLORE ¹	MEDIOBANCA	38,925,230	—	—	38,925,230
Ennio DORIS	MEDIOBANCA	—	1,722,273 ¹	—	1,722,273
Cesare GERONZI	MEDIOBANCA	—	523 ²	523 ²	—
Jonella LIGRESTI	MEDIOBANCA	—	67 ²	67 ²	—
Antonio IZZI	MEDIOBANCA	1,000	1,000	—	2,000
Alberto NAGEL	MEDIOBANCA	216,000	2,550,000 ³	—	2,766,000
MANAGEMENT with strategic responsibilities ⁴	MEDIOBANCA	351,000	8,581,500 ³	3,010,000	5,922,500

N.B. Holdings of Directors and Statutory Auditors who were appointed or who resigned during the course of the financial year are stated as at the date on which the person concerned took up or relinquished his position.

¹ Following spinoff of Consortre into Consortium.

² Transactions carried out on the initiative of management companies under the terms of management mandates.

³ Includes shares subscribed for upon exercise of stock options and/or those acquired following partial reinvestment of gain realized.

⁴ Aggregate data.

TABLE I

**SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF
DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99**

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS S.p.A., Milan	87,500	5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., MONTE CARLO	111,100	200	555,535	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10,000	10	990,000	99.00	10,000	1.00	Compass
PROMINVESTMENT S.p.A., Rome	743	0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	100	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan	25		1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan	100	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan	600	0.50	828,000	69.00	—	—	—
INDIRECTLY CONTROLLED SUBSIDIARIES							
COFACTOR S.p.A., Milan	7,500	0.50	—	—	15,000,000	100.00	Compass
CREDITECH S.p.A., Milan	250	1	—	—	250,000	100.00	Compass
MICOS BANCA S.p.A., Milan	35,000	0.50	—	—	140,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8,700	0.50	—	—	16,482,500	95.00	SelmaBipiemme
SELMABIPIEMME LEASING S.p.A., Milan	40,200	0.50	—	—	867,500	5.00	Palladio Leasing
					49,564,777	61.65	Compass

* Shares owned.

TABLE I (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
TELELEASING S.p.A., Milan	9,500	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2,400	1,525	—	—	1,599	99.94	CMB S.A.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	160	160	—	—	997	99.70	CMB S.A.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	775	155	—	—	4,995	99.90	CMB S.A.
MONOECI Soc. Civile Immobilière, Monte Carlo	1,6	15.5	—	—	99	99.00	CMB S.A.
MONOIKOS 2000 Soc. Civile Immobilière, Monte Carlo	2	1	—	—	1,999	99.95	C.M.I. SCI
MOULINS 700 S.A.M., Monte Carlo	160	160	—	—	999	99.90	C.M.I. SCI

* Shares owned.

TABLE I (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	51,200	2	6,114,460	23.88	—	—	—
BANCA ESPERIA S.p.A., Milan	13,000	0.52	12,125,000	48.50	—	—	—
CARTIERE BURGO S.p.A., Verzuolo	205,400	0.52	87,442,365	22.13	—	—	—
FERRARI S.p.A., Modena	20,000	2.50	855,294	10.69	80,000	1.00	CMB S.A.
FIDIA - Fondo Interbancario d'Inve- stimento Azionario SGR S.p.A., Milan	11,400	520	5,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	57,300	—	1	15.06	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	50	1	22,500	45.00	—	—	—
SINTERAMA S.p.A., Sandigliano	72,800	0.51	15,000,000	10.51	—	—	—
ZAMBIA TANZANIA ROAD SERVICES Ltd, Lusaka (in liquidation)	Kwacha 4,000	Kwacha 200	4,667	23.33	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	40	10	—	—	1,400	35.00	Technostart

* Shares owned.

ACCOUNTS OF THE BANK

BALANCE SHEET

	Assets	30/6/06	30/6/05
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	108,472	103,512
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	3,238,889,037	2,792,995,947
30.	AMOUNTS DUE FROM BANKS:	6,618,595,994	3,585,451,242
	a) repayable on demand	2,406,540,906	614,646,233
	b) other accounts	4,212,055,088	2,970,805,009
40.	AMOUNTS DUE FROM CUSTOMERS	15,636,396,732	13,666,864,367
	<i>of which:</i>		
	- <i>receivables involving customer funds managed on a non-discretionary basis</i>	—	—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:	4,476,759,760	5,801,261,860
	a) public agencies	1,044,885,838	2,271,748,401
	b) banks	1,415,041,225	1,038,741,091
	<i>of which:</i>		
	- <i>own bonds</i>	711,765,227	286,380,545
	c) financial companies	1,464,994,079	2,029,694,317
	<i>of which:</i>		
	- <i>own bonds</i>	—	—
	d) other issuers	551,838,618	461,078,051
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES	2,151,529,175	756,920,466
70.	EQUITY INVESTMENTS	2,845,922,709	2,719,006,166
80.	INVESTMENTS IN GROUP UNDERTAKINGS	457,429,452	490,219,381
100.	TANGIBLE FIXED ASSETS	11,693,136	11,550,456
130.	OTHER ASSETS	635,189,706	518,624,297
140.	ACCRUED INCOME AND PREPAID EXPENSES:	1,246,526,810	1,531,893,376
	a) accrued income	894,926,116	1,283,684,831
	b) prepaid expenses	351,600,694	248,208,545
	<i>of which:</i>		
	- <i>issue discounts on bonds</i>		
		37,319,040,983	31,874,891,070

GUARANTEES AND COMMITMENTS

	Guarantees and Commitments	30/6/06	30/6/05
10.	GUARANTEES GIVEN	2,517,637,960	3,003,847,163
	<i>of which:</i>		
	- <i>acceptances</i>	—	—
	- <i>other guarantees</i>	2,517,637,960	3,003,847,163
20.	COMMITMENTS	72,817,981,901	18,749,214,112
	<i>of which:</i>		
	- <i>assets sold under repurchase agreements</i>	—	—
30.	CREDIT DERIVATIVES	1,079,529,329	1,244,147,016

	Liabilities and Shareholders' equity	30/6/06	30/6/05
10.	AMOUNTS DUE TO BANKS:	4,955,871,586	5,788,144,027
	a) repayable on demand	661,102,424	1,217,928,757
	b) term deposits and deposits under notice	4,294,769,162	4,570,215,270
20.	AMOUNTS DUE TO CUSTOMERS:	1,844,663,470	2,068,459,941
	a) repayable on demand	271,636,862	1,470,555,369
	b) term deposits and deposits under notice	1,573,026,608	597,904,572
30.	DEBT SECURITIES IN ISSUE:	21,248,595,271	14,971,359,579
	a) bonds	20,618,094,064	14,164,070,193
	b) certificates of deposit	356,101,843	479,856,455
	c) other debt securities	274,399,364	327,432,931
50.	OTHER LIABILITIES	2,975,265,939	3,071,979,644
60.	ACCRUED EXPENSES AND DEFERRED INCOME:	813,721,736	764,303,685
	a) accrued expenses	517,948,047	563,437,413
	b) deferred income	295,773,689	200,866,272
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES	14,165,113	12,985,896
80.	PROVISIONS FOR LIABILITIES AND CHARGES:	219,979,005	229,640,722
	a) post-retirement and similar benefits	—	—
	b) provision for taxation	65,201,898	79,640,722
	c) other provisions	154,777,107	150,000,000
100.	PROVISION FOR GENERAL BANKING RISKS	858,061,848	858,061,848
120.	SHARE CAPITAL	405,998,582	397,477,957
130.	SHARE PREMIUM RESERVE	2,071,363,865	1,933,330,922
140.	RESERVES:	1,409,433,873	1,331,506,187
	a) legal reserve	79,659,341	77,883,666
	b) reserve for purchase of own shares and participating interests	—	—
	c) statutory reserves	1,054,264,963	1,004,624,330
	d) other reserves	275,509,569	248,998,191
150.	REVALUATION RESERVES	7,586,763	7,586,763
160.	RETAINED EARNINGS (ACCUMULATED LOSSES)	—	—
170.	PROFIT (LOSS) FOR THE YEAR	494,333,932	440,053,899
		37,319,040,983	31,874,891,070

PROFIT AND LOSS ACCOUNT

		12 months ended 30/6/06	12 months ended 30/6/05
10.	INTEREST RECEIVABLE AND SIMILAR INCOME	971,395,084	914,577,045
	<i>of which interest on:</i>		
	- loans and advances to customers	499,858,922	457,204,488
	- debt securities	244,375,663	222,289,324
20.	INTEREST PAYABLE AND SIMILAR EXPENSES	(795,526,682)	(753,761,701)
	<i>of which interest on:</i>		
	- customer deposits	(39,017,188)	(75,461,710)
	- debt securities	(561,246,760)	(514,800,851)
30.	DIVIDENDS ON AND OTHER INCOME FROM:	307,267,257	183,356,723
	a) equities, participating interests and other capital securities	154,090,628	63,449,234
	b) equity investments	153,176,629	119,907,489
	c) investments in Group undertakings	—	—
40.	COMMISSIONS RECEIVABLE	209,684,617	167,129,026
50.	COMMISSIONS PAYABLE	(15,735,553)	(20,041,350)
60.	GAINS (LOSSES) ON DEALING TRANSACTIONS	(107,353,021)	67,608,424
70.	OTHER INCOME FROM OPERATIONS	57,077,344	14,944,021
80.	ADMINISTRATIVE EXPENSES:	(165,905,706)	(155,944,658)
	a) personnel costs	(98,135,094)	(80,257,226)
	<i>of which:</i>		
	- wages and salaries	(70,510,959)	(57,126,248)
	- social security charges	(18,432,347)	(15,894,922)
	- transfer to staff termination indemnity provision	(4,482,874)	(3,780,673)
	- post-retirement and similar benefits	(4,708,914)	(3,455,383)
	b) other administrative expenses	(67,770,612)	(75,687,432)
90.	ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS	(3,707,775)	(2,384,810)
100.	TRANSFER TO PROVISION FOR LIABILITIES AND CHARGES	(4,777,107)	(150,000,000)
110.	OTHER OPERATING EXPENSES	(53,131,185)	(12,644,353)
150.	ADJUSTMENTS TO FINANCIAL FIXED ASSETS	(75,982,498)	(10,525,742)
160.	WRITEBACKS OF FINANCIAL FIXED ASSETS	110,418,799	71,203,235
170.	MARGIN (LOSS) ON ORDINARY OPERATIONS	433,723,574	313,515,860
180.	EXTRAORDINARY INCOME	111,704,097	367,008,565
190.	EXTRAORDINARY EXPENDITURE	(1,231,290)	(884,273)
200.	EXTRAORDINARY PROFIT (LOSS)	110,472,807	366,124,292
210.	CHANGE TO PROVISION FOR GENERAL BANKING RISKS	—	(219,127,196)
220.	INCOME TAXES FOR THE YEAR	(49,862,449)	(20,459,057)
230.	PROFIT (LOSS) FOR THE YEAR	494,333,932	440,053,899

NOTES TO THE ACCOUNTS OF THE BANK

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N.B. - Figures are in €'000 unless otherwise stated, and save in footnotes where figures are provided in full.

A. ACCOUNTING POLICIES

1. Description of accounting policies

Loans and advances

Loans and advances are stated at their estimated realizable value, which in this financial year coincides with face value. Where there is a reasonable probability of a loss being incurred, the item concerned is written down accordingly and charged to profit and loss account under *value adjustments*. If the loss does not eventually crystallize, the amount concerned is credited back to profit and loss account in a subsequent accounting period under *writebacks*.

All default interest accrued during the period under review is suspended in the relevant provision, and is credited to profit and loss account only when actually collected.

Fixed-income securities

These are broken down as between:

- a) *non-investment securities*, held for use in treasury operations, and
- b) *investment securities*, which consist chiefly of convertible bonds and are accordingly held by the Bank on a long-term basis, being of the same nature as equity investments.

Listed securities, commitments to buy and sell such securities and technical shortfalls are stated at the lower of cost and market value, based on the average price in June in the case of non-investment securities, and on the average price in the last six months of the financial year in the case of investment securities.

Unlisted securities, commitments to buy and sell such securities, and technical shortfalls are stated at the lower of cost and estimated realization value based on specific criteria such as discounting future cash flows on the basis of expected returns, the issuer's degree of solvency, and market prices of similar listed shares.

Pursuant to Italian Decree Law 250/95, an accrued "margin" is added to the cost of securities issued at below par value.

Exceptions to these principles are described in detail in the review of the Bank's operations and notes to the accounts.

Writebacks in whole or in part of amounts written down in prior years are made only where the circumstances that gave rise to the original writedown no longer subsist.

On disposal, the proceeds of securities sold are credited to profit and loss using the weighted average cost method.

Non-investment equities

These are shares held for dealing purposes, which are stated (including any technical shortfalls) at the lower of cost and market value on the basis of average prices in the month of June where this reflects their current market value. Any other methods of calculating market value are reported in the Review of the Bank's operations and the notes to the accounts.

On disposal, the proceeds of securities sold are credited to profit and loss using the weighted average cost method.

Holdings in SICAVs

These are investment units included under the item *Equities, Participating interests and Other capital securities*. They are stated at the lower of cost and net asset value at the balance-sheet date, consistent with this particular type of investment.

Equity interests

These comprise all equities, rights and participating interests the Bank has acquired over the years as long-term investments to safeguard its asset base in real terms and with the intention of contributing to a stable ownership structure in investee companies.

Equity investments are stated at cost¹, adjusted, where appropriate, to reflect statutory monetary revaluations and writedowns. In the Bank's accounts for years up to and including that ended 30 June 1993, writedowns were charged on a permanent basis. Since then, amounts written down have been written back

¹ Additions are made to the cost of the investments in venture capital funds as and when payments are made.

where the circumstances that gave rise to the writedown no longer subsist. Listed instruments are marked to market at the reporting date, at the average middle market price in the second half of the financial year, or the last quarter in respect of adjustments made up to 30 June 1993.

Unlisted stocks are adjusted pro-rata to net equity, bearing in mind factors relating to the asset value and profit forecasts for the companies concerned.

Exceptions to these principles are described in detail in the Review of the Bank's operations and the notes to the accounts.

On disposal, the proceeds of equity investments sold are credited to profit and loss using the LIFO method.

Tangible and intangible assets

These are stated at cost.

Property values include statutory monetary revaluations and annual depreciation charges. The net book value of properties does not exceed their market value.

The capital cost of furniture, equipment and intangible assets is written off in the year of acquisition, since once acquired, their market value becomes insignificant.

Debt

This is stated at face value, except in the case of zero coupon and single coupon bonds, the stated total value of which corresponds to the amount due at the balance-sheet date.

Provisions for liabilities and charges

Allocations covering current and deferred income taxes are made to the *Provisions for taxation* under current tax regulations. Following the official introduction into Italian accounting practice of the principle of deferring advance tax, as sanctioned by the Bank of Italy on 3 August 1999, advance tax has been recognized in the Bank's accounts as a deferred tax asset as from the year ended 30

June 2000, provided there is reasonable certainty of it being recovered. On a prudential basis, such tax is so recognized where, according to budget projections, taxable income will be such as to enable the timing differences that led to the advance payment to be fully reversed. Details of the items and amounts concerned can be found in Part B.

Other provisions cover specific or likely risks, commitments and liabilities which could not be quantified when the accounts were made up.

Guarantees and commitments

Guarantees and commitments involving credit risk are stated at the value of the underlying transactions, on the basis of the same principles used to state accounts receivable.

Foreign currency translation (including off-balance-sheet transactions)

Assets and liabilities in currencies other than the Euro are expressed in Euros at rates of exchange ruling at the balance-sheet date, with the exception of:

- a) holdings which are stated at historic exchange rates, unless these have been written down since acquisition;
- b) the portion of term loans formally denominated in currencies other than the Euro granted under intergovernmental agreements and special legislation, is stated at its Euro equivalent ruling on the date of disbursement, since all exchange risks are covered by Italian state credit insurance policies or contractual guarantees.

Off-balance sheet transactions in currencies other than the Euro, including derivatives, are stated as follows:

- at the price ruling at the balance-sheet date, in the case of spot transactions pending settlement;
- at the price ruling at the balance-sheet date for maturities corresponding to those in the contract, in the case of forward transactions;

- on a basis consistent with on- and off-balance sheet assets and liabilities, in the case of hedges or transactions related thereto.

Off-balance-sheet transactions

Off-balance sheet transactions to cover off- and on-balance-sheet assets and liabilities are stated on a basis consistent with the positions hedged.

Other off-balance-sheet transactions involving derivatives are stated at the lower of contract price and market value, with the proviso that estimated gains over market value in linked derivatives are netted off against losses actually incurred.

Market value is defined as the present value of expected future cash flow, or replacement cost at the market rate ruling at the balance-sheet date for maturities corresponding to those in the contract as recorded on international information circuits.

Margins on swaps are accrued on a pro-rata basis.

Securities to be received or delivered under agreements entered into but still pending settlement at the balance sheet date are stated on the same basis as *Fixed income securities*, *Non-investment securities*, *Holdings in SICAVs*, and *Equity investments*, as the case may be.

B. NOTES TO THE BALANCE SHEET OF THE BANK

1. Accounts receivable

1.1 Heading 30: Amounts due from banks

	30/6/06 €'000	30/6/05 €'000
a) Deposits with central banks	25,847	56,752
b) Bills eligible for refinancing at central banks	—	—
c) Forward transactions	1,700,122	1,632,623
d) Securities lent	22,772	267,067

1.2a Analysis of cash amounts due from banks as at 30 June 2006

	Gross exposure €'000	Total adjustment €'000	Net exposure €'000
a) Doubtful debts:	2,325	—	2,325
<i>a.1. Non-performing lendings¹</i>	127	—	127
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Sub-standard lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	2,198	—	2,198
b) Performing loans	6,616,271	—	6,616,271

¹ This is a single item covered by a SACE credit insurance policy.

1.2a Analysis of cash amounts due from banks as at 30 June 2005

	Gross exposure €'000	Total adjustment €'000	Net exposure €'000
a) Doubtful debts:	127	—	127
<i>a.1. Non-performing lendings¹</i>	127	—	127
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Sub-standard lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	—	—	—
b) Performing loans	3,585,324	—	3,585,324

¹ This is a single item covered by a SACE credit insurance policy.

1.3 Movements in doubtful debts due from banks in year ended 30 June 2006

	Gross exposure	Sub-standard loans	Debts in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debt
	€'000	€'000	€'000	€'000	€'000	€'000
a) Gross exposure as at 30/6/05	127	—	—	—	—	127
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	—	—
<i>b.1. Transfers from performing loans</i>	—	—	—	—	—	—
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	—	2,198	2,198
c) Reductions	—	—	—	—	—	—
<i>c.1. Transfers to performing loans</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	—	—	—	—	—	—
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	—	—	—
d) Gross exposure as at 30/6/06	127	—	—	—	2,198	2,325
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

1.5 Heading 40: Amounts due from customers

	30/6/06 €'000	30/6/05 €'000
a) Bills eligible for refinancing at central banks	—	—
b) Forward transactions	1,063,630	597,293
c) Securities lent	163,669	44,438

1.6 Secured loans to customers

	30/6/06 €'000	30/6/05 €'000
a) Loans secured by mortgages	478,973	483,690
b) Loans secured by pledges on:		
1. cash deposits	198,030	1,277,659
2. securities	518,780	459,422
3. other assets	—	—
c) Loans secured by guarantees given by:		
1. governments	128,000	—
2. public agencies	127	—
3. banks	41,623	374,157
4. others	1,747,433	1,461,071

1.7a *Analysis of cash amounts due from customers as at 30 June 2006*

	Gross exposure €'000	Total adjustment €'000	Net exposure €'000
a) Doubtful debts:	—	—	—
<i>a.1. Non-performing lendings of which: to countries at risk</i>	—	—	—
<i>a.2. Sub-standard lendings of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	29,891	—	29,891
b) Performing loans	15,606,506	—	15,606,506

1.7a *Analysis of cash amounts due from customers as at 30 June 2005*

	Gross exposure €'000	Total adjustment €'000	Net exposure €'000
a) Doubtful debts:	—	—	—
<i>a.1. Non-performing lendings of which: to countries at risk</i>	—	—	—
<i>a.2. Sub-standard lendings of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	—	—	—
b) Performing loans	13,666,864	—	13,666,864

1.8 *Movements in doubtful debts due from customers in year ended 30 June 2006*

	Gross exposure	Sub-standard loans	Debts in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debt
	€'000	€'000	€'000	€'000	€'000	€'000
a) Gross exposure as at 30/6/05	—	—	—	—	—	—
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	—	—
<i>b.1. Transfers from performing loans</i>	—	—	—	—	—	—
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	—	29,891	29,891
c) Reductions	—	—	—	—	—	—
<i>c.1. Transfers to performing loans</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	—	—	—	—	—	—
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	—	—	—
d) Gross exposure as at 30/6/06	—	—	—	—	29,891	29,891
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

Heading 10: *Cash and deposits with central banks and post offices*

	30/6/06 €'000	30/6/05 €'000
Cash and value items in hand	108	104
	108	104

2. Securities

2.3 Non-investment securities

	Book value €'000		Market value €'000	
	30/6/06	30/6/05	30/6/06	30/6/05
1. DEBT SECURITIES	7,715,649	8,594,258	7,746,838	8,656,566
1.1 Government securities:	3,238,889	2,466,305	3,241,746	2,469,401
• listed	3,238,889	2,466,305	3,241,746	2,469,401
• unlisted	—	—	—	—
1.2 Other debt securities:	4,476,760	6,127,953	4,505,092	6,187,165
• listed	3,706,095	4,809,260	3,732,451	4,865,131
• unlisted	770,665	1,318,693	772,641	1,322,034
2. EQUITIES	2,151,529	756,921	2,205,811	803,531
• listed	2,151,529	751,921	2,205,811	797,569
• unlisted	—	5,000	—	5,962
	9,867,178	9,351,179	9,952,649	9,460,097

2.4 Movements in non-investment securities

	30/6/06 €'000	30/6/05 €'000
A. HOLDING AT BEGINNING OF PERIOD	9,351,179	8,693,605
B. ADDITIONS	47,440,907	62,019,804
B1. Acquisitions:	47,119,333	61,727,576
1. Debt securities:	37,103,703	54,812,218
• government securities	20,573,011	46,290,544
• other debt securities	16,530,692	8,521,674
2. Equities	10,015,630	6,915,358
B2. Writebacks and revaluations	—	—
B3. Transfers from holdings of investment securities	—	44,665
B4. Other movements	321,574	247,563
C. REDUCTIONS	46,924,908	61,362,230
C1. Disposals and redemptions:	46,399,821	61,218,153
1. Debt securities:	37,845,425	52,490,263
• government securities	20,001,459	45,087,270
• other debt securities	17,843,966	7,402,993
2. Equities	8,554,396	8,727,890
C2. Value adjustments	222,692	14,141
C3. Transfers to holdings of investment securities	—	—
C4. Other movements	302,395	129,936
D. HOLDING AT END OF PERIOD	9,867,178	9,351,179

Criteria for distinguishing between investment and non-investment securities:

Securities intended for use on a continuing basis in the Bank's operations are classified as *investment securities* and consist of debt securities, most of which are convertible into equities, or have been issued with warrants.

Securities maintained for use in treasury transactions are classified as *non-investment securities*.

3 Equity investments

3.1 Significant investments

	Share capital €'000	Par value of shares €	Shareholders' equity €'000	Profit (loss) ¹ €'000	Equity interest %	Book value €'000
A INVESTMENTS IN GROUP UNDERTAKINGS (Heading 80)						
<i>Italy</i>						
1. COMPASS S.p.A., Milan	87,500	5	278,296	64,662	100.00	77,985
2. PROMINVESTMENT S.p.A., Rome	743	0.52	1,428	(247)	70.00	819
3. PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	683	115	100.00	103
4. RICERCHE E STUDI S.p.A., Milan	100	5	103	—	100.00	103
5. SADE FINANZIARIA - INTERSOMER S.r.l., Milan	25		24	(1)	100.00	25
6. SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	534	2	100.00	522
7. SPAFID S.p.A., Milan	100	10	34,415	837	100.00	26
8. TECHNOSTART S.p.A., Milan	600	0.50	573	(44)	69.00	396
<i>Outside Italy</i>						
9. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111,100	200	253,320	33,534	100.00	371,508
10. MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10,000	10	77,435	2,439	99.00	5,943
						457,430
B. COMPANIES SUBJECT TO CONSIDERABLE INFLUENCE						
1. ATHENA PRIVATE EQUITY S.A., Luxembourg	51,200	2	147,319	13,773	24.46	33,216
2. BANCA ESPERIA S.p.A., Milan	13,000	0.52	60,111	13,379	48.50	25,629
3. CARTIERE BURGO S.p.A., Verzuolo	205,400	0.52	526,692	74,145	22.13	54,630
4. FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A., Milan	11,400	520	11,457	(36,46)	25.00	2,863
5. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V., Amsterdam	50	1	16,614	(1)	45.00	16,173
						132,511
						589,941

¹ Profit (loss) is included in shareholders' equity.

3.2 Amounts due from and to Group undertakings

	30/6/06 €'000	30/6/05 €'000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	4,405,868	4,027,682
1. Amounts due from banks <i>of which: subordinated</i>	1,893,404 —	788,977 —
2. Amounts due from financial companies <i>of which: subordinated</i>	2,504,137 —	3,186,924 —
3. Amounts due from other clients <i>of which: subordinated</i>	620 —	1,333 —
4. Bonds and other debt securities <i>of which: subordinated</i>	7,707 —	50,448 —
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	1,061,805	1,718,885
1. Amounts due to banks	1,058,239	1,689,050
2. Amounts due to financial companies	3,526	28,836
3. Amounts due to other clients	40	999
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	4,304,607	4,283,715
1. Guarantees given	1,852,292	2,422,705
2. Commitments	2,452,315	1,861,010

3.3 Amounts due from and to associated undertakings

	30/6/06 €'000	30/6/05 €'000
a) AMOUNTS DUE FROM ASSOCIATED UNDERTAKINGS	2,663,832	1,933,855
1. Amounts due from banks <i>of which: subordinated</i>	530,219 —	94,050 —
2. Amounts due from financial companies <i>of which: subordinated</i>	125,611 —	— —
3. Amounts due from other clients <i>of which: subordinated</i>	1,928,088 500,000	1,785,568 400,000
4. Bonds and other debt securities <i>of which: subordinated</i>	79,914 58	54,237 —
b) AMOUNTS DUE TO ASSOCIATED UNDERTAKINGS	281,787	145,856
1. Amounts due to banks	281,787	7,657
2. Amounts due to financial companies	—	46,952
3. Amounts due to other clients	—	91,247
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	667,642	597,386
1. Guarantees given	49	55,783
2. Commitments	667,593	541,603

3.4 Heading 70: *Equity investments*

	30/6/06 €'000	30/6/05 €'000
a) INVESTMENTS IN BANKS	125,184	81,948
1. <i>listed</i>	99,524	59,252
2. <i>unlisted</i>	25,660	22,696
b) INVESTMENTS IN FINANCIAL COMPANIES	519,712	363,563
1. <i>listed</i>	325,474	304,061
2. <i>unlisted</i>	194,238	59,502
c) OTHER EQUITY INVESTMENTS	2,201,026	2,273,495
1. <i>listed</i>	1,883,918	1,890,502
2. <i>unlisted</i>	317,108	382,993

3.5 Heading 80: *Investments in Group undertakings*

	30/6/06 €'000	30/6/05 €'000
a) INVESTMENTS IN BANKS	377,450	377,510
1. <i>listed</i>	—	—
2. <i>unlisted</i>	377,450	377,510
b) INVESTMENTS IN FINANCIAL COMPANIES	79,355	112,084
1. <i>listed</i>	—	—
2. <i>unlisted</i>	79,355	112,084
c) INVESTMENTS IN OTHER GROUP UNDERTAKINGS	625	625
1. <i>listed</i>	—	—
2. <i>unlisted</i>	625	625

3.6 *Movements in investments*

3.6.1 Movements in investments in Group undertakings

	30/6/06 €'000	30/6/05 €'000
A. HOLDING AT BEGINNING OF PERIOD	490,219	396,476
B. ADDITIONS	698	93,768
B1. Acquisitions	8	93,768
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	690	—
C. REDUCTIONS	33,487	25
C1. Disposals	758	—
C2. Value adjustments	30	25
<i>of which: permanent writedowns</i>	30	25
C3. Other movements	32,699	—
D. HOLDING AT END OF PERIOD	457,430	490,219
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	317	3,847

3.6.2 Movements in other investments

	30/6/06 €'000	30/6/05 €'000
A. HOLDING AT BEGINNING OF PERIOD	2,719,006	2,514,463
B. ADDITIONS	734,776	451,442
B1. Acquisitions	379,209	259,291
B2. Writebacks	110,419	71,203
B3. Revaluations	—	—
B4. Other movements	245,148 ¹	120,948
C. REDUCTIONS	607,860	246,899
C1. Disposals	470,217	182,739
C2. Value adjustments <i>of which: permanent writedowns</i>	75,952 —	10,501 —
C3. Other movements	61,691	53,659
D. HOLDING AT END OF PERIOD	2,845,922	2,719,006
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	412,915	447,394

¹ Of which €86,362,000 in Assicurazioni Generali shares as a result of the merger of MB Finstrutture-Intersomer into Mediobanca.

4. Tangible and intangible fixed assets

4.1 Movements in tangible fixed assets

	30/6/06			30/6/05		
	Properties €'000	Furniture and equipment €'000	Total €'000	Properties €'000	Furniture and equipment €'000	Total €'000
A. HOLDING AT BEGINNING OF PERIOD	11,550	—	11,550	11,561	—	11,561
B. ADDITIONS	959	2,878	3,837	777	1,386	2,163
B1. Acquisitions	959	2,700	3,659	777	972	1,749
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	—	178 ¹	178	—	414 ¹	414
C. REDUCTIONS	816	2,878	3,694	788	1,386	2,174
C1. Disposals and retirements from service	—	178	178	—	414	414
C2. Value adjustments:	816	2,700	3,516	788	972	1,760
a) <i>depreciation</i>	816	2,700 ²	3,516	788	972 ²	1,760
b) <i>permanent writedowns</i>	—	—	—	—	—	—
C3. Other movements	—	—	—	—	—	—
D. HOLDING AT END OF PERIOD	11,693	—	11,693	11,550	—	11,550
E. TOTAL REVALUATIONS	23,610	—	23,610	23,610	—	23,610
F. TOTAL ADJUSTMENTS:	15,493	17,252	32,745	14,705	14,730	29,435
a) <i>depreciation</i>	15,493	17,252	32,745	14,705	14,730	29,435
b) <i>permanent writedowns</i>	—	—	—	—	—	—

¹ Released from accumulated depreciation following disposals and retirements from service.

² Cost of all assets acquired during the financial year written off.

4.2 Movements in intangible assets

	30/6/06 €'000	30/6/05 €'000
A. ASSETS AT BEGINNING OF PERIOD	— ¹	— ¹
B. ADDITIONS	192	624
B1. Acquisitions	192	624
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	—
C. REDUCTIONS	192	624
C1. Disposals and retirements from service	—	—
C2. Value adjustments:	192	624
a) <i>amortization</i>	192	624
b) <i>permanent writedowns</i>	—	—
C3. Other movements	—	—
D. ASSETS AT END OF PERIOD	—	—
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS:	13,829	13,637
a) <i>amortization</i>	13,829	13,637
b) <i>permanent writedowns</i>	—	—

¹ Cost fully written off.

5. Other asset headings

5.1 Heading 130: *Other assets*

	30/6/06 €'000	30/6/05 €'000
AMOUNTS DUE FROM REVENUE AUTHORITIES:	187,569	186,161
• taxes withheld	2,907	7,156
• advance tax paid, tax credits, taxes recoverable and interest thereon	85,864	69,822
• prepaid tax	98,798	109,183
OTHER AMOUNTS DUE:		
• premiums, grants, indemnities and other items relating to lending transactions	9,274	7,867
• futures and other securities transactions	8,441	2,328
• advances on deposit commissions	450	415
• invoices receivable and to be issued	10,322	6,836
• other items in transit	1,179	36,112
INTERBANK ACCOUNTS DEFERRED VALUE DATES	34	28
PREMIUMS PAID FOR OPTIONS PURCHASED	225,235	235,626
VALUATION OF DERIVATIVE CONTRACTS	134,724	21,156
DEPOSITS PAID ON DERIVATIVE CONTRACTS	45,110	17,358
OTHER ITEMS	12,852	4,737
	635,190	518,624

5.2 Heading 140: *Accrued income and prepaid expenses*

	30/6/06 €'000	30/6/05 €'000
ACCRUED INCOME	894,926	1,283,685
Interest accrued on amounts due from banks	14,926	9,273
Interest accrued on amounts due from customers	87,805	95,195
Interest accrued on derivative contracts	706,414	1,063,959
Interest accrued on securities held	85,781	115,258
PREPAID EXPENSES	351,601	248,209
Commissions prepaid	208,723	160,310
Advances on forward transactions	—	7,484
Discounts and expenses on bonds issued	111,741	58,096
Other prepaid expenses	31,137	22,319
	1,246,527	1,531,894

5.4 *Subordinated assets*

	30/6/06 €'000	30/6/05 €'000
a) Amounts due from banks	—	—
b) Amounts due from customers	500,000	400,000
c) Bonds and other debt securities	148,515	135,476
	648,515	535,476

6. Accounts payable

6.1 Heading 10: *Amounts due to banks*

	30/6/06 €'000	30/6/05 €'000
a) Forward transactions	1,013,573	1,514,946
b) Securities lent	781,808	17,979

6.2 Heading 20: *Amounts due to customers*

	30/6/06 €'000	30/6/05 €'000
a) Forward transactions	490,172	240,769
b) Securities lent	760,801	116,347

Heading 30: *Debt securities in issue*

	30/6/06		30/6/05	
	No. ¹	€'000	No. ¹	€'000
Bonds	—	20,618,094	—	14,164,070
• <i>convertible</i>	55,050	151	131,049	75,153
• <i>with warrants</i>	1,313	10	1,312	10
• <i>other bonds</i>	—	20,617,933	—	14,088,907
Certificates of deposit	—	356,102	—	479,856
Others	—	274,399	—	327,433
		21,248,595		14,971,359

¹ Actual number. Bonds in issue have varying nominal values.

7. Provisions (Headings 70 and 80)

Provision for staff termination indemnities

	30/6/06 €'000	30/6/05 €'000
PROVISION AT BEGINNING OF PERIOD	12,986	11,959
<i>deduct:</i>		
• indemnities paid out and advances made under Italian Law 297/82 during the year	504	490
• transfer to pension fund	2,804	2,233
• tax on revaluation of indemnities	38	31
<i>add:</i>		
• transfer to provision for year	4,483	3,781
• share deriving from merger with MB Finstrutture-Intersomer	42	—
PROVISION AT END OF PERIOD	14,165	12,986

Provision for taxation as at 30 June 2006

	Corporate income tax and regional production tax €'000	“Substitutive” tax on franking loan loss provision €'000	“Substitutive” tax on lendings €'000	Others ¹ €'000	Total €'000
PROVISION AT BEGINNING OF PERIOD	62,313	14,440	528	2,360	79,641
<i>deduct:</i>					
• transfers from provision during year	48,287	4,813	528	2,360	55,988
• writeback to profit and loss account	—	—	—	—	—
• other decreases	—	—	—	—	—
<i>add:</i>					
• transfers to provision during year	38,471	1,026	1,294	660	41,451
• other increases	98	—	—	—	98
PROVISION AT END OF PERIOD	52,595	10,653	1,294	660	65,202

¹ “Substitutive” tax on non-Italian subsidiaries.

Provision for taxation as at 30 June 2005

	Corporate income tax and regional production tax €'000	“Substitutive” tax on franking loan loss provision €'000	“Substitutive” tax on lendings €'000	Others ¹ €'000	Total €'000
PROVISION AT BEGINNING OF PERIOD	223,964	—	799	2,600	227,363
<i>deduct:</i>					
• transfers from provision during year	215,452	—	799	2,600	218,851
• writeback to profit and loss account	—	—	—	—	—
• other decreases	—	—	—	—	—
<i>add:</i>					
• transfers to provision during year	53,801	14,440	528	2,360	71,129
• other increases	—	—	—	—	—
PROVISION AT END OF PERIOD	62,313	14,440	528	2,360	79,641

¹ “Substitutive” tax on non-Italian subsidiaries.

7.3 Heading 80)c: Provisions for liabilities and charges: other provisions

	30/6/06 €'000	30/6/05 €'000
Provision to cover possibility of charges not necessarily connected to the Bank's lending activities	154,777	150,000
	154,777	150,000

7.4a Changes in advance tax assets over the twelve months to 30 June 2006

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
1. BALANCE AT BEGINNING OF PERIOD	109,183	107,114	2,069	—
2. Additions	14,166	12,268	1,898	—
2.1 Advance tax originating in period	13,822	11,924	1,898	—
2.2 Other additions	344	344	—	—
3. Reductions	24,552	24,233	319	—
3.1 Advance tax reversed in period	24,552	24,233	319	—
3.2 Other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	98,797	95,149	3,648	—

Eligible offsets as at 30 June 2006

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
4. BALANCE AT END OF PERIOD	98,797	95,149	3,648	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	98,797	95,149	3,648	—

7.4b Changes in advance tax assets over the twelve months to 30 June 2005

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
1. BALANCE AT BEGINNING OF PERIOD	84,883	82,905	1,978	—
2. Additions	55,606	54,767	839	—
2.1 Advance tax originating in period	55,606	54,767	839	—
2.2 Other additions	—	—	—	—
3. Reductions	31,306	30,558	748	—
3.1 Advance tax reversed in period	31,306	30,558	748	—
3.2 Other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	109,183	107,114	2,069	—

Eligible offsets as at 30 June 2005

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
4. BALANCE AT END OF PERIOD	109,183	107,114	2,069	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	109,183	107,114	2,069	—

7.5a Changes in deferred tax liabilities over the twelve months to 30 June 2006

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
1. BALANCE AT BEGINNING OF PERIOD	1,732	1,732	—	—
2. Additions	4,222	4,222	—	—
2.1 Deferred tax originating in period	4,222	4,222	—	—
2.2 Other additions	—	—	—	—
3. Reductions	751	751	—	—
3.1 Deferred tax reversed in period	751	751	—	—
3.2 Other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	5,203	5,203	—	—

Eligible offsets as at 30 June 2006

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
4. BALANCE AT END OF PERIOD	5,203	5,203	—	—
5. Transfers	—	—	—	—
5.1 to advance taxation	—	—	—	—
5.2 from advance taxation	—	—	—	—
6. AMOUNT CREDITED TO PROVISION FOR TAXATION (HEADING 80b)	5,203	5,203	—	—

7.5b Changes in deferred tax liabilities over the twelve months to 30 June 2005

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
1. BALANCE AT BEGINNING OF PERIOD	13,134	13,134	—	—
2. Additions	—	—	—	—
2.1 Deferred tax originating in period	—	—	—	—
2.2 Other additions	—	—	—	—
3. Reductions	11,402	11,402	—	—
3.1 Deferred tax reversed in period	11,402	11,402	—	—
3.2 Other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	1,732	1,732	—	—

Eligible offsets as at 30 June 2005

	Total €'000	Corporate income tax €'000	Regional production tax €'000	Other taxes €'000
4. BALANCE AT END OF PERIOD	1,732	1,732	—	—
5. Transfers	—	—	—	—
5.1 to advance taxation	—	—	—	—
5.2 from advance taxation	—	—	—	—
6. AMOUNT CREDITED TO PROVISION FOR TAXATION (HEADING 80b)	1,732	1,732	—	—

As noted earlier advance tax has been recognized in the accounts as from the year ended 30 June 2000 in addition to current and deferred tax.

This tax is provided on the liability method whereby deferred tax liabilities are charged to the accounts save where there is little chance they will actually be incurred.

Deductible timing differences on the basis of which advance tax is calculated mainly involve:

- depreciation on furniture and fixtures and amortization of intangible assets which is written off when incurred;
- entertainment expenses;
- excess maintenance expenses;
- non-deductible losses on securities and investments held;
- unrealized losses on investments which where the provisions of Italian Decree Law 209/02 Article 1 Clause 2 b) apply, are deductible on the straight-line basis in the year in which they are incurred and the following four years;
- substantial initial leasing instalments;
- provisions for liabilities and charges.

Taxable timing differences on the basis of which deferred tax is calculated relate to:

- capital gains on which (in applicable cases under Article 54/4 of Italian Presidential Decree 917/86) may be taxed on the straight-line basis over up to four years from the accounting period in which it was incurred;
- writebacks to shareholdings by applying the PEX rate currently in force (2.97%).

Where advance or deferred tax has been provided in the accounts it has been determined separately in respect of corporate income tax which is charged at the nominal rate of 33%, and regional production tax, charged at the rate applicable at the balance-sheet date.

8. Share capital, reserves, provision for general banking risks and subordinated liabilities

Heading 100: *Provision for general banking risks*

	30/6/06 €'000	30/6/05 €'000
Loan loss provision originally raised on provisionally tax-exempt basis under Article 71/1 of Italian Presidential Decree 917/86	234,210	234,210
Additions during the year	219,127	219,127
Addition resulting from the franking of the loan loss provision under Article 22 of Italian Law 342/00	404,725	404,725
	858,062	858,062

Heading 120: *Share capital at 30 June 2006*

	30/6/06 €'000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 794,955,915 €0.50 par value ordinary shares	397,478
Restricted rights issue of 17,041,250 shares subscribed by employees under stock option scheme	8,521
SHARE CAPITAL AT END OF PERIOD	405,999

Heading 120: *Share capital at 30 June 2005*

	30/6/05 €'000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 778,582,915 €0.50 par value ordinary shares	389,291
Restricted rights issue of 16,373,000 shares subscribed by employees under share option scheme	8,187
SHARE CAPITAL AT END OF PERIOD	397,478

Heading 130: *Share premium reserve*

	30/6/06 €'000	30/6/05 €'000
SHARE PREMIUMS AT BEGINNING OF PERIOD	1,933,331	1,807,340
Increases:		
• stock options	138,033	125,991
SHARE PREMIUMS AT END OF PERIOD	2,071,364	1,933,331

Heading 140: *Reserves*

	30/6/06 €'000	30/6/05 €'000
RESERVES AT BEGINNING OF PERIOD:		
Legal reserve	77,884	77,855
Statutory reserve	1,004,624	893,452
Other reserves	248,998	248,998
Allocations under profit appropriation (fund allocation) approved by shareholders at Annual General Meeting:		
• to Legal reserve	1,775	29
• to Statutory reserve	49,641	111,172
• from Statutory reserve	—	—
• reserve due to surplus arising on merger of MB Finstrutture-Intersomer	26,512	—
RESERVES AT END OF PERIOD:		
Legal reserve	79,659	77,884
Statutory reserve	1,054,265	1,004,624
Other reserves	275,510	248,998

Heading 150: *Revaluation reserves*

	30/6/06 €'000	30/6/05 €'000
Revaluation reserve under Italian Law 72/83 ¹	4,080	4,080
Revaluation reserve under Italian Law 413/91	3,507	3,507
	7,587	7,587

¹ Net of €17,560,000 taken to equity pursuant to Extraordinary Resolution adopted at AGM on 28/10/93.

8.1 *Regulatory capital and capital adequacy requirements*

	30/6/06 €'000	30/6/05 €'000
a) Regulatory capital		
a.1. Tier 1 capital	4,759,917	4,571,793
a.2. Tier 2 capital	1,417,298	1,359,775
a.3. Supervisory deductions	(142,826)	(132,041)
a.4. Regulatory capital	6,034,389	5,799,527
b) Capital adequacy requirements		
b.1. Credit risk	1,965,275	1,651,785
b.2. Market risk	390,731	387,644
• on non-investment securities	375,016	387,644
• on exchange rates	15,715	—
• on loan concentration	—	—
b.2.1. Tier 3 subordinated loans	—	—
b.3. Other capital adequacy requirements	—	—
b.4. Total capital adequacy requirements	2,356,006	2,039,429
c) Risk assets and capital adequacy ratios		
c.1. Risk weighted assets	33,657,229	29,134,700
c.2. Tier 1 capital/risk-weighted assets	14.14%	15.69%
c.3. Regulatory capital/risk-weighted assets	17.93%	19.91%

	Amount (€)	Possible uses	Amount available (€)	Summary of withdrawals from reserves in previous year	
				Other	To cover losses
Share capital	405,999	—	—	—	—
Equity reserves:					
- Share premium	2,071,364	A – B – C	2,071,364	—	—
- Other reserves	283,097	A – B – C	283,097	—	—
Earnings reserves:					
- Legal reserve	79,659	B	—	—	—
- Statutory reserve	1,054,265	A – B – C	1,054,265	—	140,139
- Other reserves	858,062	A – B – C	858,062	13,947	—
- Surplus	—	A – B – C	—	81	—
Total	4,752,446	—	4,266,788	14,028	140,139
Total unavailable	—	—	—	—	—
Amount available for distribution	—	—	4,266,788	—	—

Legend:

A: for rights issues

B: to cover losses

C: to be distributed to shareholders

	Share capital	Share premium	Legal reserve	Statutory reserve	Other reserves	Revaluation reserves	Retained earnings (accumulated losses)	Profit (loss) for the year	Provision for banking risks	Total
30/06/03	389,275	1,807,114	77,855	1,033,591	262,945	7,587	81	(14,027)	638,935	4,203,356
Additions	16	226	—	—	—	—	—	427,563	—	427,805
Reductions	—	—	—	(140,139)	(13,947)	—	(81)	14,027	—	(140,140)
30/06/04	389,291	1,807,340	77,855	893,452	248,998	7,587	—	427,563	638,935	4,491,021
Additions	8,187	125,991	29	111,172	—	—	—	440,054	319,627	1,005,060
Reductions	—	—	—	—	—	—	—	(427,563)	(100,500)	(528,063)
30/06/05	397,478	1,933,331	77,884	1,004,624	248,998	7,587	—	440,054	858,062	4,968,018
Additions	8,521	138,033	1,775	49,641	26,512	—	—	494,334	—	718,816
Reductions	—	—	—	—	—	—	—	(440,054)	—	(440,054)
30/06/06	405,999	2,071,364	79,659	1,054,265	275,510	7,587	—	494,334	858,062	5,246,780

9. Other liability headings

9.1 Heading 50: *Other liabilities*

	30/6/06 €'000	30/6/05 €'000
DUE TO REVENUE AUTHORITIES	24,687	29,045
AMOUNTS DUE IN RESPECT OF:	43,560	73,297
• interest coupons and dividends awaiting collection and debt securities in the process of conversion	2,127	2,067
• commissions payable to banks	62	75
• commissions payable to placing and underwriting syndicates	17,653	2,725
• invoices pending settlement and receipt	12,548	13,071
• premiums contributions and other amounts due to third parties in respect of financing transactions	11,170	55,359
FEES PAYABLE, AND SOCIAL SECURITY CONTRIBUTIONS AND AMOUNTS WITHHELD FROM STAFF AND PROVIDERS OF SERVICES DUE TO REVENUE AUTHORITIES	14,481	13,697
INTERBANK ACCOUNTS DEFERRED VALUE DATES	28	85
PREMIUMS RECEIVED ON OPTIONS SOLD	217,186	228,509
VALUATION OF DERIVATIVE CONTRACTS	119,647	99,399
TECHNICAL SHORTFALLS ON SECURITIES LENDING TRANSACTIONS	1,946,103	1,768,142
DEPOSITS RECEIVED ON DERIVATIVE CONTRACTS	576,013	859,806
AMOUNTS DUE IN RESPECT OF GROUP VAT	18,613	—
OTHER ITEMS	14,948	—
	2,975,266	3,071,980

9.2 Heading 60: *Accrued expenses and deferred income*

	30/6/06 €'000	30/6/05 €'000
ACCRUED EXPENSES	517,948	563,438
Interest accrued on deposits and loans from banks	25,276	159,458
Interest and commissions accrued on Mediobanca certificates of deposit and debt securities, and on guarantees and treasury funding transactions	273,578	230,188
Interest accrued on derivatives	211,956	170,906
Amounts accrued on refinancings and subsidies	7,138	2,886
DEFERRED INCOME	295,774	200,866
Derivative contracts discounted	—	9,690
Commissions on bond issues	5,358	9,989
Advances on forward transactions	66,271	44,710
Prepaid interest and commissions	224,145	136,477
	813,722	764,304

10. Guarantees and commitments

10.1 Heading 10: *Guarantees given*

	30/6/06			30/6/05		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	29,015	—	29,015	25,662	—	25,662
b) Letters of guarantee	374,889	2,113,734	2,488,623	1,302,636	1,675,549	2,978,185
c) Assets pledged as collateral	—	—	—	—	—	—
	403,904	2,113,734	2,517,638	1,328,298	1,675,549	3,003,847

10.2 Heading 20: *Commitments*

	30/6/06			30/6/05		
	Residents €'000	Non-residents €'000	Total €'000	Residents €'000	Non-residents €'000	Total €'000
a) Commitments to lend specific funds:						
• securities to be received	1,471,240	247,652	1,718,892	1,697,475	125,691	1,823,166
• amounts undrawn under existing loan agreements	4,231,527	5,418,074	9,649,601	3,648,951	3,982,936	7,631,887
• other commitments and exposures	129,402	100,684	230,086	29,402	—	29,402
	5,832,169	5,766,410	11,598,579	5,375,828	4,108,627	9,484,455
b) Commitments to provide funds on a stand-by basis:						
• loans agreed on a conditional basis	5,338,052	55,260,044	60,598,096 ¹	2,710,881	5,505,130	8,216,011
• participations in underwriting syndicates	—	—	—	20,135	—	20,135
• other commitments and exposures	468,053	153,254	621,307	866,319	162,294	1,028,613
	5,806,105	55,413,298	61,219,403	3,597,335	5,667,424	9,264,759
	11,638,274	61,179,708	72,817,982	8,973,163	9,776,051	18,749,214

¹ Of which €48,585,000,000 guaranteed by letters of credit.

10.3 *Assets posted as collateral for amounts due by the Bank*

	30/6/06 €'000	30/6/05 €'000
Securities held posted as collateral for forward funding transactions	1,323,179	1,195,673
Amounts due to customers posted as collateral for EIB loans	334,895	301,953

Credit derivatives (Heading 30 of Guarantees and commitments)

	30/6/06			30/6/05		
	Residents €'000	Non-residents €'000	Total €'000	Residents €'000	Non-residents €'000	Total €'000
a) Banking book hedge sales						
– with exchange of principal	—	110,000	110,000	—	110,000	110,000
– without exchange of principal	—	65,000	65,000	—	65,000	65,000
	—	175,000	175,000	—	175,000	175,000
b) Trading book hedge sales						
– with exchange of principal	805,596	98,933	904,529	935,012	134,135	1,069,147
– without exchange of principal	—	—	—	—	—	—
TOTAL	805,596	98,933	904,529	935,012	134,135	1,069,147
TOTAL	805,596	273,933	1,079,529	935,012	309,135	1,244,147

10.5 *Forward transactions*

	30/6/06			30/6/05		
	Hedging €'000	Trading €'000	Other €'000	Hedging €'000	Trading €'000	Other €'000
1. DEALING	—	3,435,973	324,660	—	4,141,687	324,339
1.1 Securities:	—	3,433,770	324,660	—	4,141,687	324,339
– bought	—	1,718,892	—	—	1,823,166	—
– sold	—	1,714,878	324,660	—	2,318,521	324,339
1.2 Foreign currency:	—	2,203	—	—	—	—
– currency bought/sold for currency	—	—	—	—	—	—
– currency bought for Euros	—	—	—	—	—	—
– currency sold for Euros	—	2,203	—	—	—	—
2. DEPOSITS AND LOANS	—	1,273,054	200,000	—	1,641,385	5,000
– pending disbursement	—	832,958	200,000	—	734,620	—
– pending receipt	—	440,096	—	—	906,765	5,000

10.6 Credit derivatives

	30/6/06 €'000		30/6/05 €'000	
	Hedging	Trading	Hedging	Trading
1. HEDGE BUYS	360,000	1,739,062	425,000	1,163,429
1.1 With exchange of principal	310,000	1,739,062	265,000	1,163,429
– <i>credit default</i>	310,000	1,739,062	265,000	1,163,429
– <i>credit-linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
1.2 Without exchange of principal	50,000	—	160,000	—
– <i>credit default</i>	50,000	—	160,000	—
– <i>credit-linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2. HEDGE SALES	175,000	904,529	175,000	1,069,147
2.1 With exchange of principal	110,000	904,529	110,000	1,069,147
– <i>credit default</i>	110,000	904,529	110,000	1,069,147
– <i>credit-linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2.2 Without exchange of principal	65,000	—	65,000	—
– <i>credit default</i>	65,000	—	65,000	—
– <i>credit-linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—

10.7 Financial derivatives by type (notional principal amounts)

	Debt securities and interest rates			Equities and equity indices			Exchange rates and gold			Others		
	Hedging	Trading	Other	Hedging	Trading	Other	Hedging	Trading	Other	Hedging	Trading	Other
DERIVATIVES CONTRACTS	16,568,671	34,607,753	—	17,730	7,006,440	14,499,046	386,685	891,351	345,224	—	—	—
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. I.R.S.	15,040,766	16,718,115	—	—	—	—	—	649,855	—	—	—	—
3. Domestic currency swaps	—	—	—	—	—	—	386,685	232,046	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
5. Basis swaps	1,527,905	2,584,844	—	—	—	—	—	—	—	—	—	—
6. Equity index swaps	—	—	—	—	1,353,640	—	—	—	—	—	—	—
7. Real indicator swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	6,531,932	—	—	72,525	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
9.1 Bought	—	—	—	—	—	—	—	—	—	—	—	—
9.2 Sold	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
10.1 Bought	—	—	—	—	—	—	—	—	—	—	—	—
10.2 Sold	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	8,641,862	—	17,730	5,580,275	14,499,046	—	9,450	345,224	—	—	—
11.1 Bought	—	8,641,862	—	2,230	2,806,347	7,192,093	—	9,450	169,112	—	—	—
Plain vanilla	—	8,641,862	—	2,230	2,676,347	5,753,039	—	9,450	150,000	—	—	—
Exotic	—	—	—	—	130,000	1,439,054	—	—	19,112	—	—	—
11.2 Sold	—	—	—	15,500	2,773,928	7,306,953	—	—	176,112	—	—	—
Plain vanilla	—	—	—	15,500	2,643,928	5,718,979	—	—	157,000	—	—	—
Exotic	—	—	—	—	130,000	1,587,974	—	—	19,112	—	—	—
12. Others	—	131,000	—	—	—	—	—	—	—	—	—	—
TOTAL	16,568,671	34,607,753	—	17,730	7,006,440	14,499,046	386,685	891,351	345,224	—	—	—
TOTAL AT 30/6/05	9,716,364	14,489,565	—	3,556,182	7,396,821	14,110,167	26,583	750,197	270,758	—	—	—

10.8 Financial derivatives: underlying exposures boughts and sold (notional principal amounts)

	Debt securities and interest rates		Equities and equity indices		Exchange rates and gold			Others	
	Hedging	Trading	Other	Hedging	Trading	Other	Hedging	Trading	Other
DERIVATIVES CONTRACTS	18,096,576	37,192,596	—	17,730	7,006,440	14,499,046	386,685	891,351	345,224
1. With exchange of principal:	—	2,726,188	—	—	844,827	796	386,685	881,901	—
Bought	—	1,917,765	—	—	358,545	716	386,685	136,081	—
Sold	—	808,423	—	—	486,282	80	—	497,915	—
Currency bought/sold for currency	—	—	—	—	—	—	—	247,905	—
2. Without exchange of principal:	18,096,576	34,466,408	—	17,730	6,161,613	14,498,250	—	9,450	345,224
Bought	15,538,059	22,666,869	—	15,500	2,721,924	7,159,128	—	9,450	169,112
Sold	2,558,517	11,799,539	—	2,230	3,439,689	7,339,122	—	—	176,112
Currency bought/sold for currency	—	—	—	—	—	—	—	—	—
TOTAL	18,096,576	37,192,596	—	17,730	7,006,440	14,499,046	386,685	891,351	345,224
TOTAL AT 30/6/05	11,008,107	16,976,199	—	3,556,182	7,396,821	14,110,167	26,583	750,197	270,758

10.9 OTC financial derivatives: counterparty risk

	Debt securities and interest rates				Equities and equity indexes				Exchange rates and gold				Debt securities and interest rates			
	Notional principal amount	Positive fair value		Potential exposure	Notional principal amount	Positive fair value		Potential exposure	Notional principal amount	Positive fair value		Potential exposure	Notional principal amount	Positive fair value		Potential exposure
		Gross	Netted			Gross	Netted			Gross	Netted			Gross	Netted	
A. TRADING	20,302,567	532,721	235,203	114,300	5,754,929	34,421	14,899	60,313	585,084	1,756	—	3,337	—	—	—	—
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	10,030,554	307,942	59,058	54,870	4,689,008	30,153	12,390	39,357	482,197	1,756	—	3,337	—	—	—	—
A.4 Financial companies	3,783,892	176,127	130,352	18,925	733,781	1,695	—	9,234	—	—	—	—	—	—	—	—
A.5 Insurances	2,111,994	—	—	14,459	139,082	2,092	2,092	7,385	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	4,357,689	48,026	45,767	25,954	186,437	173	109	3,940	102,887	—	—	—	—	—	—	—
A.7 Others	18,438	26	26	92	6,621	308	308	397	—	—	—	—	—	—	—	—
B. HEDGING	16,821,907	464,103	4,932	45,591	7,364,567	587,027	147,984	1,733	—	—	—	—	—	—	—	—
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	13,236,012	464,103	4,932	42,864	6,484,359	558,677	146,684	1,530	—	—	—	—	—	—	—	—
B.4 Financial companies	3,585,895	—	—	2,727	880,177	28,350	1,300	203	—	—	—	—	—	—	—	—
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Others	—	—	—	—	31	—	—	—	—	—	—	—	—	—	—	—
C. OTHER	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.3 Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.4 Financial companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
C.7 Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL	37,124,474	996,824	240,135	159,891	13,119,496	621,448	162,883	62,046	585,084	1,756	—	3,337	—	—	—	—
TOTAL AT 30/6/05	24,578,451	494,646	386,164	472,062	7,595,489	303,062	233,444	516,964	766,605	5,859	4,922	18,694	—	—	—	—

10.10 *OTC financial derivatives: financial risks*

	Debt securities and interest rates		Equities and equity indexes		Exchange rates and gold		Other	
	Negative fair value		Negative fair value		Negative fair value		Negative fair value	
	Gross	Netted	Gross	Netted	Gross	Netted	Gross	Netted
A. TRADING	(226,497)	(242,202)	(131,843)	(93,079)	—	—	—	—
A.1 Governments and central banks	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—
A.3 Banks	(77,977)	(92,555)	(112,502)	(92,556)	—	—	—	—
A.4 Financial companies	(87,971)	(89,162)	(16,482)	(523)	—	—	—	—
A.5 Insurances	(43,230)	(43,230)	—	—	—	—	—	—
A.6 Non-financial undertakings	(17,319)	(17,255)	(2,859)	—	—	—	—	—
A.7 Others	—	—	—	—	—	—	—	—
B. HEDGING	(640,664)	(391,221)	(19,022)	(18,237)	—	—	—	—
B.1 Governments and central banks	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—
B.3 Banks	(427,885)	(278,349)	(18,677)	(18,237)	—	—	—	—
B.4 Financial companies	(212,779)	(112,872)	(345)	—	—	—	—	—
B.5 Insurances	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—
B.7 Others	—	—	—	—	—	—	—	—
C. OTHER	—	—	—	—	—	—	—	—
C.1 Governments and central banks	—	—	—	—	—	—	—	—
C.2 Other public agencies	—	—	—	—	—	—	—	—
C.3 Banks	—	—	—	—	—	—	—	—
C.4 Financial companies	—	—	—	—	—	—	—	—
C.5 Insurances	—	—	—	—	—	—	—	—
C.6 Non-financial undertakings	—	—	—	—	—	—	—	—
C.7 Others	—	—	—	—	—	—	—	—
TOTAL	(887,161)	(663,423)	(150,865)	(111,316)	—	—	—	—
TOTAL AT 30/06/05	(339,967)	(174,937)	(16,468)	(4,763)	(15,374)	(13,071)	—	—

10.11 *Credit derivatives: counterparty risk*

	Notional principal amount ¹	Positive fair value	Potential exposure
A. NON-INVESTMENT PORTFOLIO			
A.1. Hedge buys with counterparties			
– Governments and central banks	—	—	—
– Other public agencies	—	—	—
– Banks	834,397	136	4,345
– Financial companies	429,665	587	2,759
– Insurances	—	—	—
– Non-financial undertakings	—	—	—
– Others	—	—	—
A.2. Hedge sales with counterparties			
– Governments and central banks	—	—	—
– Other public agencies	—	—	—
– Banks	864,529	3,609	4,423
– Financial companies	40,000	682	325
– Insurances	—	—	—
– Non-financial undertakings	—	—	—
– Others	—	—	—
B. OTHERS			
B.1. Hedge sales with counterparties			
– Governments and central banks	—	—	—
– Other public agencies	—	—	—
– Banks	—	—	—
– Financial companies	—	—	—
– Insurances	—	—	—
– Non-financial undertakings	—	—	—
– Others	—	—	—
TOTAL	2,168,591	5,014	11,852
TOTAL AT 30/6/05	2,832,756	13,648	15,140

¹ Of which to Group undertakings: €25,000,000.

10.12 *Credit derivatives: financial risks*

	Negative fair value ¹
NON-INVESTMENT PORTFOLIO	
1.1. Hedge buys with counterparties	
– Governments and central banks	—
– Other public agencies	—
– Banks	(6,029)
– Financial companies	(3,525)
– Insurances	—
– Non-financial undertakings	—
– Others	—
TOTAL	(9,554)
TOTAL AT 30/6/05	(15,263)

¹ Of which to Group undertakings: (€794,000).

11. Segmental information

11.1 Significant exposures

	30/6/06	30/6/05
a) Total risk-weighted amount (€'000)	11,734,438	10,492,962
b) No. of exposures	12	10

11.2 Loans and advances to customers by category of borrower

	30/6/06 €'000	30/6/05 €'000
a) Governments	41,326	195,652
b) Other public agencies	128,000	—
c) Non-financial undertakings	9,919,172	7,997,516
d) Financial companies	4,810,712	5,018,830
e) Family firms	—	—
f) Other borrowers	737,187	454,866
	15,636,397	13,666,864

11.3 Loans and advances to domestic non-financial undertakings and family firms by industry

	30/6/06 €'000	30/6/05 €'000
a) Other sales services	4,102,996	2,066,698
b) Transport-related services	994,515	465,958
c) Energy	812,545	1,114,500
d) Paper and printing	607,727	405,584
e) Transport	266,552	695,301
f) Other industries	1,362,021	2,630,780
	8,146,356	7,378,821

11.4 Guarantees given by category of counterparty

	30/6/06 €'000	30/6/05 €'000
a) Governments	—	—
b) Other public agencies	—	—
c) Banks	1,798,273 ¹	1,647,044 ¹
d) Non-financial undertakings	269,953	548,093
e) Financial companies	449,412	808,710
f) Family firms	—	—
g) Other counterparties	—	—
	2,517,638	3,003,847

¹ Includes €1,793,224,000 relating to funding transactions by MEDIOBANCA INTERNATIONAL (€1,634,995,000 as at 30 June 2005).

Credit derivatives by type of counterparty

	30/6/06 €'000	30/6/05 €'000
Hedge buys	2,099,062	1,588,429
Banking book	360,000	425,000
<i>Banks</i>	305,000	275,000
<i>Financial companies</i>	55,000	150,000
Trading book	1,739,062	1,163,429
<i>Banks</i>	1,184,397	777,754
<i>Financial companies</i>	554,665	385,675
Hedge sales	1,079,529	1,244,147
Banking book	175,000	175,000
<i>Banks</i>	160,000	160,000
<i>Financial companies</i>	15,000	15,000
Trading book	904,529	1,069,147
<i>Banks</i>	864,529	854,147
<i>Financial companies</i>	40,000	215,000

11.5 *Assets and liabilities by geographical area*

11.5a *Assets and liabilities by geographical area as at 30 June 2006*

	Domestic €'000	Other EU member states €'000	Rest of the world €'000	Total €'000
1. ASSETS	23,167,790	8,172,396	781,985	32,122,171
1.1 Amounts due from banks	3,841,297	2,595,010	182,289	6,618,596
1.2 Amounts due from customers	12,198,854	3,210,253	227,290	15,636,397
1.3 Securities	7,127,639	2,367,133	372,406	9,867,178
2. LIABILITIES	23,758,157	4,290,973	—	28,049,130
2.1 Amounts due to banks	1,435,222	3,520,650	—	4,955,872
2.2 Amounts due to customers	1,074,340	770,323	—	1,844,663
2.3 Debt securities	21,248,595	—	—	21,248,595
2.4 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	63,387,779	10,244,598	2,782,772	76,415,149

11.5b *Assets and liabilities by geographical area as at 30 June 2005*

	Domestic €'000	Other EU member states €'000	Rest of the world €'000	Total €'000
1. ASSETS	19,460,877	6,453,354	689,263	26,603,494
1.1 Amounts due from banks	2,215,746	1,189,078	180,627	3,585,451
1.2 Amounts due from customers	12,340,707	1,131,872	194,285	13,666,864
1.3 Securities	4,904,424	4,132,404	314,351	9,351,179
2. LIABILITIES	19,034,347	2,080,627	1,712,989	22,827,963
2.1 Amounts due to banks	2,227,299	1,859,495	1,701,350	5,788,144
2.2 Amounts due to customers	1,835,689	221,132	11,639	2,068,460
2.3 Debt securities	14,971,359	—	—	14,971,359
2.4 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	11,236,473	7,251,375	4,509,360	22,997,208

1.1.6 Assets and liabilities by maturity

1.1.6a Assets and liabilities by maturity as at 30 June 2006

	on demand €'000	Repayable										Perpetual €'000	Total €'000
		not more than 3 months €'000		over 3 months but not more than one year €'000		over 1 year but not more than 18 months €'000		over 18 months but not more than 3 years €'000		over 3 years €'000			
				fixed rate €'000	floating rate €'000	fixed rate €'000	floating rate €'000	fixed rate €'000	floating rate €'000	fixed rate €'000	floating rate €'000		
1. ASSETS	2,504,429	20,235,134	30,970,246	1,231,110	1,757,452	8,440,139	7,080,769	8,659,392	6,529,104	25,974	87,433,749		
1.1 Government securities eligible for refinancing	—	839	115,410	6,898	167,787	243,883	1,444,624	843,267	416,181	—	3,238,889		
1.2 Amounts due from banks	2,406,541	1,576,602	800,381	4,031	23,799	20,049	481,711	3,171	1,276,337	25,974	6,618,596		
1.3 Amounts due from customers	97,888	3,641,034	3,134,210	173,824	1,356,110	347,522	3,571,340	219,540	3,094,929	—	15,636,397		
1.4 Debt securities and other fixed-income securities	—	237,385	152,837	366,325	120,730	1,136,515	505,651	777,619	1,179,698	—	4,476,760		
1.5 Off-balance sheet instruments ¹	—	14,779,274	26,767,408	680,032	89,026	6,692,170	1,077,443	6,815,795	561,959	—	57,463,107		
2. LIABILITIES	1,199,571	31,416,569	20,192,956	823,037	2,541,074	6,773,167	9,573,123	8,246,220	4,746,520	—	85,512,237		
2.1 Deposits and loans from banks	875,068	2,111,285	800,406	31,598	49,544	110,366	380,109	31,950	565,546	—	4,955,872		
2.2 Amounts due to customers	304,704	999,364	540,595	—	—	—	—	—	—	—	1,844,663		
2.3 Debt securities in issue:	19,799	898,465	1,501,047	407,841	1,371,368	2,288,615	8,163,465	2,536,415	4,061,580	—	21,248,595		
• bonds	280	830,591	1,342,545	325,000	1,371,024	2,081,031	8,110,591	2,536,415	4,020,617	—	20,618,094		
• certificates of deposit	19,519	52,874	124,502	82,841	344	75,218	804	—	—	—	356,102		
• other debt securities	—	15,000	34,000	—	—	132,366	52,070	—	40,963	—	274,399		
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—		
2.5 Off-balance sheet instruments ¹	—	27,407,455	17,350,908	383,598	1,120,162	4,374,186	1,029,549	5,677,855	119,394	—	57,463,107		

¹ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

1.1.6a Assets and liabilities by maturity as at 30 June 2005

	Repayable										Perpetual €'000	Total €'000
	on demand €'000	not more than 3 months €'000	over 3 months but not more than one year €'000	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years		floating rate €'000		
				fixed rate €'000	floating rate €'000	fixed rate €'000	floating rate €'000	fixed rate €'000	floating rate €'000			
1. ASSETS	897,787	21,053,345	11,017,695	698,964	2,144,698	3,539,237	7,687,497	2,753,516	4,784,956	56,879	54,634,574	
1.1 Government securities eligible for refinancing	—	14,412	24,593	21,343	101,943	913,978	1,232,873	963,900	410,472	—	3,683,514	
1.2 Amounts due from banks	614,646	1,765,719	111,562	4,264	7,693	24,361	233,596	5,553	761,178	56,879	3,585,451	
1.3 Amounts due from customers	283,141	2,587,824	2,211,561	57,779	1,854,262	407,335	3,991,315	108,439	2,165,208	—	13,666,864	
1.4 Debt securities and other fixed-income securities	—	304,994	821,670	263,176	10,611	753,554	329,320	1,147,935	1,279,484	—	4,910,744	
1.5 Off-balance sheet instruments ¹	—	16,380,396	7,848,309	352,402	170,189	1,440,009	1,900,393	527,689	168,614	—	28,788,001	
2. LIABILITIES	2,706,506	16,514,824	14,144,956	961,576	1,168,181	2,398,697	7,695,635	2,259,672	3,704,534	61,383	51,615,964	
2.1 Deposits and loans from banks	1,217,929	1,664,046	1,061,614	185,858	49,738	174,347	534,431	81,857	818,324	—	5,788,144	
2.2 Amounts due to customers	1,470,554	440,624	17,881	78,000	—	18	—	—	—	61,383	2,068,460	
2.3 Debt securities in issue:	18,023	498,435	1,999,380	295,878	1,045,148	1,085,668	6,630,377	764,707	2,633,743	—	14,971,359	
• bonds	207	324,198	1,801,548	186,262	1,044,401	996,659	6,570,578	756,437	2,483,780	—	14,164,070	
• certificates of deposit	17,816	64,237	197,832	109,616	747	89,009	599	—	—	—	479,856	
• other debt securities	—	110,000	—	—	—	—	59,200	8,270	149,963	—	327,433	
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—	
2.5 Off-balance sheet instruments ¹	—	13,911,719	11,066,081	401,840	73,295	1,138,664	530,827	1,413,108	252,467	—	28,788,001	

¹ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

11.7 Assets and liabilities denominated in currencies other than Euros

	30/6/06 €'000	30/6/05 €'000
a) ASSETS		
1. Amounts due from banks	406,398	65,470
2. Amounts due from customers	463,100	457,445
3. Securities	174,255	73,607
4. Equity investments	124	227
5. Other accounts	20	26
	1,043,897	596,775
b) LIABILITIES		
1. Amounts due to banks	428,543	226,492
2. Amounts due to customers	—	24,520
3. Debt securities in issue	487,090	30,419
4. Other accounts	—	—
	915,633	281,431

11.8 Securities held as a result of securitizations by clients

11.8a As at 30 June 2006

Underlying asset	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES		—	—	—	—
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other receivables		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES		—	—	—	—
Home mortgage loans		—	—	—	—
Retail/industrial/farming mortgage loans	Performing	41,752	17,336	—	59,088
Property	Performing	58,306	—	—	58,306
Lease instalments	Performing	69,536	13,879	—	83,415
Factoring	Performing	5,027	—	—	5,027
Personal loans	Performing	433,270	—	—	433,270
Other receivables	Performing	21,431	—	—	21,431
	Non-performing	30,077	—	—	30,077
Social security contributions		—	—	—	—
		659,399	31,215	—	690,614
		659,399	31,215	—	690,614

11.8b As at 30 June 2005

	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES		—	—	—	—
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans	Performing	3,065	—	—	3,065
Retail/industrial/farming mortgage loans	Performing	—	—	—	—
Lease instalments	Performing	116,508	24,519	—	141,027
Other amounts due	Performing	32,506	13,843	—	46,349
	Non-performing	600,291	—	—	600,291
Social security contributions		29,964	—	—	29,964
		782,334	38,362	—	820,696
		782,334	38,362	—	820,696

12. Assets managed and traded for third parties

12.1 Securities traded

	30/6/06 €'000	30/6/05 €'000
a) PURCHASES	20,638,248	15,132,153
1. settled	20,077,303	14,349,355
2. pending settlement	560,945	782,798
b) SALES	20,199,524	15,648,516
1. settled	19,638,579	14,865,718
2. pending settlement	560,945	782,798

12.3 Securities under custody and administration

	30/6/06 €'000	30/6/05 €'000
a) CLIENTS' SECURITIES HELD:	4,289,689	4,844,593
1. Securities issued by MEDIOBANCA	357,299	365,591
a/1) <i>under custody</i>	279,335	365,591
a/2) <i>as collateral</i>	77,964	—
2. Other securities	3,932,390	4,479,002
a/1) <i>under custody</i>	1,361,727	1,106,079
a/2) <i>as collateral</i>	2,570,663	3,372,923
b) CLIENTS' SECURITIES HELD BY CLIENTS	3,913,143	3,306,431
c) OWN SECURITIES HELD BY CLIENTS	8,431,223	8,487,638

C. NOTES TO THE PROFIT AND LOSS ACCOUNT OF THE BANK

1. Interest

1.1 Heading 10: *Interest receivable and similar income*

	2005/06 €'000	2004/05 €'000
a) Interest on amounts due from banks <i>of which: amounts due from central banks</i>	105,811	112,462
b) Interest on amounts due from customers <i>of which: on loans and advances using clients' funds under management</i>	967 499,859	1,285 457,204
c) Interest on debt securities	244,375	222,289
d) Other interest receivable	—	—
e) Surplus on hedging margins	121,350	122,622
	971,395	914,577

1.2 Heading 20: *Interest payable and similar expenses*

	2005/06 €'000	2004/05 €'000
a) Interest on amounts due to banks	195,263	165,125
b) Interest on amounts due to customers	39,017	73,835
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	561,247 ¹ 9,542 ¹	514,802 ¹ 13,437 ¹
d) Interest on funds under management	—	—
e) Interest on subordinated liabilities	—	—
f) Shortfall on hedging margins	—	—
	795,527	753,762

¹ Includes commission on deposits.

1.3 *Non-Euro interest and similar income receivable under Heading 10*

	2005/06 €'000	2004/05 €'000
a) Interest receivable and similar income on assets denominated in currencies other than Euros	34,899	18,694

1.4 *Non-Euro interest and similar expenses payable under Heading 20*

	2005/06 €'000	2004/05 €'000
a) Interest payable and similar expenses on liabilities denominated in currencies other than Euros	22,301	13,835

2. Commissions

2.1 Heading 40: *Commissions receivable*

	2005/06 €'000	2004/05 €'000
a) Guarantees given	5,379	2,703
b) Credit derivatives	4,009	4,153
c) Management trading and advisory services:	74,705	80,852
1. securities dealing	20,133	13,473
2. currency dealing	—	—
3. asset management	—	—
3.1 private individuals	—	—
3.2 groups	—	—
4. securities under custody and administration	—	—
5. bank deposits	—	—
6. securities placing	54,570	67,379
7. procurement of orders	2	—
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 private individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other	—	—
d) Collection and payment services	68	53
e) Securitization servicing	—	—
f) Tax collection and receipt services	—	—
g) Other services:	125,524	79,368
• commissions on loans to customers	56,713	42,294
• advisory fees from clients	68,797	37,040
• other commissions	14	34
	209,685	167,129

2.2 Heading 40: *Fees receivable in respect of product and service distribution*

	2005/06 €'000	2004/05 €'000
a) On the Bank's own premises	54,570	67,379
1. Asset management	—	—
2. Securities placing ¹	54,570	67,379
3. Services and products provided by third parties	—	—
b) Elsewhere	—	—
1. Asset management	—	—
2. Securities placing	—	—
3. Services and products provided by third parties	—	—
	54,570	67,379

¹ Mainly fees received for acting as global co-ordinator and from sales to institutional investors.

2.3 Heading 50: *Commissions payable*

	2005/06 €'000	2004/05 €'000
a) Guarantees received	—	—
b) Credit derivatives	4,483	3,952
c) Management and trading services:	2,992	9,554
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
3.1 own portfolio	—	—
3.2 clientes' portfolios	—	—
4. securities under custody and administration	920	1,405
5. securities placing	2,072	8,149
6. door-to-door sales of securities, products and services	—	—
d) Collection and payment services	—	—
e) Other services:	8,261	6,535
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	704	955
• commissions payable to brokers for securities and derivatives trading	3,954	3,047
• commissions on loans	3,603	2,533
• other commissions	—	—
	15,736	20,041

3. Gains and losses on dealing transactions

3.1 Heading 60: *Gains (losses) on dealing transactions*

3.1a Gains (losses) on dealing transactions in the year ended 30 June 2006

	Securities transactions €'000	Currency transactions €'000	Other transactions €'000	Total €'000
A.1 Revaluations	17,408 ¹	—	5,403	22,811
A.2 Writedowns	(197,169) ²	—	58,739	(138,430)
B. Other gains (losses)	73,167 ^{3 4}	(9,696)	(55,205)	8,266
	(106,594)	(9,696)	8,937	(107,353)
<i>of which:</i>				
1. <i>Government securities</i>	5,734			
2. <i>Other debt securities</i>	(141,147)			
3. <i>Equities</i>	4,284			
4. <i>Securities derivatives</i>	24,535			

¹ Includes €165,000 relating to fixed-income securities and €5,616,000 to equities.

² Includes €124,302,000 relating to fixed-income securities and €25,511,000 to equities.

³ Comprises net losses of €11,276,000 on fixed-income dealing, net gains of €24,179,000 on equities, net negative margins of €7,940,000 on futures, and €52,322,000 in gains on options.

⁴ Covered by dividends of €76,739,000 collected from arbitrage transactions.

3.1b Gains (losses) on dealing transactions in the year ended 30 June 2005

	Securities transactions €'000	Currency transactions €'000	Other transactions €'000	Total €'000
A.1 Revaluations	4,694 ¹	—	166	4,860
A.2 Writedowns	(15,660) ²	—	(26,201)	(41,861)
B. Other gains (losses)	180,400 ^{3 4}	4,824	(80,615)	104,609
	169,434	4,824	(106,650)	67,608
<i>of which:</i>				
1. <i>Government securities</i>	(22,475)			
2. <i>Other debt securities</i>	166,141			
3. <i>Equities</i>	4,474			
4. <i>Securities derivatives</i>	21,294			

¹ Includes €4,282,000 relating to fixed-income securities.

² Includes €18,219,000 relating to fixed-income securities and €211,000 to equities.

³ Comprises net gains of €159,348,000 on fixed-income securities dealing, net gains of €2,478,000 on equities, net negative margins of €131,028,000 on exchange rate derivatives, and €150,441,000 in positive margins on derivatives.

⁴ Covered by dividends of €45,613,000 collected from arbitrage transactions.

4. Administrative expenses

4.1. Average number of employees by category

	2005/06 €'000	2004/05 €'000
a) Senior executives	63	58
b) Executives	147	134
c) Other staff	185	193
	395	385

Heading 80: Administrative expenses

	2005/06 €'000	2004/05 €'000
a) PERSONNEL COSTS:		
• wages and salaries	70,511	57,126
• social security charges	18,432	15,895
• severance indemnities	4,483	3,781
• post-retirement benefits	4,709	3,455
	98,135	80,257
b) OTHER ADMINISTRATIVE EXPENSES:		
• outside consultants' fees	16,509	14,958
• share and bond administration	5,621	4,834
• insurance	687	537
• research and publications	2,245	2,258
• donations to charities	512	446
• rent	1,331	1,306
• maintenance repairs and refurbishment	3,837	6,481
• service lease instalments	476	466
• financial information subscriptions	5,878	5,054
• stationery and publication costs	1,613	1,717
• membership subscriptions	494	477
• postal, telephone, fax and telex charges	834	857
• utilities	636	539
• newspapers magazines and library acquisitions	285	263
• travel and entertainment	3,434	2,796
• EDP services	14,804	9,673
• reimbursements in respect of employees seconded to the Bank	204	887
• sundry administrative expenses	4,010	3,017
	63,410	56,566
• indirect taxation:		
• "substitutive" and other taxes	4,361 ¹	19,122
	4,361	19,122
Total other administrative expenses	67,771	75,688
	165,906	155,945

¹ Of which €1,026,000 relating to "substitutive" tax in respect of franking of loan loss provision pursuant to Italian Law 342/00.

5. Adjustments writebacks and transfers to provisions

Heading 90: *Adjustments to tangible and intangible assets*

	2005/06 €'000	2004/05 €'000
a) Intangible assets	192	624
b) Tangible assets	3,516	1,760
• <i>premises</i>	816	788
• <i>plant</i>	311	717
• <i>furniture</i>	2,389	255
	3,708 ¹	2,384 ¹

¹ Depreciation on premises has been charged at the rates prescribed in an Italian Ministerial Decree issued on 31/12/88. As in the past, the cost of plant and furniture acquired during the period has been fully written off.

Heading 150: *Adjustments to financial fixed assets*

	2005/06 €'000	2004/05 €'000
Losses on:		
a) Investment securities	—	—
b) Equity investments	75,952	10,501
c) Investments in Group undertakings	30	25
	75,982	10,526

Heading 160: *Writebacks on financial fixed assets*

	2005/06 €'000	2004/05 €'000
Writebacks of:		
a) Investment securities	—	—
b) Equity investments	110,419	71,203
c) Investments in Group undertakings	—	—
	110,419	71,203

6. Other profit and loss headings

6.1 Heading 70: *Other income from operations*

	2005/06 €'000	2005/06 €'000
Options exercised to hedge index-linked bonds	45,701	5,587
Tax recovered from customers	1,586	1,401
Expenses recovered	700	231
Directors' fees	1,140	1,006
Rent received	4,290	4,220
Other operating income	3,660	2,499
	57,077	14,944

6.2 Heading 110: *Other operating expenses*

	2005/06 €'000	2004/05 €'000
Additional charges on index-linked bonds	45,701	5,587
Leasing instalments paid on properties and additional charges	7,121	7,057
Other expenses	309	—
	53,131	12,644

6.3 Heading 180: *Extraordinary income*

	2005/06 €'000	2004/05 €'000
Gain on sale of financial fixed assets	106,804	38,630
Gain on sale of tangible fixed assets	2	8
Contingent assets and sundry other income ¹	4,898	8,744
Elimination of tax interference	—	319,627
	111,704	367,009

¹ Of which €4,777,000 relating to export finance transactions to countries at risk covered by transfers to loan loss provision.

6.4 Heading 190: *Extraordinary expenditure*

	2005/06 €'000	2004/05 €'000
Loss on disposal of financial fixed assets	203	169
Other extraordinary expenditure	1,028	715
	1,231	884

6.5a Heading 220: *Income taxes as at 30 June 2006*

	Corporate income tax €'000	Local production tax €'000	Other taxes €'000	Total €'000
Current taxes	(25,000)	(10,000)	(660)	(35,660)
Increase (decrease) in advance taxes	(12,309)	1,579	—	(10,730)
Increase (decrease) in deferred taxes	(3,472)	—	—	(3,472)
Income taxes for the year	(40,781)	(8,421)	(660)	(49,862)

6.5b Heading 220: *Income taxes as at 30 June 2005*

	Corporate income tax €'000	Local production tax €'000	Other taxes €'000	Total €'000
Current taxes	(40,308)	(13,493)	(2,360)	(56,161)
Increase (decrease) in advance taxes	24,210	90	—	24,300
Increase (decrease) in deferred taxes	11,402	—	—	11,402
Income taxes for the year	(4,696)	(13,403)	(2,360)	(20,459)

Reconciliation between ordinary and effective tax rate

	30/6/06		30/6/05	
	Corporate income tax		Corporate income tax	
	Amount	%	Amount	%
Ordinary applicable tax rate	—	33.00%	—	33.00%
Withdrawal from provision for general banking risks	—	—	(100,500)	(7.20%)
Transfer to loan loss provision	(54,000)	(3.27%)	(76,000)	(5.45%)
Dividends writebacks and gains on shareholdings	(340,000)	(20.62%)	(263,683)	(18.90%)
Other permanent differences	(28,315)	(1.62%)	6,845	0.09%
Effective tax rate		7.49%		1.54%

7. Segmental information

7.1 *Income by geographical area*

7.1a Income by geographical area in the year ended 30 June 2006

	Italy €'000	Other EU member states €'000	Rest of the world €'000	Total €'000
Interest receivable and similar income	657,004	327,827	(13,436)	971,395
Dividends and other income	301,251	4,176	1,840	307,267
Commissions receivable	188,651	19,533	1,501	209,685
Gain (loss) on dealing transactions	(125,109)	25,549	(7,793)	(107,353)
Other operating income	22,824	34,247	6	57,077
	1,044,621	411,332	(17,882)	1,438,071

7.1b Income by geographical area in the year ended 30 June 2005

	Italy €'000	Other EU member states €'000	Rest of the world €'000	Total €'000
Interest receivable and similar income	650,492	227,702	36,383	914,577
Dividends and other income	175,858	6,943	556	183,357
Commissions receivable	140,823	22,671	3,635	167,129
Gain (loss) on dealing transactions	117,362	(63,705)	13,951	67,608
Other operating income	10,113	4,806	25	14,944
	1,094,648	198,417	54,550	1,347,615

D. OTHER INFORMATION

1. Directors and Statutory Auditors

	2005/06 €'000	2004/05 €'000
1.1 Emoluments:		
a) Directors	10,318	10,626
b) Statutory Auditors	120	120
1.2 Loans granted and guarantees given to:		
a) Directors ¹	1,196,615	840,408
b) Statutory Auditors	—	—

¹ Amounts include transactions with companies in which Directors of the Bank have a beneficial interest within the terms provided for by law.

Remuneration paid to Directors Statutory Auditors General Managers and other management with strategic responsibilities

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Description			Remuneration			
	Position	Period during which position held	Term expires ^{&}	Fee €'000 ¹	Fringe benefits	Bonuses and other incentives	Other compensation €'000
Gabriele GALATERI di GENOLA	Chairman*	01/07/05 - 30/06/06	30/06/2006	1,911	34	800	
Cesare GERONZI	Vice Chairman*	01/07/05 - 30/06/06	30/06/2007	305			
Carlo SALVATORI	Vice Chairman*	01/07/05 - 30/06/06	14/09/2006	394			
Matteo ARPE	Director*	01/07/05 - 30/06/06	30/06/2006	397			
Jean AZEMA.....	Director	01/07/05 - 30/06/06	30/06/2006	394			
Tarak BEN AMMAR	Director	01/07/05 - 30/06/06	30/06/2006	412			
Gilberto BENETTON	Director	01/07/05 - 30/06/06	30/06/2008	406			
Antoine BERNHEIM	Director	01/07/05 - 30/06/06	30/06/2008	408			
Vincent BOLLORE'	Director*	01/07/05 - 30/06/06	30/06/2006	424			
Carlo BUORA.....	Director*	01/07/05 - 30/06/06	30/06/2008	394			
Giancarlo CERUTTI	Director	01/07/05 - 30/06/06	30/06/2008	415			
Roberto COLANINNO	Director	01/07/05 - 30/06/06	30/06/2007	412			
Ennio DORIS	Director	01/07/05 - 30/06/06	30/06/2006	403			
Gianluigi GABETTI	Director	01/07/05 - 30/06/06	30/06/2007	408			
Berardino LIBONATI	Director	01/07/05 - 30/06/06	30/06/2007	408			
Jonella LIGRESTI.....	Director	01/07/05 - 30/06/06	30/06/2007	394			
Fabrizio PALENZONA.....	Director*	01/07/05 - 30/06/06	28/10/2008	424			
Carlo PESENTI	Director	01/07/05 - 30/06/06	30/06/2008	408			
Alessandro PROFUMO	Director	01/07/05 - 30/06/06	30/06/2008	394			
Eric STRUTZ	Director*	01/07/05 - 30/06/06	28/10/2008	406			
Alberto NAGEL	General Manager	01/07/05 - 30/06/06	=		4	1,700	800
MANAGEMENT with strategic responsibilities**					16	5,400	2,343
Angelo CASÓ	Chairman of Statutory Audit Committee	01/07/05 - 30/06/06	30/06/2006	50			
Mario Andrea ARBUFFO.....	Standing Statutory Auditor	01/07/05 - 30/06/06	30/06/2006	35			
Eugenio PINTO	Standing Statutory Auditor	01/07/05 - 30/06/06	30/06/2006	35			

[&] Term expires at AGM to approve accounts for year ended at date indicated.

* Member of Executive Committee.

** Aggregate data.

N.B. The fees of Matteo ARPE, Jean AZEMA, Carlo BUORA, Carlo PESENTI and Alessandro PROFUMO will be paid direct to their companies.

**STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND OTHER MANAGEMENT
WITH STRATEGIC RESPONSIBILITY**

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Position	Options at beginning of financial year			Options granted			Options exercised			Options expiring		Options at end of financial year			
		No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	No. of options	Avg. market price at exercise	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price
Gabriele GALATERI	Chairman	2,000,000	10,865	5 years	—	—	—	—	—	—	—	—	—	2,000,000	10,865	4 years
Alberto NAGEL	General Manager	3,175,000	8,352	Over 5 years	300,000	15,261	Over 5 years	2,550,000	8,387	15,325	—	—	—	925,000	10,498	Over 5 years
MANAGEMENT with strategic responsibilities*		9,915,000	8,339	Over 5 years	1,200,000	15,261	Over > 5 years	7,962,500	8,379	15,707	—	—	—	3,152,500	10,873	Over 5 years

* Aggregate data.

2. Parent company or parent bank in European Union

The requirement to give particulars of any such parent does not apply to MEDIOBANCA since it is a parent company in its own right and prepares Group consolidated accounts.

**ANNUAL STATEMENT ON CORPORATE GOVERNANCE
IN COMPLIANCE WITH THE CODE OF CONDUCT
FOR LISTED COMPANIES**

**ANNUAL STATEMENT ON CORPORATE GOVERNANCE
IN COMPLIANCE WITH THE CODE OF CONDUCT
FOR LISTED COMPANIES**

THE COMPANY

Mediobanca was set up in 1946. Its core businesses are lending and investment banking, helping its clients, which include leading Italian corporates as well as numerous medium-size businesses and several international groups, to grow by providing them with professional advisory services as well as traditional medium-term bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group subsidiaries Compass and Micos Banca), leasing (via the SelmaBipiemme group), and private banking (via Compagnie Monégasque de Banque and Banca Esperia). Mediobanca shares have been listed on the Milan stock market since 1956.

SHARE CAPITAL AND OWNERSHIP

The Bank's share capital at 30 June 2006 totalled € 405,998,582.50, made up of 811,997,165 par value € 0.50 ordinary shares.

Since 1998 shareholders of the Bank have adopted resolutions in general meetings to increase the company's share capital under the terms of the stock option schemes operated by Mediobanca restricted to Directors of the Bank and Group employees. To date a total of 13,000,000 stock options in respect of a like number of shares remain unassigned.

Mediobanca has approximately 57,000 shareholders. Shareholders representing just over half the Bank's share capital have entered into an agreement aimed at preserving a stable shareholder base combined with a representative Board of Directors in order to ensure consistent management objectives. The agreement is filed with the Milan Companies' Register, and an excerpt from it may be found on the Bank's institutional website at www.mediobanca.it.

GOVERNING BODIES

- Shareholders in general meetings
- Board of Directors
- Executive Committee
- Chairman of Board of Directors
- General Manager
- Statutory Audit Committee

BOARD OF DIRECTORS: COMPOSITION AND FUNCTION

The Bank is governed by a Board of Directors, comprising 20 members who usually meet at least five times a year, which is organized and functions in such a way as to ensure that its duties are discharged effectively. The Board met on a total of eight occasions last year, and at least another six meetings are scheduled for 2006-2007.

The Articles of Association currently in force provide that the Board has exclusive responsibility for the following areas:

- approval of the Bank's strategic guidelines and risk management policies;
- identifying equity investments deemed to be strategic or permanent; acquiring equity investments deemed to be strategic or permanent involving aggregate outlay in excess of € 500m; authorizing the increase or reduction of such holdings;
- acquisition or disposal of equity interests which would alter the composition of the Banking Group; determining principles in respect of the co-ordination and management of the Banking Group, and decisions to be adopted in carrying out instructions from the Bank of Italy;
- appointment and removal of the General Manager and, at the recommendation of the General Manager, of other members of the Bank's managerial staff, determining their powers;
- proposals to increase the Company's share capital, or issue convertible bonds or otherwise involving break-ups, or approval of non-intra-group mergers and spin-offs;
- approval of amendments to internal codes of conduct.

The Articles also provide for the Board to pass resolutions concerning mergers in the cases provided for under Articles 2505 and 2505-bis of the Italian Civil Code; the institution or removal of branch offices; reductions to the Company's share capital as a result of shareholders exercising their right of withdrawal; amendments to the Articles themselves in compliance with regulatory requirements; and transfer of the Company's headquarters within Italian territory.

The Board of Directors currently in office is made up as follows:

Name	Office	Date appointed*	Term expires**
Gabriele GALATERI di GENOLA	Chairman	28/10/2003	30/6/2006
Cesare GERONZI	Deputy Chairman	29/10/2004	30/6/2007
Dieter RAMPL***	Deputy Chairman	15/09/2006	****
Matteo ARPE	Director	28/10/2003	30/6/2006
Jean AZEMA	Director	28/10/2003	30/6/2006
Tarak BEN AMMAR	Director	28/10/2003	30/6/2006
Gilberto BENETTON	Director	28/10/2005	30/6/2008
Antoine BERNHEIM	Director	28/10/2005	30/6/2008
Vincent BOLLORE'	Director	28/10/2003	30/6/2006
Carlo BUORA	Director	28/10/2005	30/6/2008
Giancarlo CERUTTI	Director	28/10/2005	30/6/2008
Roberto COLANINNO	Director	28/10/2004	30/6/2007
Ennio DORIS	Director	28/10/2003	30/6/2006
Gianluigi GABETTI	Director	28/10/2004	30/6/2007
Berardino LIBONATI	Director	28/10/2004	30/6/2007
Jonella LIGRESTI	Director	28/10/2004	30/6/2007
FabrizioPALENZONA	Director	28/10/2005	30/6/2008
Carlo PESENTI	Director	28/10/2005	30/6/2008
Alessandro PROFUMO	Director	28/10/2005	30/6/2008
Eric STRUTZ	Director	28/10/2005	30/6/2008

* Refers to term currently in progress.

** Term expires at AGM to approve accounts for year ended on date indicated.

*** Replaces Carlo Salvatori, who resigned with effect from 14 September 2006.

**** Next AGM.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager and Secretary to the Board of Directors and Executive Committee, also take part in Board meetings.

With the partial exception of the Chairman, the Board is made up of non-executive Directors, in the sense that they have no executive powers or management functions in respect of the Bank's operations, to ensure their opinion carries due weight in the decision-making process. The Directors' independence is assessed annually by the Board on the occasion of approval of the Bank's annual draft accounts, based on information provided by the Directors themselves, and on appointment each Director makes a statement regarding his/her eligibility to serve as an independent director. Of the Directors currently in office, the following qualify as independent: Tarak BEN AMMAR, Roberto COLANINNO, Berardino LIBONATI and Fabrizio PALENZONA, plus the Chairman Gabriele GALATERI di GENOLA, despite his being vested with certain executive powers.

The Chairman is responsible for convening meetings of the Board of Directors and Executive Committee, for setting the agenda thereat, and for ensuring that all Board and Committee members are supplied in advance with adequate material regarding items on the agenda, insofar as this is possible in respect of matters of urgency and/or obligations of confidentiality.

In accordance with the principles laid down by the Code and despite the fact that the Bank's Articles of Association do not explicitly require it to do so, proposals for appointment to the position of Director, along with information regarding the candidates' professional qualifications and fitness to hold such office including their ability to qualify as independent Directors where this is appropriate, are insofar as is possible lodged at the Company's headquarters at least ten days prior to the date on which the Annual General Meeting is due to be held. Directors in situations of conflict of interest with the Bank pursuant to Article 2390 of the Italian Civil Code are authorized to carry out their duties as Board members by shareholders of Mediobanca gathered in general meeting upon the occasion of their election.

No provision is made in the Articles of Association for voting lists in respect of the appointment of Directors. However, such provision will be made as and when the Articles are amended in line with Italian Law 262/05 governing protection of investment within the term required by law.

A list of Directorships or posts on Statutory Audit Committees held by members of Mediobanca's Board of Directors in other companies listed on regulated markets in Italy or elsewhere, in financial service companies, banks or insurance companies, or in other large corporates, is attached as an annex hereto.

EXECUTIVE COMMITTEE

The Board appoints an Executive Committee, which consists of eight members including the Chairman and Deputy Chairmen, who are members *ex-officio*. The Committee:

- lays down guidelines for the organization and supervision of the Company's business, where necessary drawing up suitable internal regulations to this end, which it submits to the Board for approval;
- examines the General Manager's business proposals with a view to keeping the Company's affairs under review and taking decisions on the granting of loans or any other aspect of Company operations on the basis of such proposals within the limits laid down by the Board, and without prejudice to those decisions for which the Board has sole responsibility and its right to delegate pursuant to Article 15 of the Company's Articles of Association. In urgent cases, the Executive Committee may take resolutions upon any matter or transaction, save those in respect of strategic or permanent equity investments, and report to the Board thereon at its next successive meeting.

As laid down in the Company's Articles of Association, the Executive Committee reports to the Board of Directors every three months on the general operating performance and expected future trends, as well as the most significant transactions carried out by the Company and/or any of its subsidiaries in terms of amount or importance.

Executive Committee meetings in the normal course of events are held once a month, with nine meetings having been held during the past financial year and at least a further eight meetings scheduled for the coming twelve-month period.

Members of the Executive Committee currently in office are: Gabriele GALATERI di GENOLA, Cesare GERONZI, Dieter RAMPL, Matteo ARPE, Vincent BOLLORE', Carlo BUORA, Fabrizio PALENZONA and Eric STRUTZ.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager, also take part in Executive Committee meetings.

OTHER COMMITTEES

Under the powers vested in it by the Company's Articles of Association, the Board has set up three further committees with particular duties and responsibilities:

- *Internal control committee*: currently made up of Carlo BUORA (Chairman), Vincent BOLLORE', Berardino LIBONATI and Fabrizio PALENZONA. Internal control committee meetings are also attended by the Chairman of the Board, the Chairman of the Statutory Audit Committee (or another Statutory Auditor delegated by the Chairman), the General Manager and Co-General Manager, and, at the committee's invitation, the head of the Bank's internal audit unit and other members of the Bank's senior management.

The committee:

- a) assists the Board of Directors in setting strategic guidelines for the Bank's internal control system and regular review of its adequacy and the effectiveness of its performance, identifying corporate risks facing the Bank and deciding how best to manage them;
- b) assesses the annual working plan and reviews the regular reports drawn up by the unit responsible for internal;
- c) is kept informed by the Bank's heads of administrative staff and by the external auditors of any changes to the accounting policies adopted by the Bank, and assesses their suitability and compatibility in view of the drawing up of the Bank's accounts;

- d) reviews applications submitted by auditing companies to obtain mandates to act as the Bank's external auditors, working plans drawn up in respect of the auditing process, and the results thereof, as contained in the external auditors' report and accompanying letter of suggestions, if any;
- e) carries out any further duties assigned to it by the Board of Directors, including with regard to the Bank's relations with the external auditors.

The committee reports to the Board every six months, on the occasion of review of the annual and interim accounts and report, on the activities it has carried out in the period concerned, the adequacy of the Bank's internal control system, and relations with the Bank's external auditors.

The committee met on a total of four occasions last year.

- *Remunerations committee*, this consists of the Chairman, the two Deputy Chairmen, and Directors Tarak BEN AMMAR, Berardino LIBONATI and Fabrizio PALENZONA, all of whom qualify as independent. The General Manager and Co-General Manager also take part in committee meetings in an advisory capacity and put forward proposals. The Remuneration committee's purpose is to:
 - a) determine remuneration packages for the Chairman, in agreement with the Statutory Audit Committee, the General Manager and the Co-General Manager;
 - b) determine the criteria for remuneration of senior Bank management, including in respect of granting stock options, if any, based on proposals made by the General Manager in agreement with the Chairman.

Although not expressly required to do so, the committee takes decisions in respect of the foregoing areas with the persons concerned absent.

The Remuneration committee met on one occasion last year.

- *Appointments committee*, this consists of the Chairman and two Deputy Chairmen. The General Manager and Co-General Manager also take part in meetings in an advisory capacity.

The committee adopts decisions to be taken at general meetings of companies in which the Bank has permanent or strategic equity interests in respect of appointments to governing bodies, based on proposals made by the Chairman, the General Manager and the Co-General Manager. Decisions are taken with a view to: maintaining the operational independence of the investee companies; giving priority to the professional qualifications of the candidates; and maximizing creation of shareholder value. Decisions are taken on a simple majority basis.

This committee met on a total of six occasions last year.

The Board has not assigned duties to the Appointments committee in respect of proposals for candidates to appointment as Directors of Mediobanca. Such tasks fall within the jurisdiction of the Bank's shareholders, who have always put forward candidates in possession of the requisite characteristics to act as bank representatives in terms of professional and personal attributes. Effective possession of such requisites by the candidate is subsequently reviewed by the Board at its first meeting following his or her appointment and, without prejudice to the foregoing, within the term set by law.

RELATED PARTY DISCLOSURE

The Board of Directors has resolved that accounts with related parties, maintained on an arm's length basis and entered into in the interests of the Bank itself, including with Group undertakings, should in the normal course of events be approved by the relevant governing body pursuant to:

- Articles 15 and 20 of the Company's Articles of Association, which lay down the respective powers of the Board of Directors and Executive Committee;
- the Board resolution in respect of powers;
- the provisions of Article 136 of the Italian Consolidated Banking Act regarding undertakings entered into directly and/or indirectly by representatives of the Group.

In application of such resolution, an internal procedure has been set in place to evaluate the terms of transactions falling into the above category, even if such transactions are carried out via subsidiaries. Submissions for approval to the relevant governing body state that a transaction has been carried out with a related party and that the terms thereof do not diverge from those usually applied by the Bank in transactions of a similar nature.

Atypical transactions or accounts not maintained on an arm's length basis are subject to resolution by the Board. Although not expressly required to do so, the Board may choose to avail itself of independent experts in assessing any such transaction.

Atypical transactions, if not approved by the Board itself, must be reported to the Board.

Each Director is bound to inform the Bank in a timely manner of any transactions entered into by the Bank with related parties through his or her agency, and in the event of his/her being in attendance at the meeting where the said transaction is due to be approved, he/she shall leave the meeting immediately while the matter is discussed.

INTERNAL DEALING

The Board of Directors has also approved a code of conduct in respect of internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca carried out by persons defined as “relevant”. Such relevant persons have all subscribed to the code, and undertake to inform Mediobanca by the third calendar day following execution of each such transaction involving said equity instruments. Mediobanca then discloses all such information to the market, within the terms and according to the methods laid down by the regulations governing markets operated and run by Borsa Italiana S.p.A. and related instructions. Relevant persons may not effect such transactions in the 30 days prior to the date on which the Board’s approval of the Bank’s draft annual and interim accounts is made public, nor in the 15 days prior to approval of the quarterly accounts. Disclosure is not required in the case of exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed.

CONFIDENTIAL AND PRICE-SENSITIVE INFORMATION

The Bank releases information on its and the Banking Group’s performance, and information otherwise required by regulatory authorities to be disclosed to the market, in ways that enable it to have the widest possible circulation in the briefest possible period of time, without prejudice to obligations of confidentiality. Price-sensitive information is released only upon approval being received from the Board of Directors or General Management, save where otherwise provided by regulatory requirement or by law.

The Board of Mediobanca has also approved an internal control system, which sets out principles and restrictions for Directors, Statutory Auditors, employees, advisors, outside staff and suppliers on how confidential information should be treated with a view to avoiding its being used in personal transactions and/or transactions carried out on behalf of others. Reflecting recent changes to regulations in respect of market abuse, the system provides for lists to be set up detailing the individuals in possession of privileged information regarding Mediobanca and its customers.

SHAREHOLDERS AND INVESTOR RELATIONS

Mediobanca is fully aware of the importance of maintaining good relations with its shareholders, encouraging them to attend General Meetings, and sending shareholders with a recent record of attendance copies of annual reports and other relevant information at home. Material of this kind is also made available on the Bank’s institutional website at www.mediobanca.it in English and Italian.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations and Media relations offices, which report to the General Management and Chairman respectively.

The Bank has not adopted a specific set of regulations for holding General Meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman to be responsible for ascertaining that proxies and rights to attend are in order and for presiding over the proceedings, a task that includes determining the order in which items on the agenda are to be put to the vote. In all cases, votes are taken by a show of hands.

INTERNAL AUDIT AND CONTROL

As required by Bank of Italy regulations, Mediobanca maintains an internal audit function which reports directly to the Chairman. This function is organized so as to ensure that the Bank's internal control system functions effectively and efficiently on an ongoing basis. Control is extended to the other companies in the Banking Group both by the function itself and via its co-ordination of the corresponding subsidiaries' units. The function also provides control over the activity of securities brokerage, as required by Consob regulations, has access to all useful information and has adequate means to conduct all its own duties. The head of internal audit also monitors internal control as provided by the system adopted by Mediobanca pursuant to Italian Legislative Decree 231/01 under a Board resolution approved on 11 March 2004. The internal audit function has regular meetings with the Statutory Audit Committee to keep it informed of the activities carried out, and provides the Statutory Auditors with support for their own supervisory activities. The internal audit function reports to the Internal control committee and the Board on a six-monthly basis, submitting one report of the status and adequacy of the Bank's internal control system, and a second on the workings of and compliance with the system implemented pursuant to Italian Legislative Decree 231/01. It also reports to the Internal control committee and Statutory Auditors' Committee on risk management methods and monitoring plans adopted by the Bank. The Internal audit function also prepares an annual report on securities brokerage activity as required by Consob regulations. The head of the internal audit function also takes part in meetings of the Internal control committee.

STATUTORY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Statutory Audit Committee comprises three Standing Auditors and three Alternate Auditors, who are elected from lists that must be lodged at least fifteen days prior to the date set for the General Meeting in the first instance, accompanied by a *curriculum vitae* for each of the candidates, together with a declaration by the candidates themselves stating acceptance of their nomination and attesting under their own responsibility that they are qualified to stand for election under the law and the Bank's Articles of Association. The Articles in particular stipulate

that candidates already serving as Standing Auditors in five other companies listed on regulated markets in Italy, or as Directors, senior executives or managers of companies or entities or in any way involved in the management of enterprises directly or indirectly or through controlled companies engaged in business in the same sectors as Mediobanca may not be elected as Standing Auditors. The Articles also provide that lists may be submitted by shareholders holding in the aggregate not less than 3% of the Company's share capital, provided they have been registered in the Company's books as holding such aggregate percentage of the Company's shares for at least six months prior to the date on which the General Meeting to which the list is to be submitted has been convened. In this connection, a single list was submitted to the Annual General Meeting held on 28 October 2003, convened *inter alia* with a view to appointing Statutory Auditors.

The Statutory Audit Committee in office until the Annual General Meeting to be held to adopt the accounts for the financial year ending 30 June 2006 is made up as follows:

Angelo CASO'	Chairman
Mario Andrea ARBUFFO	Standing Auditor
Eugenio PINTO	Standing Auditor
Guido CROCI	Alternate Auditor
Antonio IZZI	Alternate Auditor
Alessandro Ludovico TROTTER	Alternate Auditor

The Statutory Audit Committee monitors compliance with the law and the Bank's memorandum of incorporation, respect of sound management principles, and in particular the adequacy of the organizational, administrative and accounting systems operated by the Bank and their functioning. The Statutory Audit Committee is kept informed of the business and most significant financial transactions carried out by the Company and its subsidiaries, with particular reference to transactions where the Directors or related third parties have an interest, by attending all meetings of the Board of Directors and Executive Committee. Information given to the Statutory Audit Committee outside meetings of the Board of Directors and Executive Committee is conveyed to the Chairman of the Committee in writing.

During the financial year ended 30 June 2006, the Statutory Audit Committee met on a total of eight occasions, and several times met with representatives of the Bank's external auditors who are responsible for inspection of the Company's accounts pursuant to Article 155 of the Italian Consolidated Law on Finance.

At an Annual General Meeting held on 28 October 2003, Reconta Ernst & Young were appointed to act as external auditor to the Bank and Banking Group for the three-year period ending 30 June 2006 in respect of its annual and interim accounts, and to perform other duties provided for under Article 155 of the Italian Consolidated Law on Finance.

Milan, 15 September 2006

Table 1: BOARD OF DIRECTORS/COMMITTEES - COMPOSITION

Board of Directors							Executive Committee		Internal Control Committee		Remuneration Committee		Appointments Committee	
Post	Name	Exe- cutive	Non exe- cutive	Indep- endent	**** §	No. of other posts held **	***	**** §	***	**** §	***	**** §	***	**** §
Chairman	Gabriele Galateri di Genola	X		YES	100%	9	X	100%			X	100%	X	100%
Deputy Chairman	Cesare Geronzi		X	NO	80%	1	X	20%			X	100%	X	—
Deputy Chairman	Carlo Salvatori*		X	NO	87.5%	6	X	77.8%			X	100%	X	100%
Director	Matteo Arpe		X	NO	37.5%	3	X	44.4%						
Director	Jean Azema		X	NO	12.5%	4								
Director	Tarak Ben Ammar		X	YES	87.5%	1					X	100%		
Director	Gilberto Benetton		X	NO	87.5%	9								
Director	Antonie Bernheim		X	NO	75%	9								
Director	Vincent Bolloré		X	NO	100%	11	X	100%	X	100%				
Director	Carlo Buora		X	NO	87.5%	6	X	88.9%	X	100%				
Director	Giancarlo Cerutti		X	NO	87.5%	5								
Director	Roberto Colaninno		X	YES	100%	5								
Director	Ennio Doris		X	NO	50%	4								
Director	Gianluigi Gabetti		X	NO	100%	2								
Director	Berardino Libonati		X	YES	75%	3			X	100%	X	100%		
Director	Jonella Ligresti		X	NO	75%	5								
Director	Fabrizio Palenzona		X	YES	100%	4	X	100%	X	75%	X	100%		
Director	Carlo Pesenti		X	NO	62.5%	6								
Director	Alessandro Profumo		X	NO	50%	9								
Director	Eric Strutz		X	NO	75%	4	X	77.8%						

NO. OF MEETINGS HELD DURING THE YEAR

Board of Directors:	8	Executive Committee:	9	Internal Control Committee:	4	Remuneration Committee:	1	Appointments Committee:	6
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NOTES

** Indicates number of positions as Director or Statutory Auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere, in financial service companies, banks and insurances, or large corporates. Details are provided in full in the Directors' statement on corporate governance.

*** "X" indicates that a Director is also a member of the Executive Committee.

**** Percentage indicates Directors' attendance record at BoD and Executive Committee meetings.

§ Refers to percentage of term already served.

* Resigned with effect from 14 September 2006, replaced by Dieter RAMPL.

Table 2: STATUTORY AUDIT COMMITTEE

Post	Name	Percentage attendance record	No. of other posts held**
Chairman	Angelo CASO'	100%	4
Standing auditor	Mario Andrea ARBUFFO	100%	—
Standing auditor	Eugenio PINTO	75%	2
Alternate auditor	Guido CROCI	—	
Alternate auditor	Antonio IZZI	—	
Alternate auditor	Alessandro Ludovico TROTTER	—	

No. of meetings held during the year:	8
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Quorum required for minority shareholders to submit lists of candidates for election as Standing or Alternate Auditors:	aggregate holding of not less than 3% of the Bank's share capital
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** Indicates number of positions as Director or Statutory Auditor held by the person concerned in companies listed on regulated markets in Italy.

Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES

	YES	NO	Reasons for any departures from Code provisions/ Other information
Power to represent Bank and related party disclosure			
Has the Board authorized parties to represent the Bank and laid down:			
a) limits	X		
b) methods for exercise of such power	X		
c) reporting requirements?	X		
Has the Board reserved for itself the right to inspect and approve all major financial transactions including those with related parties?	X		
Has the Board set guidelines and established criteria for identifying “significant” transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
Procedures for most recent appointment of Directors and Statutory Auditors			
Were candidates’ applications for the post of Director lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they also accompanied by statements regarding the candidates’ eligibility to stand as independent Directors?	X		
Were candidates’ applications for the post of Statutory Auditor lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
General meetings			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the Company’s Articles of Association
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report of where they may be obtained or downloaded?		X	
Internal control			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control pursuant to Article 9.3 of the Code	X		Internal audit
Investor relations			
Has the company appointed a head of investor relations?	X		
If so, what are the head of the IR unit’s contact details?	Jessica Spina Tel. no.: 0039-02-8829.860 Fax no.: 0039-02-8829.819 e-mail: investor.relations@mediobanca.it		

Annex - Posts held in other companies by Directors of Mediobanca

Name	Position held in Mediobanca	Positions held in other companies
Gabriele GALATERI di GENOLA	Chairman and member of Executive Committee	Deputy Chairman Assicurazioni Generali Deputy Chairman RCS MediaGroup Director Pirelli & C. Director Italmobiliare Director Banca Cassa di Risparmio di Savigliano Member of Supervisory Board Accor Director San Faustin Director Banca Esperia Director Fiera di Genova
Cesare GERONZI	Deputy Chairman and member of Executive Committee	Chairman Capitalia
Dieter RAMPL*	Deputy Chairman and member of Executive Committee	Chairman UniCredito Italiano Chairman of Supervisory Board Koenig & Bauer Chairman of Supervisory Board Bayerische Börse Member of Supervisory Board FC Bayern München Non-executive Director Babcock and Brown
Matteo ARPE	Director member of Executive Committee	Managing Director Capitalia Director MCC Director Banca di Roma
Jean AZEMA	Director	General Manager Groupama Director Société Générale Director Bolloré Investissement Director Véolia Environnement
Tarak BEN AMMAR	Director	Chairman and General Manager Quinta Communications
Gilberto BENETTON	Director	Chairman Edizione Holding Chairman Autogrill Deputy Chairman Telecom Italia Director Autostrade Director Benetton Group Director Pirelli & C. Deputy Chairman Olimpia Director Aldeasa Director Lloyd Adriatico
Antoine BERNHEIM	Director	Chairman Assicurazioni Generali Deputy Chairman Alleanza Assicurazioni Deputy Chairman LVMH Deputy Chairman Bolloré Investissement Director AMB Generali Holding Director Banca Intesa Director Ciments Français Director Christian Dior Member of Supervisory Board Eurazeo

* Replaced Carlo Salvatori, who resigned with effect from 14 September 2006.

Name	Position held in Mediobanca	Positions held in other companies
Vincent BOLLORE'	Director member of Executive Committee	Chairman Direttore Generale Bolloré Chairman Bolloré Investissement Chairman Direttore Generale Bolloré Participations Chairman Bolloré Media Chairman Financière de l'Odet Chairman Havas Chairman Direct Soir Director Natexis Banques Populaires Director Financière Moncey Director Chemins de Fer et Tramways du Var et Du Gard Director Industrielle et Financiere De l'Artois
Carlo BUORA	Director member of Executive Committee	Managing Director Pirelli & C. Managing Director Telecom Italia Director Pirelli & C. Real Estate Director Olimpia Director RCS MediaGroup Director Riunione Adriatica di Sicurtà - RAS
Giancarlo CERUTTI	Director	Managing Director Officine Meccaniche Giovanni Cerutti Director Toro Assicurazioni Director Il Sole 24 Ore Director Hachette Rusconi Editore Director Fondazione Cassa di Risparmio di Alessandria
Roberto COLANINNO	Director	Chairman Omniaholding Chairman Immsi Chairman Piaggio & C. Chairman RCN Finanziaria Director Capitalia
Ennio DORIS	Director	Managing Director Mediolanum Chairman Banca Mediolanum Managing Director Mediolanum Assicurazioni Director Banca Esperia
Gianluigi GABETTI	Director	Chairman IFI Chairman IFIL Investments
Berardino LIBONATI	Director	Chairman Banca di Roma Chairman Swiss Re Italia Director Pirelli & C.

Name	Position held in Mediobanca	Positions held in other companies
Jonella LIGRESTI	Director	Chairman Fondiaria - Sai Director Milano Assicurazioni Deputy Chairman Premafin Finanziaria Director Capitalia Director RCS MediaGroup
Fabrizio PALENZONA	Director member of Executive Committee	Deputy Chairman UniCredito Italiano Chairman Commercial Union Italia Director Fondazione Cassa di Risparmio di Alessandria Chairman Sisal
Carlo PESENTI	Director	Director and General Manager Italmobiliare Managing Director Italcementi Director Ciments Français Director RCS MediaGroup Director UniCredito Italiano Director BPU Banca
Alessandro PROFUMO	Director	Managing Director UniCredito Italiano Chairman UniCredit Banca Mobiliare Director UniCredit Banca Director UniCredit Banca d'Impresa Director UniCredit Private Banking Director Olimpia Member of Supervisory Board Deutsche Borse Chairman of Supervisory Board HVB Chairman of Supervisory Board BA-CA
Eric STRUTZ	Director member of Executive Committee	Member of Board of Managing Directors Commerzbank Member of Supervisory Board Commerzbank International Member of Supervisory Board Comdirect Bank Member of Supervisory Board ABB

**RESOLUTIONS PASSED BY SHAREHOLDERS
IN ANNUAL GENERAL MEETING
HELD ON 28 OCTOBER 2006**

At an Annual General Meeting held on 28 October 2006 at the Bank's head office, shareholders of Mediobanca passed resolutions to:

- adopt the Bank's accounts for the year ended 30 June 2006 and the Board of Directors' Review of Operations;
- allocate €1,892,825 to the Legal reserve and €47,540,568.25 to the Statutory reserve;
- pay a dividend of €0.58 per share on the 815,521,665 shares in issue, by withdrawing €34,374,778.32 from the Statutory reserve;
- reappoint Matteo ARPE, Jean AZEMA, Tarak Ben AMMAR, Vincent BOLLORE', Ennio DORIS, Gabriele GALATERI di GENOLA and Dieter RAMPL as Directors, for a term of three years to expire upon the occasion of the Annual General Meeting held to adopt the accounts for the year ended 30 June 2009;
- elect the following Statutory Auditors for a term of three years to expire upon the occasion of the Annual General Meeting held to adopt the accounts for the year ended 30 June 2009: Angelo CASO', as Committee Chairman, Eugenio PINTO and Alessandro TROTTER as Standing Auditors, and Roberto BIANCO, Guido CROCI and Antonio IZZI as Alternate Auditors; and to fix the annual remuneration due to them in an amount of €155,000, €65,000 of which shall be payable to the Chairman, and €45,000 to the two Standing Auditors;
- extend the mandate issued to Reconta Ernst & Young S.p.A. to audit Mediobanca's consolidated and statutory financial statements, interim accounts, perform other duties prescribed under Article 155 of Italian Legislative Decree 58/98, and carry out the requisite audit activity with respect to signing the Bank's tax declarations, for a term of three years to expire upon the occasion of the Annual General Meeting held to adopt the accounts for the year ended 30 June 2009.

**BALANCE SHEET
AND
FUND ALLOCATION ANALYSES**

**BALANCE SHEET ANALYSIS
ASSETS**

As at 30 June	Liquid assets	Bills discounted advances, repurchase and forward transactions, and loans	Investment securities (excluding investments in Group undertakings)	Investments in Group undertakings	Investments in consortium companies	Property	Furniture, equipment and intangible assets	Other assets	Total assets	Contra accounts	GRAND TOTAL
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	198	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	163,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,222,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	8,796,562	12,521,995	2,647,557	118,731	—	23,800	13,810	1,964,690	26,087,145	79,162,015	105,249,160
2004	8,427,864	13,324,382	2,591,198	396,476	—	25,479	14,171	2,188,463	26,968,033	84,319,470	111,287,503
2005	6,538,471	13,993,593	2,719,006	490,219	—	26,255	14,730	2,032,674	25,816,948	81,192,618	107,009,566
2006	8,790,079	15,823,797	2,845,923	457,429	—	27,214	17,252	1,835,453	29,797,147	157,987,333	187,784,480

**BALANCE SHEET ANALYSIS
LIABILITIES**

As at 30 June	Shareholders' equity										GRAND TOTAL						
	Share capital	Reserves, provi- sions qualifying as reserves ¹ and retained earnings	TOTAL	Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for write-downs in investments	Time deposits and current accounts	Debt securities	Due to banks and EBF funds		Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts
1947	516	—	516	—	—	—	—	1,448	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	—	2,729	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	—	5,746	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	791	215	18,347	8,841	27,188
1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	1,764	277	40,058	12,272	52,330
1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	11,326	19,589	—	—	—	—	534,360	—	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	13,500	21,763	—	—	—	—	726,356	—	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	8,263	16,462	24,725	—	—	—	—	839,113	—	—	—	—	71,605	1,195	985,126	248,839	1,233,965
1973	11,569	19,698	31,267	—	—	—	—	1,065,511	—	—	—	—	1,019,696	1,852	1,019,696	317,492	1,337,188
1974	11,569	24,879	36,448	—	—	—	—	1,171,053	—	—	—	—	1,539,960	2,211	1,863,552	283,551	2,147,103
1975	16,527	33,840	50,367	—	—	—	—	1,531,093	—	—	—	—	179,651	2,978	2,200,553	270,792	2,471,345
1976	16,527	41,766	58,293	—	—	—	—	1,622,873	—	—	—	—	200,944	3,615	2,529,620	266,527	2,796,147
1977	20,658	58,793	79,451	—	—	—	—	1,842,966	—	—	—	—	221,321	4,441	2,294,343	260,533	2,554,876
1978	26,856	67,217	94,073	—	—	—	—	2,390,742	—	—	—	—	284,740	44,699	2,933,620	618,841	3,552,461
1979	43,382	83,667	127,049	—	—	—	—	2,753,902	—	—	—	—	361,5	58,360	3,541,695	714,778	4,256,473
1980	43,382	107,496	150,878	—	—	—	—	3,445,663	—	—	—	—	408,8	67,008	4,040,142	575,962	4,616,104
1981	52,679	139,245	191,924	—	—	—	—	4,173	—	—	—	—	444,441	700	4,356,642	650,010	5,006,652
1982	70,238	167,753	237,991	—	—	—	—	4,679,784	—	—	—	—	455,885	89,265	5,792,541	1,575,268	7,367,809
1983	70,238	186,693	256,931	—	—	—	—	5,029,104	—	—	—	—	476,621	83,860	6,539,082	1,031,762	7,570,844
1984	87,798	269,265	357,063	—	—	—	—	5,489,100	—	—	—	—	536,812	62,256	6,911,008	1,827,254	8,738,262
1985	87,798	321,361	409,159	—	—	—	—	6,393,007	—	—	—	—	564,478	103,359	7,788,032	1,532,042	9,320,074
1986	87,798	416,625	504,423	—	—	—	—	7,529,176	—	—	—	—	601,3	135,361	8,974,896	4,974,896	13,949,792
1987	87,798	533,608	621,406	—	—	—	—	8,097,985	—	—	—	—	672,7	111,528	9,790,837	2,438,501	12,249,338
1988	105,357	609,693	715,050	—	—	—	—	9,482,396	—	—	—	—	744	80,100	10,616,006	1,914,503	12,530,509
1989	105,357	684,026	789,383	—	—	—	—	10,296,779	—	—	—	—	866,944	71,821	11,313,087	4,974,896	16,287,983
1990	175,595	1,037,632	1,213,227	—	—	—	—	11,096,146	—	—	—	—	943,651	113,829	12,530,509	2,438,501	14,969,010
1991	175,595	1,142,463	1,318,058	—	—	—	—	12,606	—	—	—	—	1,031,762	119,868	14,934,045	3,103,192	18,037,237
1992	175,595	1,252,575	1,428,170	—	—	—	—	14,173	—	—	—	—	1,171,361	129,561	15,642,252	4,114,659	19,756,911
1993	175,595	1,418,593	1,594,188	—	—	—	—	15,652	—	—	—	—	1,455,901	113,478	17,208,155	24,883,375	46,839,036
1994	245,833	1,983,409	2,229,242	—	—	—	—	16,432,396	—	—	—	—	1,711,361	113,478	18,149,822	33,863,092	56,123,870
1995	245,833	2,070,559	2,316,392	—	—	—	—	17,787,176	—	—	—	—	1,827,254	126,413	19,614,428	43,236,774	66,758,886
1996	245,833	2,152,495	2,398,328	—	—	—	—	18,441,434	—	—	—	—	1,927,254	151,261	20,368,688	46,827,877	71,254,286
1997	245,833	2,252,872	2,498,705	—	—	—	—	19,297,074	—	—	—	—	2,047,681	146,465	21,344,765	50,916,657	78,103,822
1998	295,059	2,972,222	3,267,281	—	—	—	—	20,286,779	—	—	—	—	2,144,434	147,563	22,431,213	59,162,015	105,248,980
1999	295,059	3,100,762	3,396,128	—	—	—	—	21,173,044	—	—	—	—	2,283,081	117,646	23,456,124	64,827,877	111,287,503
2000	307,780	3,317,037	3,624,817	—	—	—	—	22,077,852	—	—	—	—	2,446,155	117,646	24,523,997	79,162,015	105,248,980
2001	331,650	3,743,506	4,075,156	—	—	—	—	23,072,363	—	—	—	—	2,667,461	13,153	25,739,824	84,319,470	111,287,503
2002	389,265	4,069,354	4,458,619	—	—	—	—	24,082,082	—	—	—	—	2,828,314	13,917	26,910,396	81,192,618	107,009,566
2003	389,275	4,114,735	4,504,010	—	—	—	—	24,663,091	—	—	—	—	2,944	14,730	27,607,741	84,319,470	111,287,503
2004	389,291	3,993,794	4,383,085	—	—	—	—	25,131,993	—	—	—	—	3,069,781	14,730	28,201,774	84,319,470	111,287,503
2005	397,478	4,130,486	4,527,964	—	—	—	—	25,663,093	—	—	—	—	3,171,361	14,730	28,834,424	84,319,470	111,287,503
2006	405,999	4,346,447	4,752,446	—	—	—	—	26,197,603	—	—	—	—	3,283,081	14,730	29,480,684	84,319,470	111,287,503

* Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

¹ Taken to Reserve.

² Of which € 3.6m taken to Reserve.

³ Of which € 12.5m taken to Reserve and the balance to write down the book value of securities.

FUND ALLOCATION ANALYSIS
APPROPRIATION OF NET PROFIT

For years ended 30 June	Gross profit for year	Allocation to credit risks provision	Net profit	Amount taken to Reserve	Amount taken to Special Reserve ¹	Writedowns in securities and investments, depreciation on furniture and equipment, and amortization of discounts on bonds issued	Total dividend paid	Percent dividend paid	Directors' remuneration ²	Increase (decrease) in retained earnings
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 ³	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	—
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7.50	3	5
1957	323	—	323	77	—	52	194	7.50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	11	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	109	413	8	8	(8)
1962	1,004	—	1,004	413	—	116	465	9	9	(3)
1963	1,025	310	715	103	—	142	465	9	1	(4)
1964	1,289	516	773	103	—	90	558	9	12	(4)
1965	1,370	594	776	155	—	5	604	9	12	10
1966	1,644	723	921	181	—	—	723	10	14	—
1967	1,911	955	956	207	—	5	723	10	14	3
1968	2,219	1,162	1,057	258	—	—	723	10	15	6
1969	2,873	1,420	1,453	516	—	—	775	10	16	8
1970	2,976	1,808	1,168	258	—	—	909	11	19	9
1971	3,652	1,937	1,715	258	—	5	909	11	18	(22)
1972	3,390	2,195	1,195	258	—	537	909	11	19	(8)
1973	4,822	2,970	1,852	387	—	—	909	11	19	9
1974	6,988	4,777	2,211	511	—	155	1,273	11	26	11
1975	11,112	8,134	2,978	775	—	395	1,273	11	26	6
1976	17,077	6,972	10,105	1,808	4,132	155	1,983	12	41	24
1977	22,549	7,876	14,673	5,165	178	2,109	1,983	12	41	32
1978	25,034	9,296	15,738	6,197	6,197	6,059	3,223	12	66	(18)
1979	29,346	12,911	16,435	7,747	—	98	3,223	12	65	(42)
1980	33,728	15,494	18,234	7,747	3,099	2,489	6,074	14	124	1
1981	67,940	23,241	44,699	17,043	17,560	1,214	6,074	14	123	(23)
1982	29,720	10,423	19,297	7,747	—	2,571	7,375	14	150	—
1983	52,450	13,658	38,792	10,329	17,560	1,498	9,833	14	201	18
1984	60,560	16,119	44,441	27,372	—	878	9,833	14	200	(8)
1985	87,848	20,840	67,008	51,646	—	3,476	13,170	15	272	151
1986	124,380	35,115	89,265	67,139	—	—	14,926	17	307	129
1987	89,906	31,546	58,360	40,800	—	4,080	17,560	20	361	125
1988	84,324	22,068	62,256	40,800	—	—	17,560	20	351	(351)
1989	110,642	26,782	83,860	38,734	—	—	21,071	20	429	(44)
1990	153,577	33,709	119,868	83,912	—	16,649	28,095	20	311	71
1991	147,192	33,363	113,829	59,450	—	339	35,119	20	454	44
1992	171,152	35,791	135,361	99,852	—	18,666	35,119	20	456	138
1993	141,654	38,295	103,359	64,041	—	—	35,119	20	452	(62)
1994	154,910	43,382	111,528	61,975	—	—	38,631	20	528	159
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	733	(347)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	740	(20)
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	742	97
1998	191,858	62,297	129,561	62,090	—	—	49,167	20	739	(34)
1999	175,711	62,233	113,478	45,914	—	—	66,401	22.50	1,091	(20)
2000	198,407	71,994	126,413	47,898	—	—	66,460	22.50	1,093	11
2001	233,894	82,633	151,261	49,913	—	—	77,230	25	1,312	(27)
2002	204,646	87,000	117,646	265	—	—	99,522	30	1,769	57
2003	30,973	45,000	(14,027) ⁴	(154,166) ⁴	—	—	116,782	30	618	(19)
2004	460,563	33,000	427,563	111,201	—	—	140,139	36	—	(81)
2005	440,054	—	440,054	51,416	—	—	382,365	96	4,827	—
2006	494,334	—	494,334	15,058	—	—	473,003	116	6,273	—

¹ Allocations to Special Reserve were used to fund bonus issues of € 4.1m in October 1976, € 6.2m (together with € 6,019,000 from the Revaluation Reserve) in October 1977, € 6.2m in October 1978, € 3.1m in October 1980, € 17.6m in October 1981 and € 17.6m in October 1983.
² Plus fixed fee of € 258,000 as from 30/6/89 and € 1.5m as of 30/6/02.
³ Of which € 15,000 to absorb prior year loss.
⁴ Of which € 14,027,000 to cover loss for the year, and € 140,139,000 for payment of dividend.